

Cooperative Movement in Agricultural sector- Challenges and Opportunities.

ICPAK Presentation,
Sawela Lodge, Naivasha, 14/7/2016

By

Dr. Frederick K. Chelule (Ph.D; D.Min)

Senior Consultant

Introductory Statement

UN Secretary-General Ban Ki-moon

- "Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility."

Basic Facts on Cooperatives

1. A Co-operative

“is an autonomous association of persons united voluntarily to meet their economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”

- Legally incorporated enterprise/business
- Owned & democratically controlled by people seeking to satisfy a common need for service or goods.
- autonomous union of people who voluntary join together in order to fulfil certain economic, cultural and social needs by establishment of a common and democratically governed enterprise (Brzozowski 1998);

Basic Facts on Cooperatives

- Structure can address both social & economic goals to improve the quality of life for members and the community at large
- Co-op model can be applied to any community economic venture or social activity (i.e. agriculture, fisheries, health care, eco-tourism, schools,etc),

Basic Facts on Cooperatives

- **Cooperative movement:** aim at achieving certain economic goals by less powerful (/poor) economic groups, based on cooperation and reciprocal aid;- Cooperation must be **conscious, voluntary and based mainly on resources of the associated** – self-aid and self organisation principles (Brzozowski 1998);
- Cooperatives may contribute towards more rational use of means of production (e.g. shared machinery) and more rational production methods (e.g. diffusion of knowledge), creation of employment, development of the whole local community and marketing of agricultural produce inter alia.

Basic Facts on Cooperatives

2. Community Development

“the collective process by which residents and communities become responsible for, organize for, empower themselves, plan for and achieve sustainable social, economic, and environmental development and a substantially self-directed future.” In essence cooperatives is a strong force in community development process.

- Focused on the sustainability of the cultural, economic and social well being of communities
- Seeks to empower people to participate in the future of their community
- Encourages collective action to improve the quality of life for community residents

Basic Facts on Cooperatives

3. Community Economic Development

“is a process which focuses on wealth creation, job creation, value-added activities, business and co-operative development, and enhanced viability for the community, the region and the province.”

- Enables communities to improve and solidify local economies
- Based on collective action and integration social, cultural & environmental aspects of community life
- Primarily driven by social and economic goals
- Seeks to build human resource capacity in all dimensions.

Cooperative Principles

Open and Voluntary Membership

Co-operatives membership is open to anyone who can utilize its services and accept the responsibilities of membership.

Democratic Member Control

One member, one vote

Member Economic Participation

Members provide equity to the cooperative for the purchase of inventory and equipment, payment of operational costs, etc. Any profit may be re-invested or paid back to members

Cooperative Principles

Autonomy and Independence

Cooperatives are controlled by members. If we enter into agreements with other organizations or governments, we do so in a manner that ensures control by members.

Education, Training & Information

We provide education for members, employees and board members so that they can contribute to our co-op's development. We educate our community about co-ops and cooperative principles.

Cooperative Principles

Cooperation Among Cooperatives

We work to strengthen the cooperative movement through working with other cooperatives in local, regional, national and international structures.

Concern for Community

We have an active role to play in the local community in building thriving, sustainable relationships between members, the local community, and the environment.

Cooperatives and Community development

Shared Principles & Values

Both co-operatives & community development agencies share the following principles & values:

- **A “bottom up” approach to development**
 - Ensures community engagement in planning and implementation of initiatives
 - Encourages collective action
- **Community engagement and control**
 - Elects local boards of directors to ensure democratic governance
 - Public consultation a norm

Cooperatives and Community development

Shared Principles & Values

- **Building community capacity**
 - Provides training & experiential learning activities for local volunteers
 - Creates networks of skilled and committed people

What Co-ops Bring to the Community

Development Process

- An alternative business model which is:
 - An extension of community development principles into the business sector
 - A tool that can deliver community identified service requirements
 - A model that facilitates community ownership of business enterprises
 - A mechanism for generating community investment
 - A model that identifies well with community spirit, - of sharing, and caring and supporting each other in fight against all forms of sufferings(social and economic).

Unique characteristics of cooperatives

The unique characteristics of cooperatives relative to other (investor-oriented) businesses:

- Cooperatives are owned and democratically controlled by their members (i.e., those that use the cooperative's services or buy its goods) and not by outside investors. Members elect their board of directors from their ranks. Major policy decisions are based on the one-member, one-vote principle, regardless of each member's investment in the cooperative.

Unique characteristics of cooperatives

- Cooperatives return surplus income (revenue over expenses and investment) to members in proportion to their use or patronage of the cooperative, and not proportionate to their investment or ownership share.
- Cooperatives are motivated not by profit, but by providing a service to satisfy members' requirements for affordable and quality goods or services.

Unique characteristics of cooperatives

- Cooperatives exist solely to serve their members.
- Cooperatives pay taxes on income retained for investment and reserves. Surplus revenues are returned, according to patronage, to individual members who pay taxes on that income.

Why Cooperatives are formed

- Cooperatives are formed by their members when the marketplace fails to
- provide needed goods and services at affordable prices and acceptable quality.
- Cooperatives empower people to improve their quality of life and enhance their economic opportunities through self-help.
- They are being formed: to strengthen bargaining power; maintain access to competitive markets; capitalize on new market opportunities; obtain needed products and services on a competitive basis; improve income opportunities;

Why Cooperatives are formed

- reduce costs; and manage risk. Essentially, then, farmers form cooperatives with the objective to generate greater profits, (1) by obtaining inputs and services at lower costs than they could obtain elsewhere or individually or that are not available, and (2) by marketing their products at better prices or in markets that were previously not accessible (Barton, 2000).

Why Cooperatives are formed

- The various cooperative types provide members with diverse products and services, including financial services, equipment and farm supplies, marketing of agricultural products, consumer goods, utilities (e.g., electricity, telephone), housing, and other services (e.g., insurance) inter alia.

Why Cooperatives are formed

- In general, agricultural cooperatives can be classified into **three broad categories** according to their main activity, namely **marketing cooperatives** (which may bargain for better prices, handle, process or manufacture, and sell farm products), **farm supply cooperatives** (which may purchase in volume, manufacture, process or formulate, and distribute farm supplies and inputs such as seed, fertilizer, feed, chemicals, petroleum products, farm equipment, hardware, and building supplies), and **service cooperatives** (which provide services such as trucking, storage, ginning, grinding, drying, artificial insemination, irrigation, credit, utilities, and insurance) (Cropp & Ingalsbe, 1989).

Agricultural Cooperatives -Challenges

a. Government Interference:

- Right from the beginning the government has adopted an attitude of patronizing the movement. Cooperative institutions are treated as if these were part and parcel of the administrative set up of the government. The govt interference thus became an essential elements in the working of these institutions. As a result people's enthusiasm for the movement does not grow as expected.

The cooperative movement should be become full-fledged people movement.

Agricultural Cooperatives -Challenges

b. Mismanagement and manipulation :

- The essence of the cooperative movement is that it gives the farmers the status of shareholders and assures them agricultural, educational and medical facilities.
- The strength of the movement is the involvement of the farmers who as shareholders regardless of the size of their holdings.

Agricultural Cooperatives -Challenges

- But over the years, this truly democratic idea got corrupted and farmers with larger holding grow more powerful often altering the power structure of the cooperatives. In the elections to the governing bodies of the sugar, coffee and dairy factories, money became such a powerful tool that the top posts of chairman and vice-chairman usually went to the richest farmers even though the majority of members were farmers with small- or medium-sized holdings.

Agricultural Cooperatives -Challenges

c. Lack of Awareness:

- People are not well informed about the objectives of the movement, the contributions it can make in rebuilding the society and the rules and regulations of cooperative institutions.
- Lack of education, dirty politics of the members, poor elections to the offices of cooperative societies, bureaucratic attitudes of the govt officers at the lower rank are some of the hurdles in spreading the correct information about the cooperative movement and in educating the people about its true character and vital role in the society

Agricultural Cooperatives -Challenges

d. Restricted Coverage:

- The cooperative movement has also suffered on account of two important limitations on its working. One is that the size of these societies has been very small.
- Most of these societies are confined to a few members and their operations extended to only one or two villages. As a result their resources remain limited, which I make it impossible for them to expand their means and extend their area of operations .
- Most of the societies have been single purpose societies which make them unable to take a total view of the persons seeking help, nor can they analyze and solve problems from different angles.. the help these societies render thus can not be adequate.. Under these circumstances it has not been possible for these societies to make much progress.

Agricultural Cooperatives -Challenges

e. Functional Weakness:

- The cooperative movement has suffered from inadequacy of trained personnel right from its inception. Lack of trained personnel has been caused by two major factors. In the first
- place, there has been a lack of institutions for this purpose of training personnel until recently.
- Secondly because of its unsatisfactory working of cooperative institutions, efficient and qualified personnel do not feel attracted or motivated towards them.

Agricultural Cooperatives -Challenges

- Other weaknesses are, taking no care of the need of credit seekers or their repaying capacity at the time of granting loans, making no adequate provision for the return of loans, unsatisfactory keeping of accounts, factional politics in its management, lack of coordination among various divisions of the cooperative structure, too much dependence on outside sources of finance, lack of adequate auditing, Poor infrastructure, lack of quality management, overdependence on government, dormant membership, non-conduct of elections, lack of strong human resources policy, neglect of professionalism, unique governance structures etc.. Such weaknesses have prevented them from progressing on healthy lines.

Agricultural Cooperatives -Challenges

F. Free-rider problem

- This occurs whenever a cooperative provides its members with collective goods and services characterized by de facto unfeasibility of exclusion.

G. Horizon problem

Vitaliano (1983), states that ‘the implication of horizon problems for the performance of a cooperative organization is that residual claimants can capture the benefits of investment decision only over the time horizons of their expected membership in the organization’

Opportunities in agricultural Cooperatives

- **An existing enabling legal environment that creates economic conditions favourable to profitability, and a regulatory system favourable to business success provided by government watch on cooperatives.**
- **Availability of trained Capable manpower which can offer good governance and provide ability to adapt to prevailing business conditions. With this Cooperatives can develop professional management, be democratic, inclusive, fair, transparent and have strong leadership.**

Opportunities in agricultural Cooperatives

- Opportunity exists in collaboration with other cooperatives.
- Potential for multipurpose agricultural cooperatives.
- Kenya is basically an agricultural country hence has diverse avenues to form and improve agro-based cooperatives
- Agricultural sector produces basic life commodities hence its market can never be depleted.
- Agricultural activities are highly diverse ,and each can be used to develop vibrant cooperative.

END

- Long live the Co-operative Movement ,for through it lives have been transformed globally.

Thank you and God bless you all