

A Systematic Review of Literature

Policies and Initiatives Stimulating Network Structures and Facilitating Smallholder Market Access in South Africa

An Overview

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Outline

- » Objectives & approach of literature review
- » Selected case studies
- » General conclusions

Objectives

Literature review set out to:

- † Review the key government policies, private sector and civil society initiatives that led to or stimulated network structures that facilitated market access.
- † Identify lessons learned: where have they worked or not and what are the lessons from these structures/initiatives.
- † Develop a timeline listing key government policies, private sector and civil society initiatives to develop and promote network structures to facilitate smallholder market access.

Methodology

- A systematic literature review method was used.
- This refers to a type of review that seeks to widely ascertain all relevant research studies conducted and published to date in order to analyse a particular research problem and determine the soundness of each of the research studies when ultimately reaching the conclusions.
- Search criteria (key words) were used.
- Four bibliographic databases were considered: SCOPUS, Science Direct, Web of Science, and Taylor and Francis Journals.
- A Google search was undertaken up to the fourth page of results to gauge grey literature.
- Acknowledging limits of such an approach, further outreach to key respondents was undertaken: unpublished research not readily available.
- Final product will be a balance between the two approaches. Different analysis possible from this meta-collection.

Overview of Results

- 51 peer reviewed journal articles were included – 36 international studies and 15 SA studies
- Identified 9 additional SA studies from grey literature
- Exploration of references - additional 5 SA studies
- Key respondents continue to build collection - PLAAS, UP, FARM-NET

Ortmann and King
Agricultural Cooperatives I: History, Theory and Problems
Agrekon, Vol 46, No 1 (March 2007)

- Principles of cooperation:
 - voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education, training and information; cooperation among cooperatives; and concern for the community.
- Challenges (NIE analysis):
 - Free-rider, horizon, portfolio, control and influence cost problems caused by vaguely defined property rights

What do some key papers tell us?

- Reviews within papers indicate that while there are reported successes of agricultural co-operatives in other parts of the world (including other parts of SSA)...”South African efforts have not addressed smallholder farming constraints” (Dlamini, 2010).
- DAFF (2015) analysis of 1788 cooperatives (cooperatives database), there has been a steady increase in the annual incomes off cooperatives, from ZAR 63 million recorded in 2012 to 157 million in 2014, “signalling an increase in the access to the market by smallholders as a result of agricultural cooperatives”.
- Yet case studies (pre-2010) indicate that smallholder agriculture in South Africa is characterized by co-operatives that generally have not been successful (Ortman & King, 2007; van der Walt, 2008; Dlamini, 2010).

- Paper explores Wupperthal and Heiveld cooperatives which successfully penetrated international markets by supplying organically produced rooibos tea certified by the international Fairtrade system.
- NGOs facilitated the success of the projects by enabling Fairtrade certification and access to market in the Netherlands.
- But they built on local skills and social capital (trust)
- Some concerns that without support, the smallholder farmers would not be able to continue to negotiate deals with retailers in Europe.
- Illustrates how, given the right conditions, poor communities might participate successfully in global alternative food networks.

Collective Farming: Elements Constituting an Effective Agricultural Co-operative, The Case of
Three Co-operatives in the Umgungundlovu District
Master of Agriculture (Food Security), University of KwaZulu-Natal

- Three rural agricultural co-operatives in Umgungundlovu District Municipality selected (registered).
- As a result, the smallholder farmers in the cooperative could easily access government assistance.
- Collectively produced vegetables sharing input costs - overall decrease in costs due to economies of scale.
- Developed networks with others engaged in similar activities thus reducing market information asymmetries.
- Challenges encountered included clash of opinions, lack of commitment and dissatisfaction with shared tasks.
- Mobilising resources (land, extension, inputs), use of limited resources and inability to manage institutional arrangements rendered them “ineffective in achieving their set objectives”.

Collective Farming: Elements Constituting an Effective Agricultural Co-operative, The Case of
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- Different modest beginnings:
 - A sewing project with five members emerged as a co-operative through a co-operative programme of the Department of Finance and Economic Development.
 - A three member agric group registering as a formal registered structure facilitated by extension officer. As a result, more family members recruited.
 - A gardening project of three members engaged in farming collectively. Registration of co-operative motivated by an extension officer; members were informed about easy access to government assistance when farming as a co-operative.
- The extent of demand for produce from the three co-operatives is similar. Sale of produce in bulk to the Housewives Market in Pietermaritzburg and Durban. Important sales to own communities.
- Direct marketing is the only strategy used to market produce. Approach potential markets, show samples of products, engage in formal negotiations and agreements, secure buyers and sign contracts. Co-operatives reported networking with other people who engage in similar activities as a crucial strategy for obtaining marketing related information such as prices and demand, especially organically produced vegetables.

Mkabhela (not dated)
National Agriculture Marketing Council, Pretoria

- Study investigated opportunities and challenges faced by smallholder farmers in high value markets:
 - red meat production in the Eastern Cape;
 - wool production in KwaZulu-Natal; and
 - wool production in the Eastern Cape.
- Eastern Cape Red Meat Project linked communal livestock farmers to markets - facilitated by CommMark Trust, ECI Africa, Provincial Agric.
- Established auction pens – provided market signals on prices, quality and type, pre-slaughter sales agreements (PnP, Shoprite), removed speculators
- Eastern Cape Livestock Project established three communal feedlots. Initiative driven by provincial Agriculture.
- Collaboration with other private sector, civil society and non-governmental organisations actors is needed for improved research and advisory services.

D'haese , Verbeke , Van Huylenbroeck , Kirsten & D'haese
New Institutional Arrangements for Rural Development: The Case of Local Woolgrowers'
Associations in the Transkei Area, South Africa
The Journal of Development Studies, 2007, 41:8, 1444-1466

- South African wool industry built shearing sheds, managed by a local association that sells directly to brokers.
- Through forming local wool marketing associations, wool farmers can decrease production, harvest, and post-harvest transport and transaction costs.
- Shearing sheds give the member of the association the chance to sell their wool directly on the wool auction.
- Without being a member of the local wool association, individual wool production is very small and hence marketing at the auction would be impossible on an individual basis.

GADZIKWA, LYNE & HENDRIKS

Horizontal coordination and free-riding in an organic certified smallholder group: an empirical study of the Ezemvelo Farmers' Organisation in KwaZulu-Natal, South Africa.

African Journal of Agricultural and Resource Economics, 2007 1(2): 129-144.

- Investigated institutional and contractual arrangements for the marketing of organic crops.
- The smallholder farmers gained from economies of scale
- Included reduction in certification and monitoring costs, since certification agencies only conduct sample inspections instead of individual farm inspections.
- Benefit of a guaranteed market would not be possible had the individual farmers operated in isolation.
- In future needed to secure information, transport, fencing and certification services for members, and better synchronise harvest and delivery dates. Negotiating price discounts for organic inputs and maintaining an office with tele-communications.
- However without full subsidisation of costs, such type of collective action may not continue to produce benefits for the individual smallholder farmers.

KIRSTEN & ROETS

Commercialisation of goat production in South Africa.

Small Ruminant Research 60(2): 2005: 187-196.

- Study on the potential to commercialise goat production.
- Results suggest that formation of co-operatives and contract growing are the “vehicles of choice” to commercialise the goat industry.
- Study found that small herd sizes increased the transaction costs for individual farmers and inputs required were prohibitively expensive.
- Kirsten & Roets argued that obstacles of transaction costs can be overcome through the collective action of goat farmer co-operatives.

Nganwa, Lyne, Ferrer

What will South Africa's new Cooperatives Act do for small producers? An analysis of three case studies in KwaZulu-Natal, Agrekon, Vol 49, No 1 (March 2010)

- Study analyses impact of Cooperative Act (14 of 2005) on promoting smallholder producers
- Formally registered co-ops investigated – poultry (Pmb), sugracane (N.Coast), peanuts (S.Coast).
- The major lesson has been the institutional problems faced by the cooperatives
- These include lack of investor confidence, lack of internal trust, free rider problems and unconstitutional rules (own rules to reward investors with capital gains)
- Set up to access government grants and assistance
- As a result poor members were shed, contrary to the pro-poor development objective of Act

Nganwa, Lyne, Ferrer

What will South Africa's new Cooperatives Act do for small producers? An analysis of three case studies in KwaZulu-Natal, *Agrekon*, Vol 49, No 1 (March 2010)

- Seems case studies support the concerns levelled by colleagues Ortmann and King:
 - the widespread debates on the future of cooperatives raise the question of whether conventional cooperatives are the appropriate organizational form that small-scale farmers in South Africa could use to facilitate access to input and product markets.

Concluding Comments

- Even with broadening review beyond systematic approach, there are limited case studies that give sufficient documented information to understand the effectiveness of agricultural co-operatives amongst rural resource-poor smallholder co-operatives in South Africa.
- The limits of co-operatives indicates the existence of constraints in smallholder farming and challenges that still need to be addressed.
- Such farmers face barriers to accessing resources, including credit and information, and access to (formal) markets often constrained by high transaction costs.

Concluding Comments

- Market constraints in the context of smallholder agriculture are mainly due to the characteristics of smallholders and the areas in which they are located.
- Implies limits around access to information and transportation of products.
- Dominant approach emphasises registration/ formalisation without engaging institutional issues - management, decision-making, etc
- Raises questions about state-led approach

Concluding Comments

- Effectiveness of agricultural co-operatives is influenced by factors within the control of the co-operative and some external to the co-operative.
- Thus need to identify strategies by farmers themselves and by institutions that support development of co-operatives.
- Government: ensure linkages with role players relevant in enabling co-operative development including input suppliers, NGOs, researchers and buyers.
- Farmers: efficient and effective management well equipped with entrepreneurship skills, networking skills, financial management skills and strong understanding of what management entails.

Thank you