

# THE ROLE OF COOPERATIVES IN AGRIBUSINESS SUSTAINABILITY

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# Brief background information

- The Cooperative movement in Malawi uses the three-tier. At the bottom are primary cooperatives, who feed into secondary cooperatives, then national cooperative organization or apex/umbrella bodies.
- Cooperatives cut across all sectors of the Malawi economy with agro-business cooperatives leading the pack at 70 percent, financial cooperatives follow at 10percent while others like bee-keeping, furniture, services (cleaning), mining take the remaining 20 percent.
- In total, there are over 920 registered cooperatives societies in Malawi.

# The status of cooperatives in Malawi (As of 2016/2017)

#	Cooperative Types	Status ( Number)
1	Malawi Federation of Cooperatives (Tertiary Cooperative)	1
2	Cooperative Unions (Secondary Cooperatives)	7
3	Agro-based Cooperative societies	459
4	Community Savings and Investment Promotion Cooperatives (COMSIP)	179
5	Savings and Credit Cooperatives (SACCO)	153
6	Livestock Cooperative societies	72
7	Honey Cooperative societies	17
8	Timber Cooperative societies	13
9	Mining Cooperative societies	11
10	Artisanal Cooperative societies	8
11	Fisheries Cooperative Societies	6
12	Others Cooperative societies	7
	<b>Total number of registered cooperatives</b>	<b>933</b>

## Note: Cooperative Status in Malawi.

- It should be noted that the cooperatives status given in the above slides, only focuses on the registered cooperatives. However, there are also other types of Farmer Organizations that are formed and operate just like the said cooperatives , only that they differ in their registration status. Such farmers organization are sometimes called **“Associations”**

# Historical Development of Cooperatives in Malawi

- The first agricultural cooperative was registered during the colonial era in 1947. As in many African countries, the cooperatives were established using a top-down approach during the era, and were used as instruments for colonial government policy.
- The post-independence one-party government carried along the colonial manipulation of the cooperative model for political reasons.
- A *Cooperative Development Policy (CDP)* was put in place during the multi-party era in June 1997 and is supported by the *Cooperative Societies Act(CSA)* of 1998.
- The goal of the policy was *to create an enabling environment that would encourage sustainable development of cooperatives with the ultimate aim of enhancing economic and social well-being of members.*

# Historical Development of Cooperatives in Malawi

- *A Financial Cooperative Act, 2010 (FCA, 2010)* was enacted in April 2011 for the oversight of financial cooperatives due to proliferation of savings & credit cooperatives (SACCOs).
- Recently, in 2018, Cooperative Development policy was reviewed alongside the development of Farmer Organizations Development Strategy.

# Cooperative Development in Malawi

- For the Government of Malawi, the role of cooperative development is to a large extent managed by the Cooperative Division under the Department of SMEs and Cooperatives in the Ministry of Industry, Trade and Tourism.
- However, other government Ministries especially Ministry of Agriculture, Irrigation and Water Development (MoAIWD) also play a pivotal role in cooperative development in liaison with the Ministry of Trade.
- Additionally, development partners and other stakeholders like the secondary and tertiary cooperatives also compliment the efforts of government in cooperative development.

# Cooperatives' Challenges in Malawi

- **Cooperatives in Malawi face a number of challenges. Some challenges include but not limited to the following,**
  - Inadequate policy,
  - Legal and institutional frameworks- weak regulation and supervision of cooperatives,
  - Top-down approach to establishing cooperatives.
  - Ineffective marketing systems,
  - Fragmented value chains and supporting infrastructure,
  - Poor governance,
  - Limited cooperative shareholding and capital,
  - Limited access to credit; and lack of cooperative development skills, minimum integration amongst cooperatives.
  - Collectively, these problems have resulted into a slow MSME growth and formalisation process, their inability to meet demand and quality standards; and few opportunities to export.

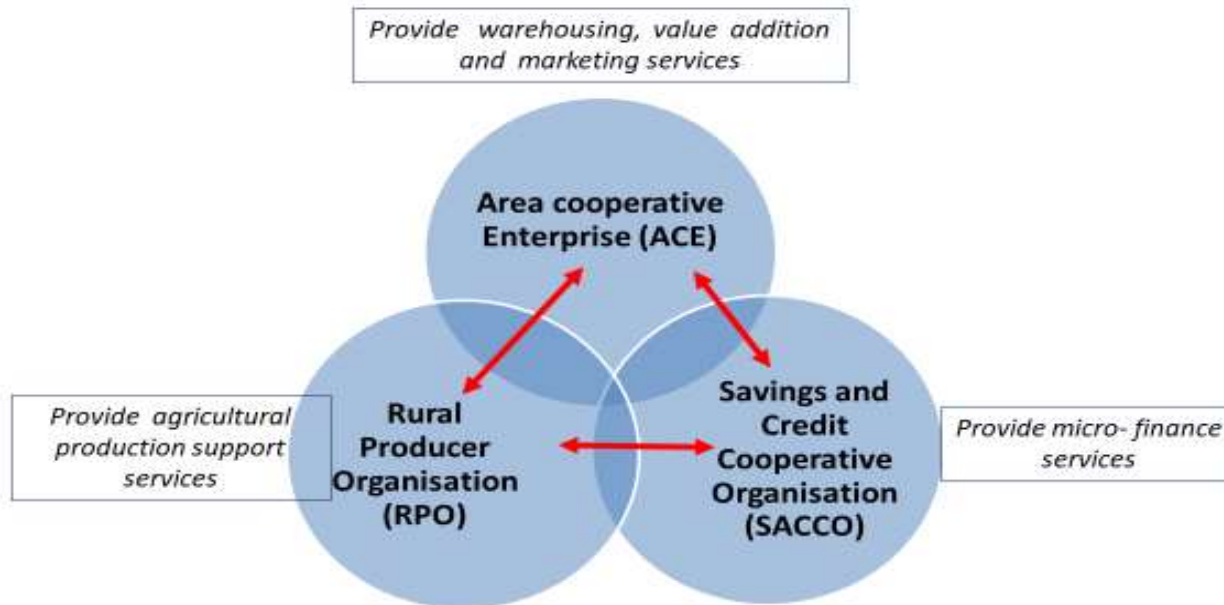


# Integrated Cooperative Business Model

- This one of the innovations in cooperative development by The Cooperative Development Foundation of Canadian (CDF) through its 4 year (2016 to 2020) project in Malawi called , INVEST-Coop i.e ( Increasing Wealthy and Food Security Through Integrated Cooperative Business Model.
- The model works with farmer cooperatives and associations, Village Savings and Loans Associations (VSLAs), as well as Savings and Credit Cooperatives (SACCOs) to address farmer constraints through the lateral and vertical integration of agriculture production, finance and marketing through cooperatives.
- The farmer associations, cooperatives and VSLA's are strengthened to form producer coops and SACCOs respectively, to handle production and financial services.
- This approach differs from usual cooperative formation as a means to deliver training and inputs by building secondary institutions for storage, marketing and processing (marketing cooperatives), as well as by giving farmers direct access to financial services through savings and credit co-operatives (SACCO) that they control.

# Graphic illustration of the model

## The three pillars of cooperation within ICM



NB. The inter-linkage implies all serve the members of the same community

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# Key Features of the Model

- The key features of the model is that agriculture cooperatives/producer coops are gradually forming marketing cooperatives to act as brokers on commission rather than buying production from farmers.
- This relieves financial constraints of the marketing cooperatives as they do not need to buy the production themselves and building redundancy into the system because in order to cover their own costs, the marketing cooperative needs to bargain well on behalf of their members and make contacts with numerous buyers.
- This exposes the farmers to more buyers, automatically introducing competition to the market. Returns to farmers are increased when marketing cooperatives do not need to offset their financing costs in purchasing production.

# KEY ROLES OF COOPERATIVES IN AGRIBUSINESS SUATAINABILITY

- **Market creation.** The cooperatives serves as an internal local market for the members by providing a more reliable, stable and convenient market through either by serving as market agents for member through mediating between buyers and members OR
- By acting as the actual market/buyer where cooperatives buy commodities from members for resell or for value addition.

# KEY ROLES OF COOPERATIVES IN AGRIBUSINESS SUATAINABILITY

- **Internal/ Own Capital Generation.** The cooperatives promoting savings amongst members through the Village Savings and Loans Associations (VSLAs) and Savings and Credit Cooperative (SACCOs) are able to raise or generate own capital which can be invested and increase agricultural productivity or used as working capital for agro processing and value addition.

# KEY ROLES OF COOPERATIVES IN AGRIBUSINESS SUATAINABILITY

- **Agricultural commodity aggregation.**

Cooperatives play a critical role in agribusiness through aggregation of smallholder farmers at central points making it easier for buyers to find demanded volumes quality produce at central point other than buying from individual farmers which is mostly ineffective and inefficient way of doing agribusiness.

# KEY ROLES OF COOPERATIVES IN AGRIBUSINESS SUATAINABILITY

- **Access to agricultural inputs-** The cooperatives make it easier for its members to access inputs for productivity through collective buying or linkages to suppliers or sellers.
- **Food security.** In some case, cooperatives and Associations operate grain banks which ensures food availability and security to its members and their communities. This is a cartelist for increased productivity by farmers.

# KEY ROLES OF COOPERATIVES IN AGRIBUSINESS SUATAINABILITY

- **Value addition and Job creation.** Cooperatives that are involved in value addition and agro-processing, apart from facilitating trade, they also act as a cartelist for job creation.
- **Media for communication of critical messages.** Cooperative remain one of the critical channels of communication to the masses for various messages by stakeholders including the government.



# KEY ROLES OF COOPERATIVES IN AGRIBUSINESS SUSTAINABILITY

- **Business Partnerships.** Cooperatives and other Farmer Organizations remain a key potential partners for business to the private sector and government.

# Agricultural Trade Policies

- Cooperatives remain an integral part for the government and other stakeholder in the process of harnessing the agricultural and trade policies in the country.
- Cooperatives need to be regularly be consulted throughout the processes to ensure that they are responsive to the needs of the cooperatives and their business.
- Cooperatives must be considered as a key player in all the Government trade agreements and protocols to ensure inclusiveness of various sectors.

**THANK YOU  
FOR  
YOUR ATTENTION**