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# Primary Agricultural Cooperatives in Malawi:

## Factors Affecting Performance and Inclusion

Kristin Davis, Cynthia Kazembe, Joachim De Weerd, and Jan Duchoslav

International Food Policy Research Institute

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# Introduction

- Agriculture critical to Malawi's economy
  - 23% of GDP in 2020
  - 80% of livelihoods (World Bank 2022)
- Majority of population are smallholder farmers
  - 0.65 ha on average
  - 75% of farmers use <1 ha



# Cooperative Benefits

- **Improved bargaining power** (Bernard et al. 2010; Francesconi et al. 2015; Navarra and Francini 2015; Penrose-Buckley 2007; Wiggins and Keats 2020)
- **Improved market access through aggregation** (Ministry of Agriculture 2020; Penrose-Buckley 2007)
- **Reduced transactions costs** (Bernard 2010; Francesconi et al. 2015; Wiggins and Keats 2020)
- **Improved access to services e.g., extension, training, credit, transport, intermediation** (Ministry of Agriculture 2020; Penrose- Buckley 2007; Vicari and Borda-Rodriguez 2014)
- **Greater political influence** (Ministry of Agriculture 2020; Penrose-Buckley 2007; Wiggins and Keats 2020)
- **Strengthened social cohesion, solidarity, trust** (Ministry of Agriculture 2020)



# Purpose and Objectives



# Methodology and Data

- Secondary data
  - Administrative documents
  - Fifth Integrated Household Survey (IHS5)
- Primary data
  - 13 key informant interviews
  - 22 focus group discussions (separate meetings with leaders and members)
  - Qualitative; thus coded by themes or categories (nodes)



# Theoretical Framework

- Many studies examine cooperative performance, success, failure, sustainability
- Through this literature we identified factors affecting performance
- We grouped them into external and internal



# Theoretical Framework: External Factors Affecting Performance

External Factors	Internal Factors
Policy environment & marketing systems	Social capital & membership
Financial capital	Human capital & mindsets
Natural capital	Governance & leadership
Physical (manufactured) capital	Management





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Findings

Cooperatives in Malawi



# Findings: Cooperatives in Malawi

- Ag cooperatives present in 9.6% of communities
- Average of 40 members who typically hold monthly meetings (Government of Malawi IHS5)
- Three-tier system
  - Primary – farmer members
  - Secondary (unions) – cooperative members
  - Tertiary – union members



## Findings: Cooperatives in Malawi

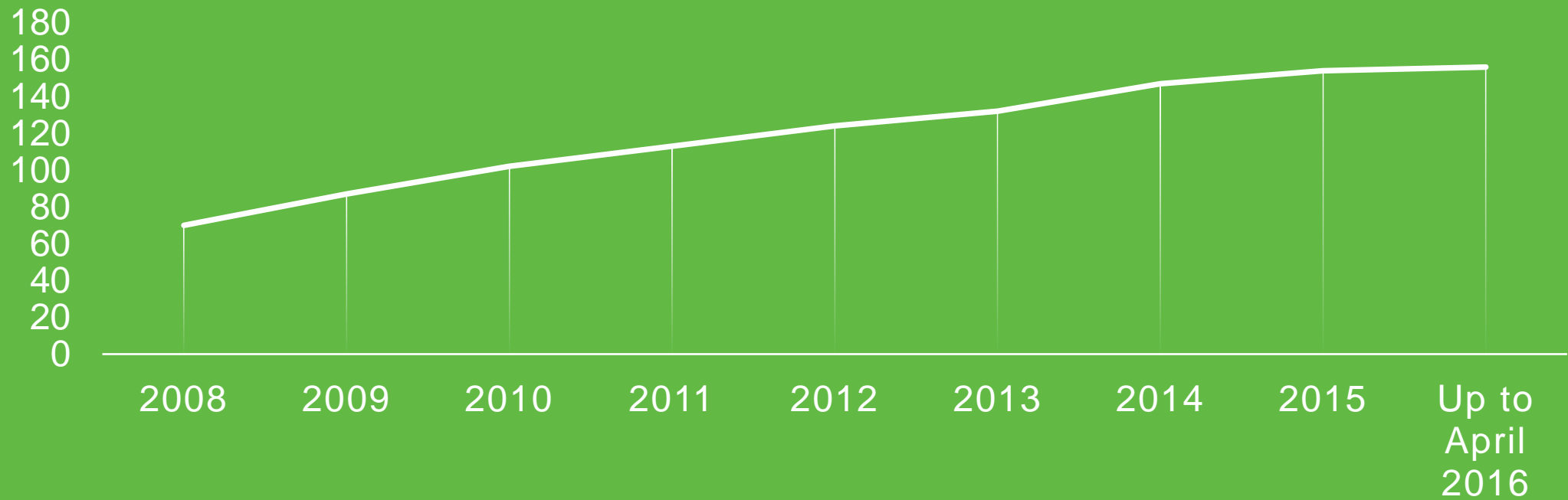
“Cooperative development is not an option. The farmers have to be organized. As long as we are in this market-based economy, it’s not an option, it’s a must. So we are making efforts to make sure that we have cooperatives in this country.”

Key informant interview 5



# Findings: Cooperatives in Malawi

## CUMULATIVE NUMBER OF AGRICULTURE & FISHERIES COOPERATIVES FROM 2008 - APRIL 2016



Source: Ministry of Agriculture (2020), based on Ministry of Trade and Industry Cooperatives Register



## Findings

# External Factors Affecting Cooperative Performance

## External Factors: Policy Environment

- Malawi 2063 (2020)
- MIP-1 (2021)
- National Agriculture Policy (2016)
- National Agriculture Investment Plan (2018-2023)
- Agricultural Extension Policy Review and Agricultural Extension and Advisory Services Strategy (2020)
- National Livestock Development Policy (2021-2026)
- Farmer Organization Development Strategy (FODS) 2020-2025
- Cooperative Development Policy (1997)
- Cooperative Societies Act (under review)

“There is a political will”

Key informant interview 5



# External Factors: Policy Environment

## Roles and Coordination on Cooperatives

- Ministry of Trade and Industry: Cooperative regulation & development
  - Registration
  - Member education, market support, access to investment
- Ministry of Agriculture and implementing partners
  - Mobilization, sensitization prior to registration
  - Support to registration and training
- Some perceived lack of coherence, communication



# External Factors: Marketing Systems

- Marketing services
  - Only 0.6% sold crops to cooperatives (0.1% for perennials)  
(Government of Malawi IHS5)

“We just grow without the  
market.”

Cooperative 4



## External Factors: Marketing Systems

### Vendors/buyers/middlepersons/off-takers/traders

- Most cooperatives/farmer organizations sell to middlepersons in 1 organization's experience (Key informant interview 8)
- Private sector buys from "big cooperatives" (Key informant interview 8)
- Negative sentiments about middlemen expressed 32 times; positive 3 times
- Middlepersons offer services

"The market is very informal and unfortunately the off-takers that we have there flourish in that informality."

Key informant 10

"Vendors usually steal from the farmers. They take farmers as their tenants."

Cooperative 9





## External Factors: Financial Capital

### Financial services - Cooperatives advance credit to members

- **Only 6.9% of those who bought seed from cooperatives received it on credit** (Government of Malawi IHS5)

“We need capital to be able to run the cooperative. With capital, you can do everything.”

Cooperative 10





# External Factors: Natural and Physical Capital Services (Inputs)

- Few farmers report using cooperatives for these services
  - Only 3.4% purchased fertilizer or pesticide from cooperatives
  - Only 1.3% purchased seed from cooperatives
- Even less for livestock; through cooperatives:
  - 0.02% bought livestock
  - 0.1% sold livestock
  - 0.2% treated livestock
  - 0.4% vaccinated livestock
  - 0.03% sold livestock products





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# Internal Factors Affecting Cooperative Performance

# Internal Factors: Social Capital and Membership

- Motivation of being in a social group
- Access to inputs, services, markets



*Photo by Emmanuel Hami, IFPRI Malawi*

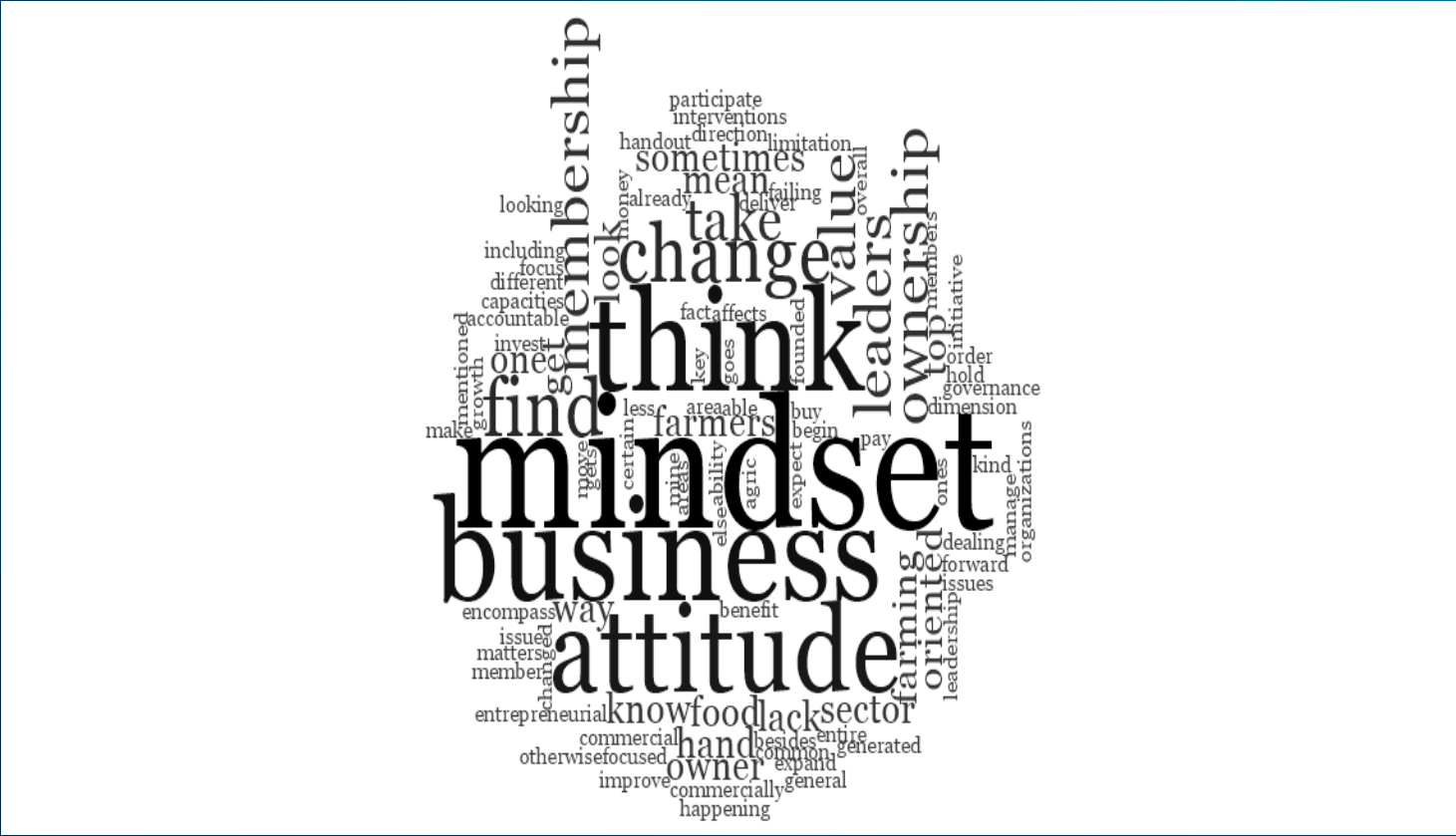


## Internal Factors: Human Capital

- Includes capacities, competencies, skills, motivation, mindsets, attitudes
- Foundational to cooperative performance, affecting governance, leadership, marketing, production, etc.
- “Trainings are important because they empower people to be able to perform well” (Cooperative 2)
- Many trainings mentioned by cooperatives on various topics
- But only 0.7% of individual pieces of agricultural extension advice came from cooperatives (Government of Malawi IHS5)
- Human capital can also include tours, external meetings, exposure, coaching



# Internal Factors: Mindsets and Attitudes



Word frequency in the node “mindsets and attitudes”  
Note: All words > 3 letters



## Internal Factors: Mindsets and Attitudes

- History of external support to farmer organizations in Malawi
- “Dependency syndrome” and “handout mentality”
- Demand-driven cooperatives are needed

““It’s almost impossible to create a [group-based] model with farmers that is commercially viable because there’s going to be another NGO that goes in and says no, it’s fine, just take the seeds for free”

Key informant interview 11





# Internal Factors: Governance and Leadership

## Governance seen as foundational by key informants:

- “Many are very weak and that's one of the main issues keeping them weak is governance” (Key informant interview 1)
- “The success factor number one is the governance, leadership and governance” (Key informant interview 5)
- “If they have a strong and solid governance structure everything works” (Key informant interview 7)
- “When we are doing our institutional capacity development, first of all we look at their governance structures” (Key informant interview 10)



# Internal Factors: Governance and Leadership

- Good leadership contributes to sustainability (Key informant interview 6)
- Leadership selection criteria
  - Character (mentioned 14 times)
  - Education (mentioned 10 times), ability to read (8 times) and write (9 times)
  - Also leadership skills, commitment, being approachable
- Communication
  - Face-to-face meetings
  - Phone



# Internal Factors: Management System Practices based on Interviews and Focus Group Discussions

- Shareholding
  - Allows cooperative to get capital and provide services
  - Ranged from 1,000 to 15,000 MWK per share (focus group discussions)
- Commissions deducted for crops sold through cooperative
- Dividends and bonuses
- Fines for side selling
- Loans for members (Cooperative 5)
- In-house vs. outsourced management



# Internal Factors: Professionalism

- Characteristic of well-performing cooperatives:
  - Have a business plan (Cooperative 3)
  - Conduct collective marketing (Key informant interview 10)
  - Comply with quality standards, have Malawi Bureau of Standards certificate (Key informant interview 10)
  - Conduct business on their own (Cooperative 1)
  - Share out dividends (Key informant interview 6)
  - Conduct trainings in bookkeeping, and business management (Cooperative 6)
  - Use record keeping (Key informant interview 6)
  - Undergo regular coaching (Cooperative 1)
  - Hire accountants with sufficient training (Cooperative 2)
  - Have professional management staff and management system (Key informant interviews 3, 6)



# A Proposed Typology of Malawi Cooperatives

Factors and characteristics	Infant	Professionalizing	Professional
<b>Level of activity</b>	Mainly inactive	Active mainly at time for marketing or inputs	Active
<b>Governance</b>	Weak; need training and support	Moderate; can govern with little support	Strong; govern well
<b>Management model</b>	Volunteers - members handle management; no audit	May have 1-2 staff; occasional audit	Procure external management; annual audit
<b>Capacity</b>	Low	Medium with spotty coverage of topics	High
<b>Marketing</b>	Sell informally, ad hoc basis often to middlepersons	Usually have one regular buyer or off-taker	Formal contracts with regular sales, MBS certificate*



\*Malawi Bureau of Standards

Source: Authors with thanks to respondents in Key informant interview 6 for key terms



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# Factors Affecting Cooperative Inclusion

# Factors Affecting Inclusion: Gender

- Certain social groups said to participate less, benefit less in groups and programs (e.g., Babu et al. 2021; Cziki 2013; Franzel et al. 2020; Kosec et al. 2020; and Magnan et al. 2020)
- Mixed, often conflicting statements about participation in cooperatives:
  - “most women do not have the courage to join the cooperative”
  - “sometimes men are shy to participate in a group than women”
- Numbers often balanced...except in leadership!
- Combination of entry fees, share purchase may prevent people from joining cooperatives



# Factors Affecting Inclusion: Youth

- Involved in many of the cooperatives interviewed
- Perception that youth only interested in short-duration value chains
- “Youths are lagging behind [in membership] because they want readily available money. They think staying at a group is wasting time”  
(Cooperative 4)
- “The youths are meant to be future leaders...They are in the executive so that they continue when we retire from these activities” (Cooperative 1)







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# Recommendations and Conclusions

# Recommendations: Assess and Categorize Cooperatives to Provide Support

- Assess
  - ACE farmer organization assessment
  - Tradeline's assessment tools for holistic services
  - Land O' Lakes tool to measure cooperative performance PM2
  - SCOPEinsight AGRI-GRADE solution/roadmap
- Categorize or segment for the right level of services and support
- Tailor and pilot interventions



# Recommendation: Professionalize Cooperatives Sequentially\*

- Focus first on institutional capacity development: leadership and governance
  - Look at their governance structures, are they properly governed?
  - Check the human resource capacity
- Focus next on the business aspect: finance and the business model
  - How are they conducting their farming business?
  - How are their books and records?
  - How are they aggregating?
  - Can they hire a competent manager?
- Focus finally on marketing and supply chain management



\* From key informants 4 and 10

## Recommendations: Provide Support Based on Categorization

- Infant cooperatives – need capacity strengthening, sort out governance
- Professionalizing cooperatives – need markets, better management systems
- Professional cooperatives – need coaching, specialized marketing



# Conclusions

- There is political will to support cooperatives
- There are lots of initiatives that work with cooperatives, but...
- ...funding, action needed to support cooperatives
- Professionalization can get cooperatives up to a good level
- However, cooperatives only work as well as enabling environment
- Need to get general agricultural sector policies right





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# Annex

# Cooperative Cases

Name	Focus	District	Year started	# Members
Chitsanzo	Dairy	Dedza	2010	296
Manyamula	Maize & legumes	Mzimba	2008	63
Mkanganya	Soya, maize & groundnuts	Kasungu	2011	809 (67 active)
Mkondezi Rice Producers & Marketing	Rice	Nkhatabay	2008	400
Mtakataka	Honey	Dedza	2017	215
Mtengula	Groundnut seed	Kasungu	2019	17
Mwalamwanenje	Maize & beans, recently hemp	Kasungu	2012	214
Mzalangwe	Soya	Mzimba	2017	55
Namilolo	Horticulture	Mchinji	2006	53
Nsaru Dairy Bulking	Dairy	Lilongwe	2001	~200
Simulemba	Soya, maize & groundnuts	Kasungu	2007	250







# Typology of Cooperatives (1)

Factors and characteristics	Infant	Professionalizing	Professional
Value chains	Honey, cereals	Milk, horticulture	Sugar, tobacco, tea, coffee, macadamia
Level of activity	Mainly inactive	Active mainly at time for marketing or inputs	Active
Membership and size	Small (<100)	Variable (~100)	Large (100+)
Governance	Weak; need training and support	Moderate; can govern with little support	Strong; govern well
Management model	Volunteers - members handle management; no audit	May have 1-2 professional staff; occasional audit	Procure external management; annual audit
Capacity (members and the cooperative)	Low	Medium with spotty coverage of topics	High



## Typology of Cooperatives (2)

Factors and characteristics	Infant	Professionalizing	Professional
External support	Reliant on support for most functions	Reliant on support for certain functions such as financial or physical capital	Independent – seek support themselves
Marketing	Sell informally, often to middlepersons	Usually have one regular buyer or off-taker	Formal contracts with regular sales, Malawi Bureau of Standards certificate
Capital and financial turnover	In debt	Low	High; can purchase from members, pay staff, purchase equipment
Typical farmer mindset	Join cooperative to get inputs, services for subsistence and a bit more	Farming as a business	My business is farming



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