

# Agricultural Cooperative Societies and Poverty Reduction in Zambia: The Case of Kamangango Farmers' Cooperative Society Limited in Kaoma District

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**Abstract-** This study was conducted to assess the contribution made by agricultural cooperative societies on poverty reduction in Zambia with particular reference to agricultural input supply in Kamangango farmers' cooperative society Limited in Kaoma district, of Western Province, Zambia. The cooperative society had 70 registered members. The relevant data was collected from 47 randomly selected respondents and analyzed quantitatively and qualitatively. The study found out that the cooperative society contributed to poverty reduction amongst members by offering agriculture inputs and marketing services, which in turn, increased the members' disposable incomes and food security. Despite the challenges such as bad roads, high cost of seeds and fertilizers, lack of credit facilities, faced by cooperatives in providing goods and services to its members to fight poverty, the study recommended that the Government and Non-Governmental Organizations should encourage the formation of more cooperatives for improved service delivery to members.

**Index Terms-** Agricultural Cooperative society, Agricultural inputs supply, Disposable Incomes, Poverty reduction;

## I. INTRODUCTION

Development is one of the main goals that all communities try to achieve in order to improve the living standards for individuals in those communities (Mohamed, 2004). A sound economic development cannot be specified purely in economic terms and should therefore include other matters such as sufficient educational level, freedom of speech, citizenship of a nation that is truly independent politically and economically. There is a common characteristic among developing nations where they find themselves as rural nations as the majority of the citizenry reside in the rural areas and their mainstay is agriculture. Agriculture in the rural areas is both an income generating activity and a source of food. Cooperatives have been proved to be the best means to realise developmental goals, and poverty reduction working in a humble way at grassroots levels (Sanni et al., 2010). World over, cooperatives have been known to be used as instruments of development policy and rural development. Cooperatives do not make contributions only to rural development but also to other economic, social and political development of a country. They are community organizations

that serve as basis and platform for bringing together the economically disadvantaged society members with a view of enhancing their individual capacities. The existence of cooperatives has had an impact in the generality of rural development. Rural development is defined in terms of availability and access to amenities that improve the basic conditions of life for the rural people. They include employment creation, rural markets development, enhancing rural incomes and the improvement of access to social services (Bijman, 2002). Cooperatives are officially recognized by governments to transform agricultural production and reduce poverty in rural areas, so many agricultural co-operative societies have been registered all over Zambia. However, significant proportions of rural communities are still depicting high levels of poverty.

Zambia, like any other country in the Sub-Saharan Africa, where small-scale farming dominates the overall national economy, has very poor agricultural production and productivity. The small-scale agriculture is characterized and dominated by limited use of improved inputs and traditional agricultural practices, and depends on rain fed agriculture. By Zambian standards, a small-scale farmer is one who cultivates land area that is less than five hectares (MAFF, 2000). The country's agricultural productivity among small-scale producers has continued to be poor and failed to meet the food demand of the ever-growing population. Poor productivity is usually attributed to factors such as recurrent droughts, environmental degradation, and poor infrastructure both in quality and quantity, and backward agricultural practices.

The general performance of Zambia's agricultural sector has not been very good, especially after the liberalisation of the economy under the policy prescription of the World Bank and International Monetary Fund (IMF). The real impact of the core IMF and World Bank policies such as trade liberalisation, agricultural liberalisation and privatisation, could clearly be seen in Zambia's economic and social performance. A World Bank (2000), study acknowledged that, the removal of all subsidies on maize and fertiliser under World Bank/IMF Structural Adjustment Loans led to "stagnation and regression instead of helping Zambia's agricultural sector." The United Nations Conference on Trade and Development (UNCTAD) concluded that, in Zambia,

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"Agricultural credit and marketing by the private sector turned out to be uneven and unpredictable, and once market forces had eliminated the implicit subsidies to remote and small farmers, many farmers were left worse off" (Situmbeko and Zulu, 2004). The toll on the agricultural sector which, coupled with a poor road network, inadequate storage facilities, inadequate capacity among small-scale producers and lack of access to agricultural extension services could be visible on the livelihoods of the rural communities. However, while the above is true about Zambia's agricultural performance due to donor prescriptions, the country was able to record a bumper crop harvest during the 2009/10 crop marketing season (GRZ, 2011). This could be attributed to the turnaround strategy taken by government to start supporting farmers through deliberate input and output programmes through the Farmer Input Support Programme (FISP) and Food Reserve Agency (FRA) respectively.

## **II. LITERATURE REVIEW**

There is a lot of literature on agricultural cooperatives and poverty reduction. The International Cooperative Alliance's (ICA) definition includes cooperatives where all production assets are collectively owned, however the definition in this paper shall focus on rural cooperatives where members have their own farms, and where the cooperatives provide services such as inputs provisions, marketing and processing to its members and non-members or member firms as the case may be. Enterprises are run by their members, providing services to their members, for the benefit of their members. Kassu (2009), ascertained that, 90 per cent of the farmers' cooperatives have or have had their major economic objective to reduction of the margin between terminal market prices and the net returns to farmers including patronage bonus or refunds. The existence of agricultural cooperative societies has a bearing on rural development. Kokkinidis (2010), argued that, cooperative organizations are more likely to be formed when people, unable to protect their interests individually, feel the need to unite in order to collectively promote their interests, which could be economic, social or cultural.

In 2003, the then Zambia Republican President, Levy Patrick Mwanawasa (MHSRIP), said, The International Monetary Fund's privatization programme had been of no significant benefit to the country-privatization of crucial state enterprises had led to poverty, asset stripping and job losses (Situmbeko et al). Not surprisingly, employment has suffered. Formal manufacturing employment fell from 75,400 in 1991 to 43,320 in 1998. Paid employment in mining and manufacturing fell from 140,000 in 1991 to 83,000 in 2000. Paid employment in agriculture fell from 78,000 in 1990 to 50,000 in 2000 and employment in textile manufacturing fell from 34,000 in the early 1990s to 4,000 in 2001 (Ibid).

The seriousness of poverty situation in Zambia both in rural and urban areas can be reflected in the various narratives of the poor. Poverty is defined as deprivation of basic needs such as physical nourishment, shelter, clothing, medical care

and education (JCTR, 2008). The deprivation is understood both in terms of income and capability failure. Capability failure may be regarded as the lack of one's own physical and/or mental capacity to reach specific minimally accepted economic status. Income failure could be understood as having no means to acquire any amount of income (ibid).

When the bulk of the population in a developing country is rural, investing in agricultural cooperative societies is an excellent way to instill basic democratic values and empower individuals while stimulating growth in agriculture - a key building block for broad-based economic development (Giel et al., 2010). Cooperatives are ideal vehicles for democratization and economic empowerment in developing nations; they instill basic democratic values and methods; foster self-reliance through collective action; and shape relationships between institutions and civil society that encourage participation and conflict resolution. The resulting institutional framework lays the groundwork for a more secure society and for economic growth (ibid).

According to the International Cooperative Alliance (ICA) review of international cooperation report (1996), agricultural cooperatives enjoy success both in industrialized countries and in developing or transitional countries. Because of their inherent characteristics, agricultural cooperative societies can contribute to the achievement of the Millennium Development Goals by the 2015.

In 1994, the Secretary-General of the United Nations concluded that, *"Cooperative enterprises provide the organizational means whereby a significant proportion of humanity is able to take into its own hands the tasks of creating productive employment, overcoming poverty and achieving social integration. He went on to say that cooperatives continue to be an important means, often the only one available, whereby the poor, as well as those better off but at perpetual risk of becoming poor, have been able to achieve economic security and an acceptable standard of living and quality of life"* (Birchall, 2003).

Pollet (2009), found that, whilst cooperatives may have a significant direct impact on people's life through the services they deliver (e.g., credit, agricultural inputs, access to markets, storage and transport, housing, among others), evidence of their significance in other social and societal domains has not been particularly forthcoming. As cooperatives strive to adjust to the new economic dictates of capitalism and globalization, the voice of the common members tends to fade as cooperatives must respond to market demands and not members' demands per se. For example, Kokkinidis (2010), highlighted that in credit cooperatives in Spain and beyond, the increase in the distancing of members has resulted in the weakening of members' power and the strengthening of the power of the professional administrators. As cooperatives grow, this expansion creates difficulties for the exercise of direct democracy by members, while the turn to representative

democracy, often weakens the internal democracy of the cooperative.

Nevertheless, according to Wanyama et al.,(2008), empirical evidence on contribution of cooperatives to poverty reduction in Africa, focusing on Rwanda, Ethiopia and Kenya demonstrated that, cooperatives have significantly contributed to the mobilization and distribution of financial capital, created employment and income-generating opportunities, constituted a forum for education and training, and set up solidarity schemes to cater for unexpected expenses related to illness, social welfare, death and other socio-economic problems.

### III. METHODOLOGY

#### A. Study Area

The study was conducted in Kamangango area, Namilangi Agricultural Block, Kaoma district, of Western province in Zambia. This district is amongst the 16 districts in the Western Province of Zambia. It is the food basket of the province and most active cooperatives are found there.

#### B. Data Collection

A case study design was adopted in order to obtain a deeper understanding into how primary cooperative societies contribute to poverty reduction among members by providing agricultural inputs. The research used both secondary and primary data. Primary data was collected through the administration of two sets of questionnaires to the sampled cooperative members and cooperative executive committee members. A focused group discussion schedule was used to collect data from the rest of the cooperative membership. Face to face discussions were with key government informers, cooperative union chairpersons, and the host local headman. Secondary data was collected from text books, research publications, journals, newsletters, the internet, and government reports. Both qualitative and quantitative techniques were used in order to understand and interpret the nature of the data that was collected.

### IV. RESULTS AND DISCUSSION

According to the data and information gathered, collected it was argued that, cooperative members in the cooperative society had a felt need to access agricultural inputs through their cooperative. It was also found out that, the main inputs accessed during the period under study were seed maize and fertilizers. The members of the cooperative were also actively involved in activities such as meetings and subcommittees. Such activities directly or indirectly contributed to their input acquisition.

It was further found out that, besides increasing the food security statuses, incomes were also enhanced amongst the membership. Thus, generally, the majority of the members had their incomes and food security enhanced after accessing

agricultural inputs through their cooperative society. The increase in annual income earnings by members could probably increase their purchasing power to buy more inputs. The members were able to reserve food stocks for current and future use. This, in a way, contributed to poverty reduction particularly among the cooperative members. The results of different empirical studies show the effect of annual income on households' decision in using and adopting improved agricultural technologies. For instance Kidane (2001), Dejene et al., (2001) and Getahun (2004), reported positive influence of households' farm income on adoption of improved agricultural inputs (Kasu 2009).

However, the cooperative achievement was not without challenges. The high cost of inputs, bad roads and lack of market infrastructure were among the challenges that impeded the ease access to agricultural inputs. To redress the situation, the members realized the need to act on those challenges within their means and lobby government on those that were beyond their means.

### V. ACKNOWLEDGEMENT

First and foremost, I want to thank God for His Divine Providence from the time the idea of this programme was hatched until its completion. Secondly, I want to thank Kamangango cooperative members and it's Board under the leadership of Mr. Lufu Akombelwa. I convey my special thanks to my Lecturer Dr. Mulenga Mulenga for his indispensable support and honest guidance. In addition, the completion of this thesis owes much to Mr. Francis Mwamba Muwowo for his professional guidance and a true source of inspiration to me. Am also highly indebted to my employer, the Government of the Republic of Zambia for giving me study leave to pursue my studies to its completion. I also extend my deep appreciation to my very special partner, friend and wife Bridget Manianga Munzele for her emotional support and encouragement of which without, this work would not have been completed. Many thanks go to Miss. Lucy Siyumbwa Wabei for her constructive comments and inspiration at the time I needed it most. Special thanks also go to Dr. Stephen Banda, Resident Tutor at the University of Zambia Western Province, Mongu for his tireless effort in offering technical support. Finally, I extend my thanks to my friends for their emotional support. May the Almighty God Bless you abundantly.

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