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RESTRUCTURED AGRICULTURAL COOPERATIVE MARKETING SYSTEM IN UGANDA: A STUDY OF THE "TRIPARTITE COOPERATIVE MODEL"*

Nana Afranaa Kwapong**

Abstract

The study focused on describing and analysing the integrated approach to agricultural cooperative marketing in Uganda: the tripartite cooperative model. It was found that structural changes and successful growth have been achieved within the agricultural cooperative marketing system. This model promoted complementarity of services by combining farmers' access to financial services through Savings and Credit Cooperative Organisations (SACCOs), and marketing services through Rural Producer Organisations (RPOs) and Area Cooperative Enterprises (ACEs). Results of the study showed that the tripartite cooperative model focused on measures to promote financially autonomous and viable cooperatives, member participation and empowerment. The model has achieved success by linking farmers to profitable markets and granting them access to financial services. The model did, however, face challenges in the form of members no fully participating in cooperative activities and members side-selling.

Keywords

Cooperatives, Area Cooperative Enterprises (ACEs), Rural Producer Organisations (RPOs), Savings and Credit Cooperative Organisations (SACCOs), Uganda.

JEL classification

Q13, Q18, L11.

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1. Introduction

In Uganda, the agricultural cooperative sector has since the early 1990s gone through a process of restructuring shifting from the inefficient parastatal cooperatives to more spontaneous, autonomous, business-oriented cooperatives (Hussi et al 1993; Salifu et al 2010). The restructuring process has been led by the Uganda Cooperative Alliance (UCA), an umbrella organisation of cooperatives. Its focus has mainly been on uniting and strengthening grassroots farmer organisations to maximise membership, build commitment among members and remain financially viable (Msemakweli, 2008). The restructuring process also included the introduction of new initiatives, such as Area Cooperative Enterprises (ACEs), that offer marketing services for their members, which consist of primary cooperative societies, farmer associations and individual large-scale farmers (UCA, 2009). The new approach to agricultural cooperative marketing promotes complementarity of services by combining access to bulk marketing through Area Cooperative Enterprises (ACEs), produce supply through Rural Producer Organisations (RPOs) and financial services through Savings and Credit Cooperative Organisations (SACCOs). A model termed the 'tripartite cooperative model' was structured and organised to address the weaknesses that led to the near-complete collapse of the cooperative sector, such as poor management, inability to compete in evolving liberalised markets, huge debt accumulation and political interference (Kyazze, 2010; UCA, 2009; Kwapong and Korugyendo, 2010). This approach was also aimed at addressing the challenges faced by many smallholder farmers, such as an inoperative marketing system, low productivity and lack of affordable rural services. As such, this paper will address the following questions:

- Why is there a need for a new approach to agricultural cooperative marketing systems in Uganda?
- How are the reformed agricultural cooperatives organised to avoid past mistakes and ensure sustainability?
- What are the prospects for the evolution of the tripartite cooperative model?

Many authors have argued that changes in market and competition offset the need for cooperatives, conversion and reorganisation as a means to remain financially viable, and that these market changes can solve common structural problems inherent to the traditional nature of cooperatives—such as lack of capital; vaguely defined property rights; inability of member patrons to adjust their cooperative portfolio to match their personal risk preference; control problem which arises from cost of trying to prevent the divergence of interests between the membership and the board; and influence cost resulting from organizational decisions affecting the distribution of wealth or other benefits among members (Cook 1995; Cook and Iliopoulos 1998; Fulton and Hueth 2009; Nilsson 1997). In section 3, it is argued that the changes in post-liberalisation marketing structures, as well as the decrease in competitive pressure from oligopolistic markets enjoyed by the cooperatives, necessitated the restructuring and introduction of new institutions as intervening measures to leverage the failing cooperatives. Cooperative restructuring measures under the tripartite cooperative model have focused on obtaining more equity capital, increasing member participation and proper management.

The next section of the paper illustrates the methodology used for the study; in section 3, the agricultural cooperative marketing system in Uganda is discussed from a historical perspective; section 4 describes the organisational, institutional and economic aspects of the tripartite cooperative model; section 5 provides an overview of the growth and success of the tripartite cooperative model. Section 6 concludes the paper by evaluating the future prospects of the tripartite cooperative model.

2. Methodology

This study used a combination of both qualitative and quantitative methods. Case studies of eight Area Cooperative Enterprises (ACEs) from the Eastern and Western regions of Uganda were conducted. These cooperatives were engaged in different enterprises, such as maize, banana, coffee, bean, and honey farms. From each ACE, three registered member Rural Producer Organisations (RPOs) were selected, and researchers randomly picked about 50 members from the three RPOs. In total, 407 cooperative members were interviewed. Interviews were also conducted with eight ACE managers and 22 RPO chairpersons. The data were collected between January and May 2010. The quantitative data were analysed using STATA, while the qualitative data were analysed using NVivo software. The sample consisted of 66 percent males and 34 percent females (Tab. 1). The mean age of respondents was 48.8 years with a minimum age of 18 years and the oldest respondent being 90 years of age. The highest level of education of most of the respondents was some form of primary-level education (36 percent). The main economic activity of the majority of respondents (94 percent) is farming (Tab. 1), which shows that the cooperative was mainly for farmers who were involved in some form of crop production.

Table1: Socioeconomic characteristics of surveyed cooperative members

Cooperative Members Characteristics	Percent
Sex	
Male	66.3
Female	33.7
Age (yrs)	
18-30	12.5
31 – 60	64.9
>60	22.6
Level of Education	
No formal education	8.1
Incomplete primary education	36.4
Completed primary education	18.9
Completed ordinary level education	26.0
Completed advance level education	7.6
Post-secondary education	3.0
Main Economic Activity	
Farming	93.9
Trading	2.5
Student	0.5
Civil Servant	2.5
N= 407	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

3. Why is there a need for a restructured agricultural cooperative marketing system in Uganda? A historical perspective

In this section, the factors that necessitated the restructuring of the agricultural cooperative marketing system in Uganda are discussed from a historical perspective. It was found that the changes in markets after liberalisation resulted in the loss of the cooperatives' monopolistic power, the abrupt withdrawal of government support from cooperatives and the collapse of state marketing boards, all of which led to the cooperatives' struggle for survival in a competitive market. The cooperatives became one of the many competitors that had to fight for a share in the marketplace, a challenge for which they lacked proper management and capitalisation.

3.1 Failure of many cooperatives post-liberalisation

Agricultural marketing began in Uganda as early as 1913. Cooperatives were formed in response to disadvantageous terms of trade imposed on smallholder farmers by traders who monopolised the domestic and export markets (Kabuga and Kitandwe 1995; Kwapong and Korugyendo 2010). These cooperatives enjoyed considerable success and rapid growth both before and after independence in 1962. In 1971, the government introduced state marketing boards—namely the Coffee Marketing Board (CMB), Lint Marketing Board (LMB) and Produce Marketing Board (PMB)—thus centralising the processing and marketing of export produce, particularly for coffee and cotton. These state-controlled marketing boards had a monopoly over the buying and retailing of cotton and coffee, and greatly influenced the inflow of foreign revenue generated from the trading of these export cash crops. Bunker (1984) asserted that the introduction of state-controlled mechanisms resulted in the loss of autonomy and suppression of local cooperative organisations. This assertion proved to be true for cooperatives in Uganda after the introduction of these marketing boards, as there was extensive interference by the government in cooperative activities (Mugisha et al. 2005; Msemakweli 2008). This was consistent with much of the literature of 1980s', which argued that state interference in cooperatives' activities resulted in the failure of a number of cooperatives, thus necessitating the call for a liberalised economy that promoted autonomous member-controlled cooperatives (Hussi et al. 1993; Wanyama 2009).

The liberalisation of markets promoted by the World Bank in the early 1990s encouraged economic reforms and had a major impact on cooperatives. In the case of Uganda, these economic policies were introduced at a time when the country was just emerging from years of political instability; the cooperatives' business activities were also expanding following the end of the "Bush War" in 1986, which brought the National Resistant Movement (NRM) to power. Liberalisation of the market meant that government control over the cooperatives was reduced and that the state-controlled marketing boards, which were under strict government supervision, were to be abolished. As a result, cooperatives were to enjoy autonomy with little or no interference from government. Lindenthal (1994) in particular points out that trade liberalisation implied that cooperatives and their member farmers were put in a position where they could make use of their competitive advantage over producers in other countries. In addition, the import of necessary goods and materials was facilitated for all who relied on a certain type, quality or quantity of spare part, means of production,

etc. that was locally unavailable. This positive advantage was beneficial mostly to the large-scale cooperatives with links to the international markets. With the abolition of state-controlled boards, which served as an international linkage, many small cooperatives could not benefit from the effect of the trade liberalisation policy. Trade liberalisation also had the effect of cutting tariffs that subsidised the transaction costs incurred by the cooperatives. Such tariffs were provided by the government in the form of crop financing, provision of equipment and items such as coffee processing machines, drying trays, packaging bags, etc. In a liberalised market, the large number of buyers was expected to push prices up. Cutting tariffs was expected to stimulate the improvement of economic performance in order to become or remain competitive in the marketplace (*ibid*). This policy, however, exposed smallholder farmers to competitive markets in which they could not compete with other traders due to financial constraints; many cooperatives were not prepared to compete in the new, more liberalised market (Kyazze 2010; Beijuka 1993; Mukasa 1997). As such, many cooperatives experienced a decline in their performance in the second and third decades after Uganda's independence (Kabuga and Kitandwe 1995; Kyazze 2010; Mugisha et al. 2005). The decline of agricultural cooperatives continued through the 1990s. For instance, Kyazze (2010) reported that the export market share of cooperatives fell from 22 percent in 1992/3 (28,585 tons out of 130,098 tons) to 2 percent by 2001/02 (3,868 tons out of 180,164), declining further to approximately 1 percent in 2006/07 (2,104 tons out of 162,254 tons). As the number of cooperatives decreased, a higher proportion of privately owned companies began to take over the market.

3.2 Restructuring to avoid the weaknesses of a failed marketing system

The factors that led to the decline of the agricultural cooperatives can be classified as both internal and external. Internal factors were related to the mismanagement and embezzlement of funds, misuse of cooperative assets and a lack of trust of management, which led to the withdrawal of many members. The external factors identified concerned wars and political instability, which led to a loss of assets (Kyazze 2010; Beijuka 1993; Mukasa 1997). According to Msemakweli (2008), other characteristics of the system included inadequate membership participation, mismanagement, focus on few enterprises and debt caused by borrowing for the pre-financing of members' produce purchasing. With such changes taking place within the market and cooperatives on the decline, farmers were once again exploited by middlemen who had infiltrated and dominated the markets. The original problem that had necessitated the establishment of cooperatives had returned once again.

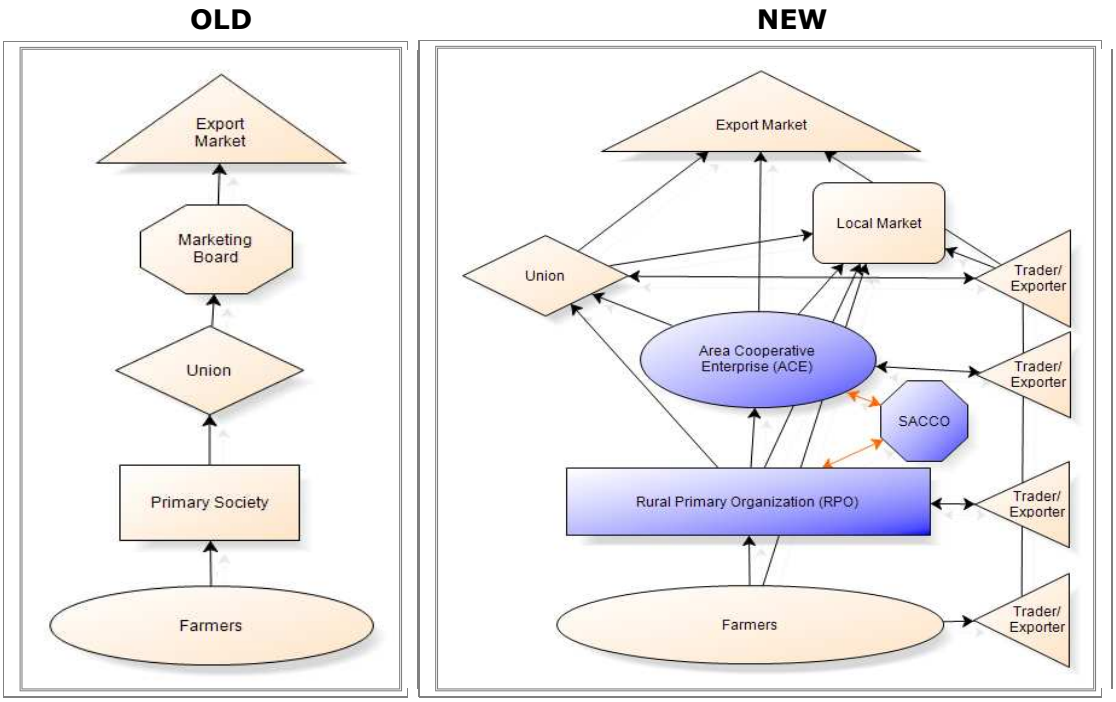
In 1998, the Uganda Cooperative Alliance sought measures to restructure the cooperative marketing sector and address the challenges of the many smallholder farmers who were former members of the collapsed cooperatives. A new approach to cooperative marketing, which sought to avoid past mistakes by addressing weaknesses and was much more efficient in addressing farmers' needs, was introduced. This saw a structural transformation of the agricultural cooperatives and a diversification of their activities in response to a growing interest in reviving them. This approach to

cooperative marketing—the Tripartite Cooperative Model—will be discussed further in the next section.

4. Structural transformation of agricultural cooperative marketing systems in Uganda

In this section, the strategy adopted in the new approach to cooperative marketing is discussed, with a particular focus on how the tripartite cooperative marketing system was organised. It was found that structural changes and successful growth have taken place within the agricultural cooperative marketing system as a result of adjusting to the market forces in the more liberalised economy. Under this model, the restructured agricultural cooperatives focus on promoting cooperatives as viable, financially independent organisations with proper management and increased member participation and empowerment.

Figure 1: Old and new models of agricultural cooperative marketing activities in Uganda



The liberalisation of markets resulted in a structural transformation of agricultural cooperative marketing systems in Uganda. The former structure (see Fig. 1), which had the state marketing board play the central role of regulating pricing and marketing the farmers' produce supply to primary societies and cooperative unions, changed its form after the collapse of the state marketing boards. The new marketing system saw the entry of a large number of traders into the markets, competing to purchase members' produce and offering prompt payment. The cooperative unions and primary societies who formerly held the monopoly of being the sole traders of farmers' produce now had to compete with other traders.

Cooperatives relied on members' continuous supply of produce to their primary societies, but without pre-financing support from the government the cooperatives were unable to provide payment upon delivery, which was offered by the other traders. Many cooperative members defaulted and side-sold their produce to other traders instead of the cooperatives. Loyal members who continued to supply produce to the cooperative did so in anticipation of the other side benefits from cooperating, such as a share of dividends or inputs and training services; however, many of the cooperatives could not meet this expectation. As the supply of produce to the union drastically decreased, their business operations proved unprofitable. This resulted in the collapse of many unions along with their primary societies. In its effort to support the cooperative movement, the Uganda Cooperative Alliance focused on measures to organise and strengthen the grassroots farmer organisations in order for them to be autonomous and financially viable, and to maximise their membership (UCA 2009). This is in line with Williams' findings, which argued that proper financing and full participation of members in cooperatives were the most important factors for cooperative success (Williams 2007). The reformation of the cooperatives included the merging of many primary organisations and farmer associations located at the village and parish levels[1] to form Rural Producer Organisation (RPOs) tasked with collective marketing of members' produce. A new institution, known as the Area Cooperative Enterprise (ACE), was introduced and given the role of looking for markets for members' produce. This role was similar to that of the unions, the difference being that the ACE covered a smaller operational area, mainly a sub-county, and consisted of between 5–20 RPOs, whereas the unions had larger operational areas. The ACE sometimes served regions with a larger number of primary societies, whereas the unions had a larger number of primary societies. The ACE had the option of trading with many traders, unlike the union, which supplied produce to the marketing boards. The ACE trades with the highest market bidder, thus obtaining competitive prices for farmers' produce. Another important aspect of this model is the integrated approach of linking the ACEs and RPOs to SACCOs. Each ACE is expected to have an associated SACCO that provides financial services to the members, while ACE and RPO members have savings and can take loans from the SACCO. The ACE and RPOs have access to credit when in need of capital to make bulk purchases, and are therefore able to provide prompt payment to members. Individual members can access loans by supplying obtained receipts stating the quantity of supplied produce to their ACE as a guarantee for access to the loan. This has limited instances of farmers side-selling in situations of urgent capital need. Payments from the ACE's marketed produce are deposited into individual accounts of ACE members.

[1] The decentralised local government structure in Uganda is based on the district as a unit under which there are lower local governments (LGs) and administrative units. The local governments are the districts or city council, city division council, municipal council, sub-county and town council. The administrative units are the county council, parish or ward council and village council.

4.1 Advancing autonomous financially viable cooperatives

An important feature of the model was the focus on creating independent cooperatives that were financially viable. In the literature, cooperatives have been identified as having major limitations in terms of generating equity capital due to their method of organising, especially with respect to acquiring and redeeming members' equity capital (Chaddad and Cook 2002; Holmström 1999; Staatz 1987; Vitaliano 1983). Financial constraints in agricultural cooperatives result from restrictions in ownership rights and imperfect access to external sources of finance. Empirical studies showed that cooperative long-term growth was 'low, perhaps even zero' (Fulton et al. 1995), and that cooperative physical capital expenditures were constrained by the availability of finance (Chaddad and Cook 2002). Additionally, the competitive strategies pursued by agricultural cooperatives in response to structural changes in the food system, including value-added processing, brand name development and entry into international markets, required substantial capital investment (Cook and Iliopoulos 1998).

The tripartite cooperative model focused on measures to generate sufficient equity capital for the successful operation of the cooperative. The cooperatives under this model aimed to control a large share of the farmers' produce in their area of operation, and thus control large business volumes in order to generate sufficient equity capital. The cooperative is open to all members of the community once they fulfil its basic requirements—being above 18 years of age, being a member of the community, paying membership fees, buying shares and being accepted by the other cooperative members—with the exception of a few lazy or bad-mannered individuals in the community, who tend not to be members (Tab 2).

Table 2: Membership of cooperatives

Membership	**Percent**
Can anyone join the cooperative? (% yes)	72.7
Which kinds of people do not tend to be members of the cooperatives?	
Lazy people	23.1
Bad-mannered people (e.g. thieves)	44.2
Elderly people	14.1
Physically disabled	4
The Youth	8
The Rich	0.7
Non- farmers	3.7
The highly educated	0.7
The very poor	1.7
N= 407	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

From the survey, it was found that over 82 percent of the cooperative members marketed over 80 percent of their total produce through their cooperatives (Tab 3).

Table 3: Marketing of produce through cooperatives

Marketing of Produce	Percent
Marketed produce through ACE over past 12 months (% yes)	87.8
Percentage of produce marketed	
Up to 24% sold	2.4
Between 25 and 49 % sold	3
Between 50 and 79% sold	12.2
Over 80% sold	82.4
Produce marketed through ACE	
Coffee	73.7
Maize	3.7
Banana	8.2
Honey	1.7
Beans	11.6
Peas	1.1
N=407	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

This showed that the ACE had control over a large percentage of members' produce for bulk marketing. The ACEs and RPOs charged commissions in exchange for providing marketing services for the members, which serve as income generating sources for the cooperatives. Other sources of income generation for the cooperative cited included membership fees, sales of shares, donations and grants (Tab 4).

Table 4: Case examples of cooperatives sources of generating capital

Cooperative	Sources of internal funds
Abateganda Cooperative Society	Commission from produce sales, Membership fee, Share capital, Grants and donations, Rents from Houses and Vehicles hiring
Bududa Yetana ACE	Membership fees, Share capital, Commission charges from produce sales, Crop finance and loans from the SACCO
Sukuya ACE	Membership fee, Share capital, Grants through UCA and Commission charges from produce sales
Bahugu ACE	Share capital, Membership fees, Commission charges from produce sales, ACE agro input shop and Donations from UCA
Kigooma Coffee Farmers Association	Entrance fees, shares, Commission from sales of produce and donations
Nyabubare ACE	Share capital, Membership fees, Commission charges from produce sales and Rents from market stores

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

Commission charges varied for different produce. For instance, commissions charged by Bahugu ACE for produce sales (Tab 5) differed based on the type of produce. The commission earned was shared between the RPO supplying members' produce and the ACE. For this ACE, income was also obtained from membership fees of UGX 10,000 (approximately USD 4) per person, and shares of UGX 50,000 (approximately USD 20) per share, for which a member could obtain a maximum of three shares. Bahugu ACE also operates an input shop that supplied its members, as well as other members of the community, with inputs. The success of the model took into account the ability of the cooperatives to have large membership, control a large share of farmers' produce and generate sufficient equity capital for business operations.

Table 5: Commission charges for Bahugu ACE

Produce	Commission	Share between ACE and RPO
Banana	100shs/bunch	50shs for ACE and 50shs for RPO
Coffee	100shs/kg	50shs for ACE and 50shs for RPO
Beans	50shs/kg	30shs for ACE and 20shs for RPO
Maize	1000shs/100 kg bag	500shs/bag for ACE and 500shs/bag for RPO

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

4.2 Promoting member participation and proper management of cooperatives

The tripartite cooperative model favoured the adoption of democratic practices, such as including members in decision-making processes and demanding accountability from the cooperatives' managers. From the survey, there was evidence that the cooperatives held organised meetings that were well attended by members (Tab 6).

Table 6: Participation in cooperative meetings

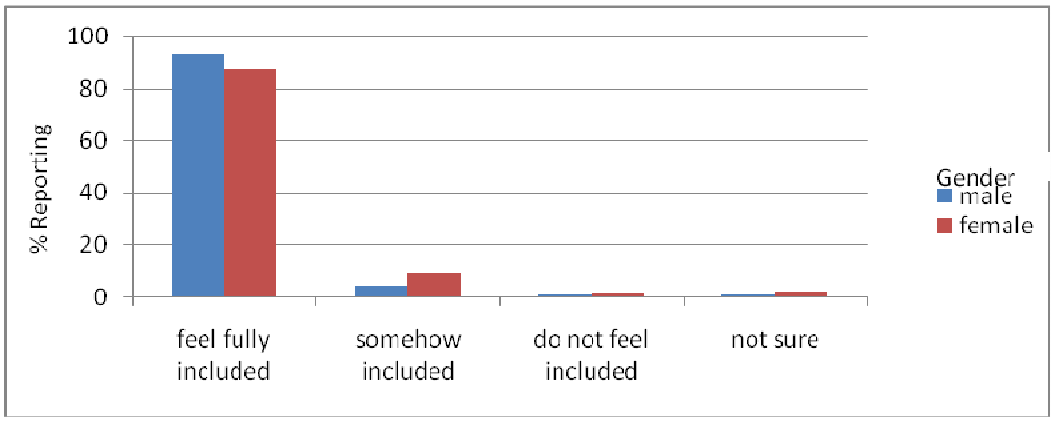
Participation in meetings	Percent
Does the cooperative hold AGMs?	97.9
Did you attend the last AGM?	67.6
If yes, what were the main issues discussed?	
Group cooperative activities	30.5
Financial issues	41
Cooperative marketing	23.8
Post harvest management	4.7
If No, why did you not attend the AGM?	
I had to work on my farm	12.4
I was unaware of the meeting	17.5
I was sick or had to take care of a sick person	51.6
I had travelled out of the village	18.6
n = 407	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

During such meetings, the most important issues discussed were usually related to financial issues (41 percent) and issues on cooperative group activities (31 percent). These issues pertained to how to encourage members to market their produce through the cooperative, how to get better prices for their commodities and engage in other income-generating activities. This showed that obtaining financial stability was very important to the cooperative members, as already discussed above.

When members participated in meetings, most of them generally felt fully included in the decision-making process (see Fig. 2).

Figure 2: Perception on inclusion in decision-making



Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

Members perceived high levels of inclusion because they were allowed to give their opinions, and because their decisions were in most cases accepted and acted upon. These results highlighted that the cooperatives were democratic in their decision-making, as most members participated in the decision-making process. More than half of the members (56 percent) strongly agreed with the statement that they felt very much committed to the cooperative. In general, members felt a high degree of attachment to their cooperative. More than 54 percent of the members strongly agreed that they were owners of the cooperative (Tab. 7).

Nearly 97 percent of the members agreed or strongly agreed that they trusted the managers of the cooperative, while almost 80 percent agreed or strongly agreed with the statement that they were well informed of the financial status of the cooperative. About 88 percent agreed or strongly agreed with the statement that women participated effectively in decision-making within their cooperative (Tab. 7). This showed that the cooperatives encouraged participation.

Table 7: Perception on commitment to cooperative

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Percent Reporting					
I feel that the cooperative is mine					
Male	1.6	0.4	2.8	37	58.2
Female	2.3	0.8	3.1	35.9	58
Total	1.8	0.5	0.5	36.6	58.2
I feel very much committed to the cooperative					
Male	0.8	0	2	40.2	57
Female	0	0	1.5	44.3	54.2
Total	0.5	0	1.8	41.6	56.1
I trust the management of the cooperative					
Male	0.4	0	1.6	53	45
Female	0	0.8	4.6	42	52.7
Total	0.3	0.3	2.6	49.2	47.6
I am well informed of the financial status of the cooperative					
Male	2	1.6	12.9	50.6	32.9
Female	3.1	7.6	13.7	34.4	41.2
Total	2.4	3.7	13.2	45	35.8
We the members of the cooperative know that the cooperative is ours					
Male	0.4	0	3.6	44.6	51.4
Female	0	0.8	1.5	36.6	61.1
Total	0.3	0.3	2.9	41.8	54.7
Women participate effectively in decision-making in the cooperative					
Male	0.4	2	92	51	37.4
Female	0.8	0.8	7.6	42	48.9
Total	0.5	1.6	8.7	47.9	41.3

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

4.3 Provision of training services

The tripartite cooperative model also focused on empowering members and leaders by providing training programs to build the members' capacity and increase their productivity. The majority of the members of the cooperative received some form of training from the cooperative (Tab. 8). Training programs were mainly concerned with the improvement of agronomic practices (52 percent) and post-harvest handling of produce (22 percent) to increase productivity, quality of produce and payment received for sold produce. Most of the services provided by the cooperatives were free or fully financed by the cooperative itself. Services were provided through the ACE by the UCA staff. The cooperatives also outsourced services through private extension service providers or the NAADS extension workers. With these advantages alongside the others already highlighted, the model has achieved great success since its implementation. In the next section, the growth and success of the cooperative model will be highlighted.

Table 8: Cooperative trainings and education

Trainings	Percent
Did you receive any form of trainings from the cooperative in the past 12 months?	88
What kinds of trainings?	
Agronomic practices	51.6
Harvesting and Post harvest management	21.5
Soil Management	7.8
Group dynamics	5.1
Financial and Resource Management	5.1
Animal Husbandry	4.5
Value addition	2.4
Quality Control	1.2
Nutrition and Health issues	0.9
How was the training financed?	
Fully financed by members	5.11
Fully financed by the cooperative	30.9
Members partly financed	6.9
Free	28.2
I don't know	19.5
Other (e.g. NGO)	9.3
Who provided the service?	
ACE	5.11
Gov't Program (e.g. NAADS)	30.9
NGO	6.9
Private extension service provider	28.2
Others (e.g. Coop. Member, trainer)	19.5
Don't Know	9.3
n = 407	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

5. Growth of the tripartite cooperative model

The tripartite cooperative model has achieved considerable success since it began in 1998 with the support of external donors, primarily the Swedish Cooperative Centre (SCC), Canadian Cooperative Centre (CCC) and Royal Norwegian Society for development (Norges-Vel). A number of projects supported by these international organisations have promoted the tripartite cooperative model. Projects like 'Promoting Area Cooperative Enterprises' (PACE), supported by Norges-Vel, had the objective of contributing to the reduction of rural poverty by increasing the incomes of small-scale holders and providing support to RPOs, SACCOs and ACEs. The PACE program adopted the integrated approach of combining production with financial services. The project recorded positive growth over the three-year implementation period. For instance, the project achieved its target objective of establishing 25 ACEs to provide services and establishing 27 ACES by 2006 (Tab 9); the total membership of 17,089 contributed share capital of over UGX 39,575,000 (approx. USD 16,200). The 27 ACEs had marketed over UGX[2] 519,970,320 (approx. USD 213,102) worth of members produce, earning commissions of UGX 51,779,975 (approx. USD 21,221) on sales and another UGX 10,270,100 (approx. USD 4,209) in commissions from input supplies.

[2] Ugandan Shillings.

Table 9: Summary of PACE project SACCO, ACE and RPO performance

Indicator	July 2005	June 2006	Dec 2006*
SACCO Performance			
Supported project SACCOs	33	34	34
Membership	11,336	11,510	13,559
Share Capital (UGX)	452,600,000	461,411,000	581,002,000
Savings Balance (UGX)	487,100,000	493,522,000	736,172,000
Loan Portfolio (UGX)	850,500,000	864,039,000	1,254,325,000
RPOs Status			
No. of RPOs	152	136	143
Membership	11,842	14,669	17,089
RPOs share capital (UGX)	291,785,250	431,373,450	435,630,450
Status of ACEs			
No. of ACEs	32	27	27
Membership	12,142	14,669	17,089
Share capital (UGX)	14, 841,000[a]	37,600,000	39,575,000
Value of produce marketed (UGX)	N/A	457,573,000	519,970,320
Commission earned on sales (UGX)	N/A	46,079,175	51,779,975
Commission earned on inputs (UGX)	N/A	8,128,300	10,270,100
Value of input procurement (UGX)	N/A	73,181,000	78,200,435

Note:
* Indicates performance of the project when it ended in December 2006;
a. Indicates total share contribution of only three ACEs that had started business transactions by 30th June 2005;
The other ACEs were still in the formative stages

Sources: Authors compilation of figures from UCA annual reports 2004 – 2006.

Another example of this continued growth and success could be observed with the 'Empowering Farmers through Agribusiness and Financial Services' (EFTAF) project, which continued to promote the tripartite cooperative model after its recorded success in previous projects (Tab. 10). By 2010, there were over 64,000 individual members of 352 RPOs forming 55 ACEs. These RPOs and ACEs are linked to 42 SACCOs that deliver financial services (UCA 2010). These reformed cooperatives are meant to be managed as profitable business units competing with other private traders in agricultural output markets. To effectively compete with private traders and make profits, RPOs and ACEs must minimise their overhead costs and market large volumes of produce. To kick-start the operations of newly established ACEs, UCA provides payments to cover the wages of ACE managers during the first year in order to reduce ACE operational overhead costs, and additionally provides some office equipment and logistics. Thereafter, the cooperatives are expected to make profits from their business and operate relatively independently. The reformed cooperative bodies promote diversification of their marketing enterprises beyond the traditional cash crops of cotton and coffee. The UCA encourages ACEs to bulk and market at least three products to ensure a year-round business model, thereby encouraging members to extend their production beyond a single product. Diversification of member production reduces the risks associated with crop failure and low prices during the peak production season.

Table 10: Summary of EFTAF project SACCO and ACE performance

Project	EFTAF (2007 – 2010)		
Indicator	**2007/08**	**2008/09**	**2009/10**
SACCO Performance			
Supported SACCOs	45	41	42
Membership	23,720	28,228	37,219
Share Capital (UGX)	1,055,000,000	1,307,000,000	1,842,000,000
Savings Balance (UGX)	1,385,000,000	1,991,000,000	2,654,000,000
Loan Portfolio (UGX)	2,207,000,000	3,256,000,000	4,623,000,000
ACEs Performance			
No. Of project RPOs	300	348	352
No. of ACEs	60	55	55
Membership	34,447	53,428	64,346
Share capital (UGX)	62,364,983	235,440,893	265,979,893
Value of produce marketed (UGX)	13,410,502,695	14,275,744,424	16,976,784,989

Sources: Authors compilation of figures from UCA Annual Reports, 2007–2010.

6. Prospects of development of the tripartite cooperative model

This section presents a SWOT analysis of the tripartite cooperative model based on both surveyed members and the opinions of the cooperatives' managers. Questions relating to how the strengths and opportunities of the cooperative sector could be enhanced or how to address the weaknesses of and threats to the tripartite cooperative model were also addressed.

6.1 Strengths

From the survey, the strengths most frequently cited by the managers of the cooperatives were the willingness of members to collaborate and market through the cooperative (Tab. 12).

Table 11: Major strengths of cooperatives

Major cooperative strengths	Percent
Cooperative marketing	38.5
Good leadership	16.4
Member inclusion in coop. activities	14
Availability of produce supply	12.5
Provision of trainings and financial services	8.4
Coop. ownership of assets	7.8
High prices	0.9
Gender sensitive	0.6
By laws to guide operations	0.6
Engage in many enterprises	0.3
N = 335	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

This result was consistent with responses from surveyed members, with nearly 39 percent of members reporting cooperative marketing as a major strength within their cooperatives (Tab. 11). Having strong membership support and commitment may also constitute a positive factor in ensuring the success of the tripartite cooperative model. Other major strengths mentioned were good leadership (16 percent) and inclusiveness of members in cooperative activities (14 percent). This was consistent with the results discussed in section 4.

Table 12: Opinions of cooperative managers on strengths, weaknesses, opportunities and threats for their cooperatives

Strengths	Freq.	Weaknesses	Freq.
Willingness of members to cooperate and market through the cooperative	12	Lack of commitment of some members and leaders of cooperatives	10
Provision of trainings on modern farming methods	6	Side-selling of produce	5
Marketing of high value crops/engaged in mixed enterprises	5	Lack of trainings	4
Access to financial services—credit and savings	5	Poor management or limited capabilities of management	3
Strong asset base	5	Lack of transparency and accountability	3
Bargaining for high prices for produce	4	Lack of capital	2
Increased productivity through modern farming methods	2	Lack of inputs	2
Job creation	1	Lack of marketing information	2
Access to inputs	1	Ageing members, youth uninterested in cooperatives	2
Share of dividends	1	High transport cost	1
Improvement in livelihood	1	Delayed payments	1
Good management	1	Limited external support	1
		Lack of knowledge about cooperatives	1
		Non-payment of membership fees	1
Opportunity	**Freq.**	**Treats**	**Freq.**
Linkage to markets	9	Natural calamities and diseases	12
Favourable government policy for cooperatives	3	Competition from middlemen	8
Well organised groups, can benefit from government programs, NGOs	2	Price fluctuations	2
Increased productivity/output of members	1	Declining soil fertility—low productivity	1
Trainings and workshop	1		

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

6.2 Weaknesses

The most frequently cited weakness by cooperative managers was the lack of commitment of some of the cooperatives' members and leaders, as well as the issue of side-selling (Tab. 12). Even though a large percentage of members reported

commitment to the cooperative (Tab. 7), the issues of fellow members not fully participating in cooperative activities such as meetings (18 percent) and lack of trust for leaders of the cooperatives (15 percent) were also reported to be a great challenge (Tab. 13). Members' side-selling of produce to other traders reduced the volume of produce gathered by the ACEs, thereby reducing their profit margins. The ACE manager explained that measures to reduce the issue of farmers side-selling included offering competitive prices that were equal to or above the prices offered by other market traders.

In addition, members in need of urgent capital could access loans from the SACCO with their produce supplied to the ACE as a collateral Aside from this, the ACE managers also educated members as to the additional benefits of marketing through the cooperative, which encouraged members to supply their produce to the cooperative. Some of the cooperatives studied had instituted internal rules and sanctions to discourage members from selling to other traders. Members who sold their produce outside their cooperative were sometimes fined and excluded from receiving certain benefits, such as free supply of input.

Table 13: Major weaknesses of cooperatives

Cooperative Major Weakness	Percent
Irregular attendance of meetings	18.2
Lack of trust for leaders	14.7
High illiteracy	12.7
Poor management	11.4
Delayed payment	8.8
Members not abiding to cooperative rules	8.8
Political and religious divisions	8.5
Poor communication	4.9
Lack of cooperation	3.6
Lack of inputs	3.6
Lack of funds and assets	2.6
High membership fees	1.6
High interest rates	0.7
N = 307	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

6.3 Opportunities

The major opportunities identified by the managers of the cooperatives were the linkage of the famers to market outlets and favourable government support for cooperatives (Tab. 12). Members, on the other hand (Tab. 14), were of the opinion that the major opportunities are access to training programs (26 percent) as well as linkage to markets (25 percent). The tripartite cooperative has created the possibility of linking many rural farmers to profitable markets. Training farmers as an additional benefit for members of the cooperative has increased members' productivity and diversified production. With access to markets, farmers are assured income that may translate into improved livelihoods. Government poverty programs have included the use of

farmer's cooperatives to address issues of poverty and rural development, thus acknowledging the advantages created by these forms of organisations.

Table 14: Major opportunities of cooperatives

Opportunities	Percent
Trainings	25.6
Linkage to markets	25.3
Good Leadership	13.5
Access to financial services	12.6
Collaboration with other cooperatives	7.2
Availability of labour	8.1
Diversification	3.5
Increased productivity	2
Supportive government	1.7
Youth joining cooperatives	0.6
N = 348	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

6.4 Threats

The most frequently cited threat by both cooperative leaders (Tab. 12) and members (Tab. 15) were unfavourable weather conditions and diseases that affected farmers' production. Long periods of drought, floods and landslides were mentioned as some of the natural disasters that could destroy crops. Diseases like the coffee wilt had also affected a number of coffee plants, resulting in reduced outputs and incomes. Diversification has been encouraged as a means of preventing the total loss of farmers' sources of income. Some of the other threats mentioned were competition from middlemen and declining soil fertility leading to poor yields.

Table 15: Major threats of cooperatives

Major threats	Percent
Unfavourable weather conditions	44.2
Declining soil fertility - Poor yields	15.9
Lack of member cohesion and cooperation	16.3
Competition	9.5
Lack of government support	5.7
New members not joining	5
Theft	2.5
Political interference	0.7
Poor prices	0.4
N = 283	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

7. Conclusions

This study focused on the reformation of agricultural cooperative marketing systems in Uganda with a case example of the tripartite cooperative model introduced by the Uganda Cooperative Alliance. The model was an integrated approach of farmers, Rural Producer Organisations, Area Cooperative Enterprises and Savings and Credit Cooperatives. Evidence showed that the changes in markets after liberalisation resulted in a loss of the cooperatives' monopolistic powers, withdrawal of government support for cooperatives and the gradual decline of many cooperatives, which necessitated restructuring of agricultural cooperative marketing approach.

The tripartite cooperative model focused on measures to generate sufficient equity capital for the successful operation of the cooperative. The cooperatives under this model aimed to control a large share of the farmers produce in their area of operation, thus controlling large business volumes to generate sufficient equity capital. In addition, the cooperatives generated equity capital through commission charges from sales of produce and supply of inputs, membership fees, shares, donations, grants and also by using cooperative assets such as commercial buildings to generate additional capital. The cooperatives favoured the adoption of democratic practices and the inclusion of members in decision-making processes, and also encouraged the participation of women in cooperative activities. Also of importance was the provision of training services to build members' capacity and increase their productivity. The tripartite cooperative model has achieved considerable success and growth since its implementation. The approach has the advantage of linking farmers to profitable markets, empowering farmers through training and enjoying favourable government support policies. It was, however, tested by members side-selling to competitive traders and was also threatened by natural disasters and diseases.

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