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**Factors affecting sustainability of Agricultural
Cooperatives: Lessons from Malawi**

**A thesis presented in partial fulfillment of the
requirements for the degree of Master of
AgriCommerce at Massey University, New Zealand**

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AGNES TOWERA NKHOMA

ABSTRACT

Incorporation of small-scale farmers into agricultural commercialization has led rural communities to form cooperatives for better access to markets. However, sustainability of these cooperatives has been a great challenge. This thesis explores the sustainability problems affecting agricultural cooperatives in Malawi, and develops testable proposition for use on a larger sample. A multiple case study was used to investigate factors that contribute to the unsuccessful performance of agricultural cooperatives. Four cooperatives were selected by a combination of market failure and a-priori sustainability criteria. Basing on the market failure assumptions two cooperatives, from a district close to the major city of Lilongwe and two from a district far away from the city, were selected. In each district one sustainable and one less sustainable cooperative were selected based on the ranking prepared by Ministry of Agriculture and Food Security. The sample was further validated by the experts from local NGOs. Sixteen face to face interviews were conducted on location. Members of cooperatives, board members, the management of cooperatives and key informants were interviewed.

It was found that most farmers joined cooperatives to improve their livelihood, through better access to capital and product markets, and for family food security. The farmers have managed to obtain input loans at small scale, despite their dissatisfaction with their cooperatives failure to access product markets. The general consensus for the participants in all the four cooperatives was that in their current state these cooperatives are not sustainable. Although, all the members interviewed were satisfied with the idea of having a cooperative and perceived it to be a good idea for addressing their needs, they were skeptical of their survival. The participants highlighted lack of market access, poor governance and a lack of managerial skills as the main problems affecting their cooperatives. These problems are aggravated by the complexity of the market environment in which these cooperatives are operating, that underscores the significance of the managerial capabilities and the cooperatives capacities. The study indicated that Malawian agricultural cooperatives are essential but still need a lot more support in the area of produce marketing.

These findings draws propositions in relation to factors which led to Malawian agricultural cooperatives sustainability problems that can later be tested on a large sample in the other parts of the country or region. From such experiences and lessons, it is recommended to establish an apex organisation or secondary level cooperative at district level to address governance, management and market access problems, in order to improve the performance of cooperatives. Further, community sensitization is needed to increase memberships. In addition, policy interventions such as provision of the infrastructure necessary for accessing market information and supportive regulatory framework that would allow competitive market environment.

Key words: Malawi, agricultural cooperatives, sustainability, market access, governance, managerial skills and small-scale farmers

Title: Factors affecting agricultural cooperatives' sustainability: Lessons and experiences from Malawi

Author: Agnes Towera Nkhoma

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ABBREVIATIONS

ADMARC	Agricultural Development and Marketing Corporation
APIP	Agricultural Productivity Investment Programme
EPA	Extension Planning Area
EU	European Union
FINCOOP	Finance Cooperative Limited
ICA	International Cooperative Alliance
IDEAA	Initiative for Development and Equity in African Agriculture
IOF	Investor Owned Firm
LIWEZA	Lilongwe West Zone Enterprise Association
MACE	Malawi Agricultural Commodity Exchange
MALEZA	Malawi Enterprise Zones Association
MGDS	Malawi Growth and Development Strategy
MPRSP	Malawi Poverty Reduction Strategy Paper
MRFC	Malawi Rural Finance Company
NFRA	National Food Reserve Agency
NGO	Non-Governmental Organisations
NSO	National Statistics Office
SACA	Smallholder Agriculture Credit Administration
SACCO	Savings and Credit Cooperatives

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