

**AGRICULTURAL CO-OPERATIVES: ROLE IN FOOD SECURITY AND RURAL  
DEVELOPMENT**

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## **ABBREVIATIONS**

DFID	Department for International Development
GDP	Gross Domestic Product
ICA	International Co-operative Alliance
ROI	Return on Investment
SGC	Second Generation Co-operatives
USAID	United States Aid for International Development
UN	United Nations
VOCA	Volunteer Organization for Co-operative Assistance

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## **1.0 INTRODUCTION**

The definition of co-operatives is built on four major catch words; first, they are formed by groups of people, who have a specified need or problem. Second, the organization is formed freely by members after contributing to its assets. Thirdly, the organization formed, is governed democratically in order to achieve desired objectives on equitable norms, and fourth, it is an independent enterprise promoted, owned and controlled by people to meet their needs (DFID:2008). It is about peoples' organization to capture different opportunities in the economy where they can address their economic needs and aspirations. By the same token therefore, co-operatives can be formed in any sector of the economy of a country such as agriculture, minerals, industries and service sectors.

In this presentation, our focus is on agricultural co-operatives. The main categories of agricultural co-operatives fall into mainstream activities of agricultural undertaking including supply of agricultural inputs, joint production and agricultural marketing. (<http://www.eco-innovation.net/node.113>). Input supply include the distribution of seeds and fertilizers to farmers. Co-operatives in joint agricultural production assume that members operate the co-operative on jointly owned agricultural plots. The third category consists of joint agricultural marketing of producer crops, where farmers pool resources for the transformation, packaging, distribution and marketing of an identified agricultural commodity.

In Africa, however, the most popular agricultural co-operative mode has historically been the marketing of agricultural produce after small farmers have individually completed their farm production operations. But in some cases, agricultural co-operatives have combined both input distribution and crop marketing.

Our focus in this presentation; will be directed to the following aspects; First, we try to map out the current status of agricultural co-operatives in Africa. Second, we elaborate the role of agricultural co-operatives in food security and rural development. Thirdly, we focus on priority issues faced by agricultural co-operatives during periods of low economic growth and finally, we look at some of the challenging experiences of agricultural co-operatives and lessons learned.

## **2.0 THE CURRENT STATUS OF AGRICULTURAL CO-OPERATIVES IN AFRICA**

As the term goes, agricultural marketing co-operatives have been the most popular traditional mode of co-operative development that has linked developing countries with the rest of the world, through export commodity trading. It must also be recognized that the incidence of agricultural co-operatives in Africa, is not accidental. Most developing countries including those in Africa, depend on agricultural production for their livelihoods. The statistics indicate that 84 per cent of the population in African countries depends on agriculture as source of food, income and employment.

Traditionally, agricultural marketing co-operatives in Africa have had the practice of combining agricultural input supply and output marketing. Such a comprehensive outlook of marketing co-operatives, was critical in meeting small farmers production requirements. But at the advent of liberalization policies and competition, agricultural co-operatives were forced to drop out input supply from the service package and productivity in some co-operatives was negatively affected.

## 2.1 Agricultural Co-operatives in the Context of the African Economy and Politics

In order to understand the role of agricultural co-operatives in Africa, one has to articulate certain general features and dynamics taking place in the economy of African countries today and they are characterized as follows:-

First, the African continent continues to be producer of raw materials but trading with industrialized countries. The later group of countries, have the capacity of rationalization on the economic utilization of imported raw material from the developing world. As a result of this position, Africa continues to occupy a weak bargaining position when it comes to trade negotiations. It is the industrialized countries determining the quantity and quality of raw material they need and not the other way round. produce. This structural position of the African continent, puts agricultural co-operatives in much a weaker position relative to world's trade. While the Economic Commission for Africa reported a 1 per cent participation of Africa in world trade in 2004, it was reported recently in Tanzania that cotton exporters, have lost 50 per cent on the price of cotton due to shrinking demand for the commodity. World market prices for cotton have recently fallen from 84 cts US per kilogramme to 40 cts.US.

Secondly, the current development discourse in most African countries, is guided by governments , putting too much emphasis on the need and impact of Direct Foreign investments for the development of African economies at the expense of local private agents and co-operatives. But the reality on the ground has been revealed by the Secretary General of the Economic Commission for Africa, who reported in 2004 that Direct Foreign Investment was merely 1 per cent GDP of African countries.

The scenarios pointed above, have a lot of bearing on the nature and performance of African co-operative organizations as follows:-

First, since the start of agricultural co-operatives during the colonial days, they were linked to the co-operative marketing of agricultural exports (Carlsson:1992) In Tanzania, Kenya, Uganda , Ghana and Nigeria, co-operatives were established to market coffee, cotton, cashew nuts and cocoa. The development of food marketing co-operatives was associated with post colonial governments, when they realized the organizational importance of the co-operative enterprise for the development of the whole country. It is historically obvious that the structure of traditional agricultural co-operatives, is directly affected by the shocks of declining world market prices because; Africa has not changed its pattern of production and consumption. Except for Ethiopia, Africa does not drink coffee; they do not eat cocoa products and cashew nuts. Africa does not have the industrial capacity to process its cotton into different end use products. This macroeconomic structure of agricultural co-operatives , has to be reviewed with the intention of making such organizations, respond both to the needs of the members but also making them contribute to macroeconomic stability, especially in dealing with the production and marketing of food commodities.

Second, is the form and the organizational culture of imported models of co-operative organization. Looking at the type and structure of co-operative organizations one sees a more disintegrated stand alone co-operatives distinguished by type, depending on who promoted such types of co-operatives. There is a complete divide between agricultural co-operatives and financial services co-operatives. There is also a distinct cluster of savings and credit co-operatives as opposed to co-operative banks. The lack of co-operative integration, makes the co-operative movement in Africa, more disjointed and unable to see problems of their members in terms of solutions generated by the co-operative movement as a whole, but rather, they look to the government when seeking co-operative solutions.

But also, there is another inherent weakness of the African co-operative movement, and that is to deal with the ownership structure where the traditional co-operatives are a collective ownership with minimal capital investment (Nillson-undated). The traditional agricultural marketing co-operatives for example, have not transformed themselves into market competition agents. They have remained or driven by patronage refund to the members rather than a structure where the members are motivated by expanding the size of equity capital and Return on Investment (ROI). According to Kryiapoulus, (1998) such type of traditional co-operatives, have a number of limitations because they do not only depend on minimal capital investment, but they are basically established to create the conditions for general collection of bulky raw material products to attain economies of bulky collection for external buyers, rather than heavy investment to gain economies of scope.

Third is the policy and legislative dilemma. The policy and legislative processes on co-operatives are still constraining co-operative development in Africa. Co-operative policy and legislation is not yet participative (Chambo: 2007). The state continues to be the main promoter of co-operatives and as such, the message sent to the public is that of state controlled co-operative movement (DFID 2008) with continued minimal share contribution membership. Such type of traditional co-operatives find it difficult to transform into a new frame of competitiveness and failing to attract qualified management and capital expansion.

Fourth, is the nature and content of co-operative education and training delivered to co-operative members, leaders and managers in Africa. In co-operative organizations, the members are the investors and owners of the business. If co-operatives want to register any meaningful change, the nature and content of co-operative education and training has to be reflected in the framework of knowledge as input to member empowerment. The traditional member education and training, did not expose members to issues of their entitlements to power and authority in decision making and resource allocation (Henricks:1995). Education and training, also, did not avail to the members, the opportunities for them to develop action programs to bring about change they needed. To the contrary, traditional member education, was conceptualized and carried out in a framework that was outside the change process needed by the members. It was not geared to problem solving, but rather to impart general knowledge about co-operation. It was therefore, more of an instrument of maintaining the status quo of exploitative power relations inside and outside the co-operative movement.

Such factors of history, culture of organization, the policy and legislative dilemma and the form and structure of agricultural co-operatives and education and training, are still militating against successful performance of the co-operative movement in Africa to date.

## **2.2 Agricultural Co-operative Potential**

While such issues militate against successful performance of agricultural co-operatives, the documented potential role for such organizational frameworks, should theoretically be highlighted. Such potential, include overcoming barriers to assets, information services and markets agricultural commodities through co-operatives (Holloway et al 1999). The management and handling of such organizationally complex issues, calls for an organization such an agricultural co-operative, to stand on behalf of small farmers and transact out the business in a cost effective manner.

Secondly, agricultural co-operatives create the ability for the supply of required agricultural inputs so that production of commodities is done timely to enhance productivity. They also provide an assured market for commodities produced by isolated small farmers in the rural areas.

With collective action, agricultural co-operatives can capture the benefits of value added, because of bulking and take advantages of introducing grades and standards allowing agro processing value addition for the members. In addition, agricultural co-operatives are responsible for stimulating poor farmers to make entry into markets, enhancing demand for standards and grades for perishable commodities(Ortman et al :2006), such as bananas, onions and tomatoes.

Agricultural co-operatives and other co-operatives in general, have an international association known as the International Co-operative Alliance (ICA), which has the opportunity to navigate global co-operative trade. Such initiative would involve connecting the African co-operatives, with for example fair trade organizations in Europe and America. The ICA also, has an opportunity of innovative work of linking African co-operatives ,with technologically advanced agricultural co-operative systems in Asia and Latin America.

### **3.0 THE ROLE OF AGRICULTURAL CO-OPERATIVES IN FOOD SECURITY AND RURAL DEVELOPMENT**

#### **3.1 Agricultural Co-operatives and Food Security:**

Many researchers in food and food policy, have carried out in depth research on the subject. For example, according to Clover (2003) food security is achieved when all people at all times have physical and economic access to sufficient, safe and nutritious food preferences for active and healthy life. Food security on the other hand means avoiding hunger. (Volamen: 2009) for all.

As a global phenomenon, food security for all is the best indicator of food security for the world. This assures food security for national access on a broad average. (Smith et al: 2006). But this form of assurance of access of food for the world, is only an average and quantitative indicator of food security. Qualitative measures of access would look into actual access indicators of food energy requirement levels. Smith et al (2006) gave the following profile of the extent of food insecurity in selected countries in Africa as it appears in table 1 below:-

**Table 1:** Food Insecurity in Selected Countries in Africa

Country	Year of Measurement	Percentage of People with Food Energy Deficient
Rwanda	2000	65.3
Senegal	2001	60.2
Uganda	1999	36.8
Tanzania	2000	43.9
Zambia	1999	71.1
Burundi	1998	76.2
Ethiopia	1998	74.4

**Source:** Lisa Smith, Harold Aderman and Dede Adeayoun

Uganda and Tanzania appeared to have relatively low figures of insecurity compared to Rwanda, Burundi , Ethiopia, Zambia and Senegal.

While all countries had severe climatic shocks of draught, in Burundi, Rwanda and Senegal, food shortage was induced by civil strife. But according to this research, access to food was generally impaired by income inequality and general income poverty were seen as the primary causes.

It is also argued that although poverty is generally prevalent in the rural areas of Africa, food access in urban areas has been higher than in the rural areas due to massive rural – urban migration in search of decent jobs in the fast growing urbanization of the African continent.

But on a global scale, food insecurity is looming if production and distribution is left to the divisions of multinational companies. There is strong evidence that the family farm and co-operatives can provide a decentralized system of food security and employment (Coldmen, 2009). Considering the case of the three East African countries – Kenya, Uganda and Tanzania, it is evident that they recorded low figures of food insecurity as shown in Table 2 below:

Table 2: Relative Food Secure East Africa

Country	Year	Percentage of Food Insecurity
Tanzania	2000	43.9
Kenya	1997	43.9
Uganda	2000	36.8

*Source:* Lisa, Smith, Harald Aderman and Dede  
Adeayom Research Report No. 146, International Food Policy  
a Research Institute, Washington, November, 2006

There is close correlation between food security in these countries with their long history and large size co-operative organizations. This correlation however, was made possible on account that small farmers had disposable cash income earned from co-operative activity, to buy food from ordinary village markets. But on the other hand, all main cash crop growing areas, such as cotton, tobacco and coffee, are also climatically, the main food growing areas such as bananas (coffee), maize (tobacco) rice (cotton). So apart from having cash income from co-operative business, small farmers have also been food secure, due to climatic advantages.

In the post independence years, Tanzania and Nigeria, tried to promote food marketing co-operative organizations. This was possible with the institution of government food buying parastatals bodies which bought all cereals from co-operative organizations. But immediately after liberalization policies, marketing parastatals were disbanded and automatically, food marketing co-operatives were the first to go under, due to stiff market competition. Some marginal co-operative action however, still remains today with high value food crops such as paddy, vegetables and horticultural crops.

While there is reasonable potential for the promotion of a range of food based co-operatives, they however, require a different co-operative strategy distinct from the traditional member>patronage type of agricultural co-operatives to a more member>investor co-operative type.

### **3.2 Agricultural co-operatives and Rural Development**

The existence of co-operatives, also has had an impact in the generality of rural development defined in terms of availability and access to amenities that improve the basic conditions of life for the rural people. These include employment creation, rural markets development, enhancement of rural incomes and the improvement of access to social services. Farmers producing crops and marketed by co-operatives are gainfully employed because they can account for their labour input by the revenue they earn during the marketing seasons. Agricultural co-operatives are critical to the general rural development because they provide employment of accountants, bookkeepers, managers, as part of direct employment. But those members earning better revenue through enhanced co-operative prices, have usually invested in income-earning projects such as piggyery, chicken projects and other small enterprises. Such enterprises outside



the mainstream agricultural marketing co-operative domain, increase income levels of entrepreneurial farmers, but also increase additional employment to the rural people and hold up the massive population that would have migrate to cities in search of decent jobs.

As far as market development is concerned, it has been evident that agricultural co-operatives have been responsible for introducing the exchange economy in remote rural areas in Africa. By doing so, co-operatives have been responsible for developing modern markets in rural areas, where . the co-operatives provide a ready market for farmers' crops but also absorb transaction costs(Holloway et al 1999), which would otherwise hinder small farmers from market and production integration.

Agricultural co-operatives, maintain higher levels of income, making small farmers able to construct decent houses, send their children to school and provide health insurance to sustain rural livelihoods (Chambo, et al, 2007). They also, have the advantage of accessing co-operative education and business development capacity building. Co-operative education enables them to participate in democratic debates and exercising democratic principles and leadership training. This gives them the ability to become enlightened citizens able to debate more effectively different political issues of concern to the community. But through co-operative education and practice, they also gain the skills of running business. That is why; rural development would greatly be enhanced, if people became members of agricultural co-operatives in general.

But food demand is growing very fast. According to Volamen, (2009), most developing countries face permanent food shortage due to technological, climatic hazards and continued pockets of civil strife. At the sometime however, they produce their own food and countries such as those in Asia, the farm provide employment to 2.5 billion. But all these do indications that food crops can transformed into business and tradable commodities where agricultural co-operatives could play a significant role.

#### **4.0 PRIORITY ISSUES FACED BY AGRICULTURAL CO-OPERATIVES DURING PERIODS OF LOW ECONOMIC GROWTH**

Agricultural co-operatives are rural-based organizations. Being rural as such, they are critical in the removal of market barriers imposed by low economic growth , negotiation of better commodity prices, influencing co-operative development issues with government , commercialization of smallholder production (Halloway et al 1999) and access to new productive assets.

Periods of low economic growth, are characterized by general recession in the economy where macroeconomic performance indicators, show general declining trends. There is low demand, and investments are low due to lack of effective demand , causing shrinking commodity market prices. In such a trend, the first impact that hit the agricultural sector in general, is low international demand for agricultural exports, as a result of shrinking commodity markets. Low prices are likely to induce low production of commodities resulting to low growth of agricultural production. A study conducted by USAID (2009) in Ethiopia, indicate that mono crop countries are badly hit by the current economic crisis. With the assistance from USAID, and VOCA ,the two organizations are providing assistance to settle 140,000 out of 1.2 million small farmers already hit by the crisis, to switch to speciality coffee and introduce branding to differentiate Ethiopian coffee from other types of world coffee.

Kilimanjaro Native Co-operative Union in Kilimanjaro Tanzania, has evolved a long term program of organic coffee and joining Fair Trade Labeling organization to protect their members.

As noted earlier, what happens to agriculture at the national level, will to a large extent hit agricultural co-operatives. Agricultural co-operatives in developing less industrialized countries like Tanzania are badly hit from the input and output sides of the market. Some of the export commodities are import intensive, but when it comes to selling such commodities as coffee for example, there is low market for the commodity. But agricultural co-operatives are economic organizations providing social and economic protection for their farmer members and reduce the extent of vulnerability of its members being thrown into poverty. Facing such a situation, agricultural co-operatives are concerned about the welfare of their members and the larger economy as such

Research, carried out by Smith, et al, (2006) on vulnerability to food insecurity in Africa, indicated that food purchases, took more than 60 per cent of total household expenditures except for Uganda which had a vulnerability ratio of 59.3 per cent. This shows that Africa is still a subsistent continent where food security is still fragile.

As we saw earlier, the structure of African economies, is dependent on the global economic system and when it comes to the agricultural sector, our countries are vulnerable to international demand for our agricultural exports. It is therefore important to recognize that low economic growth in African countries is largely externally induced. But such a situation should provide important lessons as to how African countries should be prepared for such economic shocks in the long run.

At the national level, there are three priority areas for managing externally induced economic shocks:-

First, is the development of a long term food security policy. Many African countries, do not have food security policies, although they may have agricultural development policies. The food security policy however, should be guided by food self sufficiency parameters and food security development strategy that will involve all critical stakeholders including the household farm.

The second national priority for the government, is reviewing the national plan and make a strategic re-focusing into fast sectors of growth as follows:-

First, in the agricultural sector, the focus of concentration should be to increase the production of food crops with a gradual reduction of export crops because they still have slow and small international demand. The strategic food production intervention, should go together with the canvassing of international markets should food production indicate surpluses. But at the same time, the government, should establish a decentralized food storage and security system, right from the village level. This medium term food security strategy, should be implemented by economic agents in the private sector including agricultural co-operatives.

The second priority for the government should be deliberate strategy to support the construction sector. The development of this sector has direct influence in boosting internal demand for consumer goods, especially food.

Such a short and medium term strategy will start developing internal structures of demand and gradually start to project the economy to start depending on itself.

But under such circumstances, agricultural co-operatives would need to tackle the situation by ensuring the following priority areas:-

First as pointed out earlier, both in terms of government and the co-operative movement alike, there is need to reconceptualize the fact that food crops are also business and there is need to commercialize them. In doing so, there is need to start promotion of food marketing co-operatives at grassroots level. The formation of such co-operatives, will need the introduction of what are known as *Second Generation Co-operatives* (SGC) (Nillson-undated, Andrea et al 1995 and

Ortman et al 1999) This co-operative mode, will integrate the traditional membership and investments in making agricultural co-operatives more competitive, guided by high quality management and incentive structures on owners equity than patronage rebate.

Secondly, in areas where agricultural co-operatives depend on perennial crops such as coffee , cashew nuts and cocoa, co-operatives could respond by involving their members on two pronged strategic priorities: First, carry out renewal planting, removing old trees and introducing high value ecological crops. The second strategic approach would be intercropping with high value food crops, such as bananas and horticultural crops.

In areas where co-operatives are involved in annual crops with declining demand such as cotton and tobacco, agricultural co-operative members could easily switch to high value income generating crops where internal markets are active and guaranteed. This strategy will need a rapid market research and inform the members accordingly.

Finally, agricultural co-operatives need a new culture of long term planning. Over the years, most agricultural co-operatives operated on the basis of annual budgets. To be able to manage future shocks, brought by unstable markets, agricultural co-operatives also need to embrace the art of strategic planning, guided by a vision of co-operative integration with critical strategic co-operative institutions such as Fair Trade organizations, co-operative banks and insurance.

## **5.0 SOME CHALLENGING EXPERIENCES OF AGRICULTURAL CO-OPERATIVES AND LESSONS LEARNED**

Agricultural Marketing Co-operatives are currently operating under stiff competition with private buyers including multinational companies. Co-operatives, carry out their business using credit from major private banks and prices are not on their side. As such therefore, they face both , volume and price competition. Over the last twenty years of economic liberalization some have even collapsed. But some have survived the competition and still operate at the service of small farmers and contribute to poverty alleviation today: One critical question we have to answer today is What are some of the challenging experiences they have come across and what lessons learned?

### **5.1 Challenging Experiences**

There are many challenging experiences faced by agricultural co-operatives , but in this discussion, we shall limit to five of them. They include, stiff competition sometimes without clear rules, controlling government policy and legislation and leadership, management and governance challenge. The others include, member participation and empowerment and the challenge of capital investment in co-operatives.

A continental assessment of surviving co-operatives in Africa, indicate that they have learned how to compete and survive in the marketplace. When liberalization began, markets seemed to follow no rules at all. Where government policy provided rules of competition, some multinational companies broke them unilaterally. But on the other hand, co-operatives cried for monopoly support from the government which was never granted. But over the years, government intervention seen emerging again, by developing enforceable regulatory frameworks in commodity markets. Such regulatory instruments, though not exhaustive, give signals of a more organized future and fair competitive framework conditions .

Government policy on co-operatives ,has shifted two levels over the last two decades. In the first liberalization decade, government policy and legislation appeared to be more flexible and

promoting member driven co-operatives. It was during this period when the mortality rate for agricultural co-operatives was highest. This gave wrong signals to policy makers thinking they had given co-operatives too much freedom leading to their premature death. In the second decade of liberalization, governments came with a new policy and legislation that was more on the control than freeing the co-operative movement. This area needs more research but if the government is managing appropriate regulatory framework, it will need to go with a reviewed policy and legislation which creates more freedom of action from members of agricultural co-operatives than the way it is at the moment.

From inside the co-operative movement itself, agricultural co-operatives have faced the challenge of leadership, management and general governance complexity. Liberalization needed a new type of leadership and managerial capacity. Apart from legislative set backs, co-operatives came to face the realities of markets in that they needed entrepreneurial leaders and managers. But to date, many agricultural co-operative organizations, have not yet cultivated the right leadership and highly qualified management due to lack of appropriate incentives to attract them. This has put more strains on the implementation of good governance programs of transparency, accountability and member participation for the development and expansion of the co-operative enterprise in Africa.

Member driven and member owned agricultural co-operatives is the ultimate goal of co-operative development in Africa. The subject of membership is still tricky and needs more time for reflection. There are three types of challenges here; first, there are more free riders on co-operative services than genuine members. Second the incentive structure for attracting membership is still marginal and lastly, traditional member education and training, has not given the members the right skills and knowledge of bringing about qualitative change in their lives through their co-operatives.

Finally, we have to address the form of co-operative ownership by the members. The traditional mode of ownership is based on reasonable small value of shares to allow access of poor members to own and manage their co-operative enterprise. According to Nillson, (undated) such share values bore no risk taking by the members. But on the other hand, members expect high returns on investment traditionally known as patronage refund. This traditional mode of agricultural co-operatives, has been challenged by market forces of competition and the need for incentives for investing into high value share ownership. The discussion about second generation co-operatives where members loyalty is defined by share ownership and strict member participation in co-operative business, is heavily being debated at the moment. It is a challenge for research on the integration of the poor as members, but some shares of co-operative enterprises being floated in the stock exchange market. Dos Pinos Dairy co-operative in Costa Rica and the co-operative bank of Kenya are some of the examples, following the option of second generation co-operative arrangements.

## **5.2 Lessons Learned and Policy Recommendations**

Looking at the challenging experiences above, the following lessons are pertinent:-

- (i) Agricultural co-operatives in Africa are still at the drawing board. More design work need to be done with the participation of members to arrive at an appropriate size of agricultural co-operatives which can respond to the needs of members. This design work, should be part of the policy agenda for governments so that policy makers are not fixed to static traditional models of the co-operative enterprise.
- (ii) Policy and legal framework for co-operatives need more design and constant review work also guided by the members. It will require explicit adjustment and

reduction of government controls in the co-operative movement so that the members are free to mobilize resources for expansion of the agricultural enterprises in Africa

- (iii) Member education for empowerment and entrepreneurship need a new and drastic review so that member education and training, is directed to problem solving but at the same time, introduce the members to programs of bringing about change and trained to become entrepreneurs on their own right.
- (iv) Getting new generation co-operatives in the agricultural sector is an important policy agenda for the sustainability of agricultural co-operatives in future. Such member-investor co-operatives, will cultivate the required risk taking by the members and will not allow free riding while on the other hand, the co-operators will get the right incentives to sustain the co-operative enterprise in Africa. Such an arrangement will attract qualified leadership and management capacity expected in agricultural co-operatives.

## **6.0 CONCLUSION**

Agricultural co-operatives are important organizations for sustaining food security and rural development in Africa. They provide a critical organizational framework that is theoretically and ethically needed for the mobilization of isolated small farmers for self directed economic development, independent of state systems.

The advent of market liberalization, market competition and co-operative policy and legislation of the 1980s, did not fair well with agricultural co-operatives resulting to declining performance. But some well functioning co-operatives survived the competition , and continue to discover new opportunities where they have comparative advantage.

Current economic shocks are largely externally induced. But they have adverse effects, macro economic performance indicated by low commodity prices with negative effects on both African countries' balance of payments and agricultural co-operatives participating in export trade business. These shocks, have generated a new debate on macro economic strategy and management as well as co-operative organizational strategies directed to food production and marketing.

But , in order to enter the economy of food production and marketing, agricultural co-operatives need a new design of entrepreneurship driven co-operatives such as the Second Generation Co-operative mode. This mode of organization, will be a product of design work, but departs from the traditional co-operative to a member investor mode where the later, has strong motivation factors for membership and the ability to employ highly qualified management.

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