

**THE NATIONAL UNIVERSITY OF LESOTHO**

**FACULTY OF HUMANITIES**

**THE CONTRIBUTION OF POULTRY COOPERATIVES IN IMPROVING SOCIO-ECONOMIC LIVES OF MEMBERS: THE CASE OF MAPHOHLOANE POULTRY FARM AND THUSANANG KA LERATO POULTRY FARM COOPERATIVES IN THE MOHALE'S HOEK DISTRICT**

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**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF DEVELOPMENT STUDIES IN ACCORDANCE WITH THE REQUIREMENTS FOR MASTERS OF ARTS IN DEVELOPMENT STUDIES**

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**NUL**

**AUGUST 2022**

## DECLARATION

I Mamotlatsi Julia Khoabane declare that this is my own original work and it has not been submitted to any other University for similar degree or award.

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## **ACKNOWLEDGEMENTS**

Firstly, I would like to thank God for his love and wisdom that has helped me sail through this dissertation.

I am indebted to a large number of people in the preparation of this research project. I acknowledge the support, encouragement, useful comments and most importantly the patience my supervisor Prof. Tšepiso A. Rantšo gave me.

I am forever indebted to my husband Dr.TobatsiMoshesha who was involved from the beginning, the support, constant encouragements and my most loyal cheer partner. I am proud to be able to say that my beloved mother, ‘MmeMamokheseng Khoabane and my dearest husband Dr.Tobatsi Moshesha, provided me with finance for this study, also not forgetting my beautiful make up clients. I also wish to express my special gratitude to all people who paid special attention to my concerns. Among them, are my beautiful colleagues. Finally, I value the information derived from the many authors whose books are listed in the Bibliography and the effort I made to type the project.

## **ABSTRACT**

This study is about the contribution of cooperatives in improving the socio economic status of members. Basotho men and women established cooperatives due to high unemployment rate and food insecurity, they did this to create employment for themselves., Lesotho's economy is struggling to grow and many products are imported from South Africa, evidence from Lesotho shows that the main contributors of Lesotho's GDP are the booming tertiary sector but despite the booming tertiary sector in Lesotho, the country is still confronted with many development challenges which include unemployment..In this scenario, cooperatives gather local people and pool their resources to gain power to participate and influence market forces and community development. The study further employs modernisation theory as a means to have access to larger markets. The study concludes that cooperatives members have the potential to compete with international markets but lack of financial power has forced them to produce for the local community.

## **ABBREVIATIONS**

BEDCO	Basotho Enterprise Development Corporation
CDA	Community Development Association
FAO	Food and Agricultural Organization
HIV	Human Immunodeficiency Virus
IFAD	International Fund for Agricultural Development
ICA	International Co-operative Alliance
ILO	International Labor Organization
IOF	Investor-Oriented Firms
ICA	International Cooperative Alliance
MCU	Mara Cooperative Union
MDG	Millennium Development Goals
NCBA	National Cooperative Business Association
NCBA	National Cooperative Business Association
SAPs	Structural Adjustment Programs
SACCO	Savings and Credit Cooperative Organization
SDG	Sustainable Development Goals
UN	United Nations
WB	World Bank
WTO	World Trade Organization

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# CHAPTER ONE

## INTRODUCTION

### 1.1. Background to the study

According to the available literature, the cooperative movement emerged in Europe in the nineteenth century, particularly in Britain and France. The movement aimed at encouraging individuals to manufacture, purchase, and sell products together while sharing profits (Devine, 1976). It is stated that, the Shore Porters Society was one of the first cooperatives in the world and that it was founded in 1498 in Aberdeen, Scotland. The cooperative was initially established as a group of porters working in Aberdeen Harbor and then grew into a removal, haulage, and storage enterprise (Smelser,1964).

The "new wave" of consumer cooperatives allegedly began in the late 1960s and early 1970s, according to (Kimbi, 1996). These stores were established by young, idealistic counterculture members, and they were born out of the concepts and beliefs of the 1960s. Instead of setting up co-ops to emulate their co-op ancestors, they did it because they believed in equality (Develtere, 2009). Most of the new co-ops exclusively offered bulk, whole, and unprocessed food for sale. They used a variety of novel operating procedures. While some establishments only kept certain hours open, others were open every day of the week. Some were run by volunteers, while others employed full-time personnel. Other companies used more conventional management structures, while some employed various forms of worker self-management. Some granted members a discount at the end of the year, while others paid patronage refunds.

Ahearn and El-Osta (1992) said that these co-ops were pioneers in the area that would subsequently be recognized as the natural foods business. However, not everyone was wealthy. Due to their creative operational and structural models, several of them failed. The majority of them were unable to avoid the same problems that had plagued older, earlier co-ops, such as insufficient funding, weak member support, an inability to improve operations as the natural foods industry developed, a commitment to ideals that was stronger than financial success, a lack of adequate wholesaler support, and resistance to consolidation (Adams,Brockington, Dyson andBhaskar, 2003). The "new wave" cooperatives that have survived, however, are strong and

well-recognized. In contrast to consumer cooperatives in Europe and Asia, the consumer cooperative movement in the United States has had varying degrees of success. However, every wave of cooperative expansion results in rekindled enthusiasm for an age-old concept and advances that are well received by the general public.

Africa, however, has had a quite different history of cooperative growth. Although there were pre-colonial African mutual assistance organizations that predated the Western cooperative movement, the British, French, Portuguese, Spanish, German, and Belgian colonial administrations between the 1960s and the 1990s introduced official cooperatives throughout Africa (Develtere, 2008). Africans viewed organized and institutionalized cooperatives as foreign and alien institutions since the cooperative sector was a creation of colonial socio-economic planning. Cooperatives were then reinstated under state supervision once African governments gained independence (Kimbi and Lee 1996).

Due to the promotion of these organizations to promote development, the history of cooperative development in independent Africa has typically been divided into two eras: the first one lasting from the immediate post-colonial period in the 1960s to the mid 1990s, and the second one occurring during the global economic reforms from the mid 1990s to the present, which has been characterized by economic liberalization (Develtere, 2009). In contrast to the second era, which has been focused on separating cooperatives from the state so they can enjoy autonomy and behave like for-profit businesses responding to the market, the first era was characterized by strict government control over cooperative development through the adoption of policies, legislation, and programs that promoted cooperatives as tools for accelerating national economic development.

In the end, a lot of African governments saw cooperatives as a useful vehicle to further their goal for building their countries and putting social and economic policies into place. Since cooperatives were viewed as an extension of the government, they neglected to consider the needs of their members or the general public (Develtere, 2009). The performance of cooperatives also started to be seen as a failure of governmental measures as a result of the incorporation of African cooperatives into state politics.

According to the current research, cooperatives are part of the ideal, more sustainable model of rural entrepreneurship proposed (Korsgaard,2015). The functioning of agricultural cooperatives as “user-owned, user-controlled, user-benefited agricultural producer organisations”. Tregear (2016) states that cooperatives rely heavily on trust, reciprocity, and interpersonal relationships, which helps to overcome market failures, reduce transaction costs, and diminish asymmetric information-related problems (Kustepeli, 2020). This type of entrepreneurship involves new combinations of local resources that create value not only for entrepreneurs but also for rural areas (Korsgaard,2015). Ultimately, this means that cooperatives, through their internal social capital, provide their territories with greater resilience and a significant competitive advantage, since they are based on local resources rooted in the community, which reduces their external dependence (Bristow, 2010). In other words, rural cooperative entrepreneurship emerges as a key element that provides the territory with competitive advantages arising from the generation and extension of social capital (Tregear, 2016). Cooperatives are seen as drivers for economic growth ,they create employment for members so they can meet their basic needs. Cooperatives are recognized as a way to enhance people's quality of life through revenue generation, as well as the economic and social ideals of African nations. In Lesotho, cooperatives are regarded as a major advancement for their members. As a result, cooperative members are able to create and sell goods to the local community and markets, making a profit in the process.

## **1.2. Problem statement**

UNDP (2006) explains that one of the challenges facing Lesotho is a lack of access to markets for local producers, thus makes it difficult for producers to sell their products. In this way cooperatives were established to fill this gap because working as group means producers will reach a larger market. Furthermore, Lesotho’s economy is struggling to grow and many products are imported from South Africa, evidence from Lesotho shows that the main contributors of Lesotho’s GDP are the booming tertiary sector but despite the booming tertiary sector in Lesotho, the country is still confronted with many development challenges which include unemployment. According to the current statistics, unemployment is estimated at 22.5% in Lesotho (Bureau of statistics, 2019). This status of unemployment can be linked to the high retrenchment rate of Basotho men from South African mines starting from the 1990s (Maphosa and Morojele, 2012). For this reason, cooperatives were established to lessen the high rate of

unemployment . In addition, many young people enter the labour market each and every year but cannot secure employment in the formal sector (Central Bank, 2012), thus youth cooperatives come into play so that the youth can secure employment. An increasing high unemployment rate has resulted in poverty where the poverty rate increased from 26.6% in 2019 to 29.4% in 2020 (see ILO, 2020) but through establishment cooperatives, poverty is abridged through creation of jobs.

Climate change-related droughts that recur frequently, political polarization or instability, and the devastating effects of the HIV/AIDS pandemic have all put the nation's food security status in danger (UNDP, 2006). NGOs have made a concerted effort to become involved by promoting modest projects in an effort to provide rural households with jobs and money. Food insecurity has been a global issue over time. Between 2012 and 2014, 795 million people were reportedly chronically undernourished worldwide (Food and Agricultural Organisation, 2014). In Africa, 20% of people are undernourished, which is roughly double the global average (Food and Agricultural Organisation, 2014). The effects of food insecurity on health and wellbeing are one of the main issues (Rowe & Dodson, 2015). Cooperatives have been founded in Lesotho by the government, under the Ministry of Small and Medium Enterprises and Cooperatives Development. These cooperatives have been developed with the Ministry's help (Government of Lesotho, 2000). Their development is justified by the need to preserve rural communities' means of subsistence through the generation of jobs, which will increase local income and eradicate poverty. As a result, the country's levels of unemployment, food insecurity, and poverty will rise as margins widen.

### **1.3. Aim of the study**

The aim of this study is to investigate the contribution of poultry cooperatives to the socio economic improvement of their members.

### **1.4. Objectives**

- ▣ To investigate marketing techniques used by poultry farmers
- ▣ To investigate strategies producers employ that lead to long term production
- ▣ To asses innovative ways in which cooperatives use to improve production

## **1.5. Research Questions**

- ▣ What marketing techniques are used by poultry producers?
- ▣ Which strategies producers employ that lead to long term production?
- ▣ Which innovative ways cooperatives use to improve production?

## **1.6. Hypothesis**

- ▣ Marketing techniques used by poultry farmers contribute to large market access.
- ▣ Strategies used for producing lead to long term production.
- ▣ Innovative ways used by cooperatives improve production.

## **1.7. Justification of the study**

Economic and social issues are present in Lesotho. Cooperatives are important because they support their members' livelihoods. According to TChami (2007), the primary objective of cooperatives is to enable their members to collaborate and pool their resources in order to achieve a shared objective that will be financially advantageous for the community as a whole and for individual members. Additionally, cooperatives emerge when several people are impacted by outside forces; for this reason, cooperatives are the best line of defense against deteriorating social and economic situations in a community that touch multiple people. Cooperatives are businesses that support their members' collaboration in resolving shared societal issues in this way.

Community development is encouraged by cooperatives. According to the National Cooperative Business Association (NCBA), in particular where the market and the government are unable to offer the necessary goods and services at prices that are both reasonable and of the required quality, cooperatives are founded by their members. In light of these opinions, it is important to remember that cooperatives enable people to increase their economic options and quality of life primarily through self-initiated projects. Cooperatives are also required because they give their members more negotiating power, support their access to comparable markets, and enable them to take advantage of emerging market opportunities.

## **1.8. Scope of the study**

The study is about the poultry cooperatives in the Mohale's Hoek District.

## **1.9. Theoretical Framework**

The theoretical framework utilized to explain how the theory explains the study of cooperative movements in developing nations is laid out in this section. Modernization theory and the Lewis model of dual economies serve as the foundation for this study's theories of development. Since the 1950s, development initiatives have been made in developing nations; these theories interpret and explain them. Theoretical frameworks enable us to develop proposals for improving the socioeconomic conditions of cooperative members, as well as to establish concepts in economic and social contexts.

### **1.9.1 Modernization Theory**

The American social scientists are credited with developing modernization theory, according to Allen and Thomas (2007: 32). The strategic concern was first created in the 1950s, during the Cold War, to combat the Marxist social development theory. In the nineteenth and twentieth century, it subsequently extended to additional European nations as well as those in other continents like South America, Asia, and Africa (Eisenstadt, 1966). The modernization thesis, according to Rostow (1960), is about the several stages that nations go through in order to achieve development. These are classified as economic growth stages. Countries move through five stages before development, according to Rostow (1960). But just two of those stages will be covered in detail in this study. First, there is the Traditional Society stage, which is characterized by economies that are dominated by rudimentary production, particularly traditional or subsistence agriculture (Ranis, 2004). Agriculture is the most significant industry in their barter system of trade, in which things are traded for other goods. Because farmers are still employing traditional methods and their outputs are still in small quantities, subsistence activity still dominates the economy. Due to a lack of financial support from the government and its inhabitants, production is labor-intensive and uses relatively small amounts of capital. In developing nations, technology is scarce, and traditional manufacturing techniques heavily influence resource allocation (Harrison, 1988).



Second, increased specialization during the transitory Stage (Preconditions for Takeoff) creates surpluses for trading throughout production, particularly in agriculture. In order to facilitate efficient trade, new modes of transportation, like tractors, are emerging to move finished goods from point A to point B. As incomes, savings, and investments rise and as foreign trade with a focus on basic goods takes place, entrepreneurs start to emerge. Private enterprise is encouraged by a robust central government (Rostow, 1960).

### **1.9.2. Lewis's Model of dual Economies**

The Lewis model assumes that traditional and modern economies may coexist (Ghatak, 2003). According to Lewis' paradigm, the process of structural change or transformation begins with an independent increase in industry demand brought on by alterations in domestic consumer preferences, government purchases, or global markets. The adoption of current technologies, which the traditional sector is still unfamiliar with, prevents certain labour from the old sector from being promptly absorbed into the modern sector, according to this hypothesis. Additionally, workers from the traditional sector who are unskilled only earn subsistence salaries from the contemporary industry (Ekan, 1995).

## **1.10. Conceptual framework**

This section discusses the key concepts used in the study. They include Cooperatives, Poultry farming and socio economic development.

### **1.10.1. Cooperative movement**

According to Simpasa (2017), a group of individuals (organization) that band together to pursue their shared goals in the domains of economics, society, and/or culture through a jointly owned and democratically operated business is referred to as a "cooperative movement" (enterprise).

Tchami (2007) asserts that the main purpose of a cooperative is to enable people to collaborate and pool their resources in order to achieve a shared objective that would be difficult for them to achieve. Cooperatives are the best line of defence against the deteriorating social and economic conditions that affect a segment of the population as cooperation often develops when a group of individuals is threatened by outside forces. In this way, cooperatives are enterprises which help their members to cooperate in solving social problems they share.

### **1.10.2. Poultry farming**

Many rural households rely heavily on poultry farming as a source of income. Selling meat and raising chicks are included (FAO, 2011). Raising domesticated birds for food production, such as chickens, ducks, turkeys, and geese, is a type of animal husbandry. Millions of rural families now rely heavily on poultry farming as a secondary source of income, and it plays a significant role in creating job and money-generating opportunities (Chennakrishnan, 2011).

### **1.10.3. Socio economic**

According to Gujarati (1995) socioeconomic development is the process of a society's social and economic growth. GDP, life expectancy, literacy rates, and employment rates are examples of socioeconomic advancement indicators. In order to create social policy and economic initiatives, social economic development, according to Abebaw (2013), takes into account public concerns. To improve people's quality of life for themselves, their families, their communities, and society as a whole is the ultimate goal of social development. It comprises a consistent improvement in the economic well-being of the populace, typically accomplished through enhancing a country's financial, human, and natural resource bases as well as its technological capacity.

## **1.11. Research Methodology**

The research work plan was provided by the research methodology. It was a methodical approach to resolving the research issue (Kothari, 1990). Research technique was a strategy that a researcher took in carrying out the research project, and to some extent, the approach determined the specific tools that the researcher choose (Leedy and Ormrod, 2010). The research technique outlined numerous approaches that are typically used by researchers to explore the issues surrounding cooperatives of interest and the reasoning behind them (William, 2001). The research methodology portion of this study described the project's research design, methodology, methods of data collecting, sample selection, data analysis, and research constraints.

### **1.11.1. Research Design**

A research design is a framework for an investigation that deals with logical issues as opposed to logistical ones (Kothari, 2004). It served as the conceptual framework for doing research and serves as the guide for data collecting, measurement, and analysis (Kothari, 2004; 27). A study

design, according to William (2001), makes sure that the data collected allowed a researcher to respond to the original question as clearly as feasible. The investigation's goals which can be categorized as exploration, description, explanation, prediction, and evaluation history are reflected in the study design. This study employed a descriptive research approach that included quantitative, non-experimental contextual techniques. It collected data using a straightforward random sample technique (questionnaires).

### **1.11.2. Research Approach**

According to Kothari (2004), the final data analysis' operational implications and conceptual framework was based on the quantitative research approach. Quantitative research strategy was used in this study since it enabled the researcher to obtain a larger sample size and facilitate the speedy collection of data. When conducting quantitative research, a random sample size was employed to ensure that the researcher is not partial and that there is a chance of duplicating similarly significant findings (Creswell, 2003).

### **1.11.3. Data Collection**

#### *Primary data collection*

Since the primary data was mostly newly obtained, it naturally had an original flavour (Denscombe, 2010). In order to enable the research gather primary data from observation or direct conversation with the participants, the research was descriptive and conducted sample surveys (Kothari, 2004, 92). The information obtained was via the observation and questioning the respondent by the researcher's own direct observation. The primary benefit of the observation approach is the elimination of subjective bias and the relevance of the information learned.

Primarily from, Maphohloane Poultry Cooperative and Thusanang ka Lerato Poultry Cooperative in Mohale's Hoek, this study collected primary data through observations and in-person interviews.

#### **1.11.4. Population and Sampling**

Population is referred to by Kothari (2004) as every element in a subject of study. Kothari (2004) comes to the conclusion that a population can be thought of as an accumulation of things that share a characteristic. According to Creswell (2003), if a sample size is too small, the study's goals may not be met, and if it is too large, there may be significant expenses and resource waste. Creswell (2004) comes to the conclusion that an ideal population sample size is necessary. For the study, the population should not be either too large or too tiny. The population of the poultry cooperative in Mohale's Hoek, Lesotho, was determined for this study.

A sample of 44 members from the Mohale's Hoek Poultry Cooperatives, which made up the population, was chosen. A simple random sampling method, in which the things under study have an equal probability of being chosen, was employed. According to (Maykut and Morehouse ,1994), there are probability and non-probability sampling techniques. When employing probability sampling, the researcher determined the likelihood that the participants included in the sample, even though there was no way to assess the likelihood of an element being included in a non-probability sample (Bryman, 2007). As a result, the researcher selected samples for the non-probability sample based on evaluations rather than at random. Simple random sampling, stratified, cluster, systematic, and multistage sampling are examples of probability sampling (Walliman, 2001). Unintentional, quota, and purposeful or judgment samples are all types of non-probability sampling (Williman, 2001: 24).

In this inquiry, simple random sampling also referred to as chance sampling or probability sampling was used. This study employed a simple random sampling method, which is a kind of sampling also referred to as chance sampling or probability sampling and in which every component of the study has an equal chance of being chosen (Creswell, 2001). A questionnaire was given to 44 poultry farmers.

#### **1.11.5. Study area**

This study was conducted in both the rural and pre-urban areas of Mohale's Hoek district.

### **1.11.6. Selection of the sample**

- Poultry Cooperative Members in Mohale's Hoek (44)

### **1.11.7. Data analysis**

Denscombe (2010) asserts that there are numerous methods for data analysis. An analysis unit can be a single word, a sentence, a paragraph, or the entire text. According to Denscombe (2010), there are differences in data analysis depending on how much text is often isolated from its surroundings or from the social context in which it is employed. Content, grounded, discourse, conversation, and narrative data analysis are the methods used. The study employed content analysis. According to Moore and McCabe (2005), content analysis was employed to deduce meaning from the textual data it contained, adhering to the naturalistic paradigm. Content analysis was the method utilized. A directed strategy was employed for content analysis, where the researcher began the study as a hypothesis and used pertinent research findings as direction for first coding. The main benefit of content analysis is that it produces results that can be measured using quantitative methods while simultaneously reducing and simplifying the data that was collected (Mayring, 2000). Additionally, content analysis enables the researcher to organize the qualitative data so that the achievement of study goals is satisfied. Quantitative data was analysed through a software called SPSS because its simplicity, easy to follow command language, and well documented user manual.

### **1.11.8. Reliability and Validity**

Concepts like validity and reliability are used to assess the calibre of research. They show how effective a technique or method is. Validity is concerned with a measure's correctness, whereas reliability is concerned with its consistency. In this study, accurate results that could be replicated under the same circumstances were achieved using a quantitative research method. For instance, it was found in Chapter Four that Mohale's Hoek cooperatives do not compete in the global market due to a lack of financial power. This is also true for other cooperatives throughout Lesotho because there are no cooperatives that have competed with other international cooperatives for this reason.

### **1.11.9. Research Limitations**

The study had the following limitations.

- Some participants were not available during the data collection and the researcher had to come the next day to collect data from them
- Some participants did not know how to read, the researcher had to read and explain the questions to them

## **CHAPTER TWO**

### **CONTRIBUTION OF COOPERATIVES TO RURAL DEVELOPMENT IN DEVELOPING COUNTRIES**

#### **1.1. Introduction**

Cooperatives in developing countries came into the development agenda in the early 1930s. This is because they are commented on reducing some social challenges such as poverty, low levels of living, and other social and economic problems. Therefore, cooperatives in the 1930s and 1970s were established to accelerate economic growth and improve national income. In order to achieve this, many cooperatives were supported by the World Bank which also invested in large infrastructural projects such as telecommunication. In this case, there was rapid economic growth among many developing countries. The recession in supporting large investment projects in developing countries by the world bank started in the 1970s and 1980s with the introduction of the micro-economic reforms (Structural Adjustment Programmes), this is the same year that cooperatives were also part of the investment projects. Many developing countries introduced austerity measures that included among others liberalizing trade, cutting down government subsidies to encompass cooperatives, and supporting other small-scale farmers (Phago, 2007).

This chapter is divided into two sections; Section A looks at an overview of cooperatives from historical perspective while Section B focuses on agricultural cooperatives. The literature shows that, the importance and contribution of cooperatives in development of developing countries can be traced as far back as the 1930s. The chapter starts by looking at an overview of cooperatives from that period.

#### **2.2 Section A: An Overview of cooperatives from the historical perspective**

According to chapter one, cooperatives were initially created in Europe in the 19th century, especially in France and Britain (Devine, 1976). But over time, this traditional cooperative stage changed, giving rise to the current, contemporary cooperative phase that is today influenced by globalization. According to Smelser (1964), pressure from competing corporate organizations led to the evolution of the traditional cooperative organizational structure in many countries. In order to increase employment in an era of ongoing downsizing brought on by globalization and

technological advancement, cooperatives have been forced to invest in their own businesses in the manufacturing, service, and transportation sectors due to competitive pressure from other international markets. Globalization has reinforced the influence of market forces while overcoming many of the problems inherent in geographical distances through advances in communications and transportation

### **2.2.1 .History of cooperative movement in Africa**

A cooperative is "an independent group of people joined voluntarily to meet their common social, economic, and cultural needs as well as their goals through a jointly owned and democratically run organization," according to the International Cooperative Alliance (ICA) (2005:7). A cooperative is a distinct, mutually based institution or group that is democratically controlled in light of the aforementioned criteria and has a diverse capital and membership base, according to ICA (2005:7). A cooperative, which differs from a socio-professional organization and has as its primary goal the defence of the interests of its members, or a community development organization with actions resembling those of a pressure group. According to (Chitsike, 1988), each member's shared dedication is a crucial component of a cooperative. The organization's autonomy as a group of people formally engaged in private activity with a distinct economic gain is a responsibility shared by each member.

The first epoch corresponds to pre-colonial Africa, when social interactions were mostly centered on achieving common goals. This was done to acknowledge how intertwined everyone is in society (Igboin, 2011). By combining their scant resources, pre-colonial Africans were able to provide some sort of insurance. The colonial era marked the second stage of cooperative expansion in Africa. Cooperatives were developed to help the colonial powers of the time realize their economic objectives. Because of this, colonial powers only employed cooperatives to exercise their dominance; these cooperatives were primarily concerned with producing cash crops for their own nations (Sharpe, Kaganzi, Ferris, Barham, Abenakyo, Sangnga, and Njuki, 2009). After colonialism ended, African leaders looked to cooperatives as a means of fostering social solidarity and accelerating economic development (Lemme, 2008). From this ideological standpoint, cooperatives in post-colonial Africa were seen as extensions of the state, which made them dependent on governmental institutions (Lemme 2008).and cooperating with one another.



Additionally, reliance on the state had a negative impact on the expansion of cooperatives across the continent because a state-led strategy undermined their autonomy, developed a strong patronage system, rendered them undemocratic, and subjected them to the whims of obtrusive government bureaucracies (Lado 1998). The belief that cooperatives perform better when they run independently of governmental organizations led many to consider making them independent of the state (Sharpe, Kaganzi, Ferris, Sangnga, and Njuki ,2009).

Additionally, in opposition to the Bretton Woods Institutions' (BWI) Structural Adjustment Programmes (SAPs) of the 1990s, it demanded the independence of cooperatives and competent nations rather than bloated dependence (Rivera, 2006). Neo-liberal policies were put into place, which resulted in the quick privatization of previously state-owned businesses, the deregulation of a number of economic sectors, little governmental involvement in cooperatives' economic activities, and the cessation of cooperative subsidies and government assistance (Berolsky, 2000).

Cooperatives underperformed at this period in many African countries, despite the fact that it was thought that detaching cooperatives from the state would progress the cooperative movement. They had no other sources of support than state institutions, which left them unprepared for the new economic environment created by structural adjustment programs (SAPs) (Phago, 2007). Cooperatives that could not operate without government assistance and advantages collapsed as a result of these reforms. For instance, in East Africa, market liberalization for coffee led to the entry of foreign companies into the domestic market, which drastically reduced the market share of cooperatives (Phago, 2007).

### ***2.2.1.2 Cooperatives and rural development in the context of global agendas***

According to the UN (2010), cooperatives are crucial to achieving the suggested sustainable development objectives. This summary demonstrates how cooperatives have actually helped achieve the twelve Sustainable Development Goals (SDGs) that the High-Level Panel of Eminent Persons in the Post-2015 Development Agenda suggested in their 2013 report. These twelve proposed goals highlight the variety of subjects that the SDGs are likely to include, even if the particular goals, targets, and indicators were not decided upon until September 2015 as part of the ongoing process.

### ***2.2.1.3. Poverty reduction***

Cooperative companies are the ideal type of organization for addressing all aspects of eradicating poverty and marginalization, according to the International Co-operative Alliance (ICA), the International Labour Organization (ILO), and many other participants (ICA, 2011). By locating economic opportunities for their members and providing them with financial stability by allowing them to pool their individual risks, cooperatives play a crucial role in alleviating poverty. For instance, according to the World Bank (2010), agricultural cooperatives help farmers gain access to the inputs they need to raise crops and maintain livestock, as well as with the processing, transport, and marketing of their produce, whereas savings and credit cooperatives organizations (SACCOs) make it easier for their members to access capital.

Consumer cooperatives allow their members and society at large to buy high-quality household items, such as food, clothing, and other products, at affordable prices, according to (UNGA, 2012). These initiatives help participants overcome poverty. It is commonly known that agricultural cooperatives have taken action to fight poverty. For instance, Tanzania improved the cooperative sale of agricultural products like milk and coffee. This was done to assist cooperative members with the cost of sending their children to school. Additional data suggests that the majority of the 900,000 Ethiopians working in agriculture depend on cooperatives for their income (Aal, 2008). Thomas (2010) claims that development loans have been utilized in Kenya to buy land, build houses, invest in farms and enterprises, and buy furniture for residences. In Ghana, members of the University of Ghana Cooperative Credit Union routinely request for loans to fund illegal companies that supplement their employment income. Instead of paying exorbitant fees, members of a cooperative and trade union for motorcycle taxi drivers in Rwanda used loans to buy their own motorcycles (Lemma, 2008).

### ***2.2.1.4. Gender equality***

In many places of the world, cooperatives are increasing women's opportunity to engage in local economies and society, according to (Suzuki, 2010) women make up the majority of members of consumer cooperatives; they have obtained a position in the cooperatives' governing structures (Thomas, 2010). Additionally, there are many women in worker cooperatives.

Piessé (2005) notes an upsurge in East African women's participation in cooperatives. Data from Tanzania show that since 2005, the proportion of female members in the financial cooperative sector has increased by more than four times, reaching 43%. In Uganda, women are joining agricultural cooperatives at a faster rate than males. The percentage of women on the boards of financial cooperatives in East Africa ranges from 24% in Kenya to 65% in Tanzania. The Union of Cooperative Associations for Savings and Credit has a large female membership despite historically low female participation rates in cooperatives in the occupied Palestinian territory. Additionally, women establish their own cooperatives. The capacity of women in Tanzania and Sri Lanka to take up leadership roles, form their own management committees, and plan social activities through cooperatives.

In conventional cash/export crop cooperatives, including those for coffee, cocoa, cotton, and tobacco, where the majority of crop ownership is male, Suzuki (2010) recognises the challenges and points out that women are often underrepresented. Women are more frequent and on the rise in sectors including fruits, spices, cereals, and dairy where land ownership is less significant and capital requirements are lower. In larger financial cooperatives, women are more likely to be the minority, while in smaller saving and credit cooperatives with microfinance programs in nations like Bangladesh or the Philippines, women are more likely to be the majority.

According to (Suzuki,2010), cooperatives that offer services to workers in these areas inherently mirror the occupational gender division of labour, for instance women are likely to be in service cooperatives for teachers, while majority of the members of cooperatives serving transport workers are men. Women's cooperatives in general tend to be smaller in capital, membership and volume of business and less well-connected to cooperative movements and their support structures (Bollman, 1981). Gender inequalities in literacy levels, skills, land ownership, and access to credit and information are contributing factors limiting women's engagement in cooperatives.

### **2.2.2. Impact of globalization on cooperatives**

In many developing countries, the process of rural development has been affected by globalization. According to (Sharpe, Kaganzi, Ferris, Barham, Abenakyo, Sangnga, and Njuki ,2009), global integration has brought about both convergence and divergence between the

processes driving change in cooperative movement. Globalization has increased the pace of technological diffusion. Cross-border technological transfer has not only contributed to rising domestic productivity levels in advanced and emerging economies, but it has also facilitated a partial reshaping of the innovation landscape.

#### ***2.2.2.1. Trade***

According to Lemma (2008), the globalization of commerce has immediate advantages, including faster growth, improved living conditions, and more business prospects. On the negative side, not all nations have equally profited from the globalization phenomenon. With more money in their pockets, consumers can purchase more items, raising standards of living in principle. As the components of the global economy become more spatially interdependent and integrated, international trade reflects the scope of globalization. For instance, (Phago, 2007) states that when Tanzania's Cooperative Act was revised in 1991, less government participation, the requirement to buy at least one share, and the ability for primary societies to establish their own unions and apex organizations were all introduced.

Positive results of these reforms can be seen, for example, in the country's Mara region (Abate, 2013). For primary societies, joining the Mara Cooperative Union (MCU) has been required. Now that some of them have essentially left the Union, they are selling to independent traders and debating the idea of forming their own union. Primary cooperatives have additionally been compelled to shed weight and improve their efficiency. Other primaries are remaining with the MCU, which might be compelled to improve its operations and make better use of its sizable assets like cotton ginneries and coffee processing facilities. Both formal and informal self-help organizations are growing their operations concurrently as a result of being freed from the obligation of required cooperative membership. Groups involved in village trading reportedly grew from 350 in 1982 to 1300 in 1992, creating many off-farm jobs.

According to Hoyt (2004), the international marketplace of today presents tremendous opportunity for businesses ready to think and act "globally." This is due to factors including population increase, rising incomes, and liberalized trade restrictions. The same types of business procedures are used by cooperatives and investor-focused businesses (IOFs). However, the goal of cooperatives, in contrast to IOFs, is to benefit their producer members. For instance,

marketing cooperatives exist to give their members' products a "home." According to Hoyt (2004), this connection to a home production base determines cooperative goals and establishes limitations. Cooperatives are not permitted to arbitrarily switch local operations for more lucrative overseas sites or replace member-produced goods with lower-cost imports. Cooperatives must strike a balance between producer-members' interests and the requirement to compete in a fast-paced, cutthroat global market. Cooperatives engage in global trade in any way that is consistent with the needs of its members and their access to resources. Diverse international business agreements can help producer-members by strengthening the cooperative's position in the market and the marketability of the members' products when properly drafted and put into practice. Cooperatives must understand that member-grower interests depend on strategy and business models that are globally focused (Holloway, 2000).

#### ***2.2.2.1. Foreign Direct Investment***

According to Kennedy (1993), cooperatives are starting to find the drive, the funds, and the grower support necessary for foreign direct investment acquisition of foreign assets. Despite the fact that they are still quite few, cooperative assets abroad are growing. One-person overseas offices, equity-based joint processing and marketing partnerships, and even fully owned subsidiaries are just a few examples of how this cooperative presence takes many different forms. According to Holloway (2000), farmland Industries of Kansas City, Missouri, bought a Swiss grain trading company as a wholly-owned subsidiary, giving the cooperative built-in international knowledge and footprint to better serve their consumers. Avocado pulp is processed at a factory in Mexico owned by Santa Ana, California-based Calavo Foods, Inc.

#### ***2.2.2.1b Foreign Sourcing Strategies***

According to Holloway (2000), cooperatives can "act worldwide" by creating complementary product sourcing plans. The main drivers and methods for doing so are typically cost-cutting or market expansion. While some of these demands may be met by domestic member and non-member items, international sources might provide significant cost savings or a variety of complementary or noncompeting products (Piesse, 2005). Cooperatives can purchase goods from outside their membership or enlarge their network of domestic and international suppliers. At least 30 to 40 cooperatives are actively importing goods into the US at any given moment. Most

are items used in agricultural production, including twine, cordage, fuel, and fertilizer (60 to 70 percent of all imports by U.S. cooperatives) (Reynolds, 1991). Farm supply cooperatives view imports as central to their ability to provide an array of affordable supplies to producer-members. Food products account for the remaining 30 to 40 percent of all cooperative imports.

By importing more goods to complement member-grown goods, marketing cooperatives indirectly reduce costs. Imports are used by fresh produce marketers to distribute overhead costs across more product lines. Processors import raw materials to increase the use of plant capacity and reduce per-unit expenses (Reynolds, 1991). By importing extra fruits and vegetables, Tri-Valley Growers of San Francisco, for instance, is able to run its processing facilities all year long. When customers expect year-round availability of items, it is extremely important to use overseas sources to fill seasonal marketing windows. For instance, Blue Anchor, Inc., of Dinuba, CA, gets a head start on the U.S. marketing season and a competitive edge over seasonal suppliers thanks to imported table grapes from Mexican members. A cooperative's product range may become more varied with imports. Through "one-stop shopping" with multicommodity providers, buyers can lower transaction expenses. Barton (2000) broaden their selection of CALAVO-brand goods, Calavo Growers purchases persimmons, Asian pears, and mangoes from non-member growers abroad. By using imported ingredients to increase the variety of juices they offer, Welch's and Ocean Spray both raise the value of their brand names. In order to constantly supply counter-seasonal selling windows, cooperatives also directly export to other nations from overseas sources. By using Mexican avocados to bridge the gap between the end of the California crop and the start of the new crop year, Calavo Growers, for instance, may export all year long to Europe and Japan.

### **2.3.1. Contribution of agricultural cooperatives to development**

An agricultural cooperative, according to Torgerson (1997), is an independent self-help business company created in a way that enables the farmers' products to be sold and to influence prices and other trade terms. A cooperative, according to Ortmann and King (2007), is a user-owned and user-controlled company that distributes advantages fairly based on usage or patronage. In addition, according to Mahazril 'Aini, Hafizah, and Zuraini (2012), agricultural cooperatives are essential to the social movement of independent farm operators looking to advance and

safeguard their interests in the agriculture sector by taking charge of the crucial processes or the potentially dangerous issues.

Contrarily, the critical importance of agriculture to the development of Africa is a sector of the economy that has not seen much of the success that has characterized Africa's decade of outstanding growth (Garrity, 2010). Agricultural cooperative activities in Africa are the least productive in the world, providing only 10% to global output, and from a global perspective, Africa only makes up a minor percentage of agricultural productivity (African Union Commission, 2014). Africa's agricultural productivity is only 36% on average (Ojukwu, 2014). Low productivity suggests that millions of resource-poor farmers are unable to escape poverty since they only receive meagre returns from their agricultural endeavours.

Low productivity due to limited equipment and unskilled labour slows down economic growth by reducing the sector's contributions to the continent's economy. For this reason, since cooperatives are formed in groups of people with the same goal, each member is cushioned with one specific work and this contributes to high productivity. Watkins (2014) showcases a practical example in China where cooperative members are organised on a three-tier system including base groups, village boards and inter-village boards to increase production so as to compete with the global market demands.

### ***2.3.1.1. Market structure and operational efficiency***

Competition counts for the success and performance of both public and private firms in the neo-liberal era. In this case, there are two main factors that determine competition of enterprises in the market. The first main factor is competition in product markets. Competition is widely viewed to improve efficiency in many cooperatives (FAO, 2009). This is because in the presence of competing producers, prices tend to go towards a marginal cost, thus allocating resources to their highest value (Scheirfer, 1998). Conversely, when competition is absent, prices are raised and production is lowered relative to the competitive equilibrium (UNDP, 2012)

Secondly, according to Thompson (1986), ownership matters more than competition for productive efficiency. It is further argued that if competition is combined with viable threat of exit such as a hostile takeover or bankruptcy, it promotes productive efficiency (Kay, 1986). It is

also stated that if there is no way to force a productively inefficient firm out of business, the managers will have little incentive to raise efficient. This can be illustrated by the existence of cooperative monopolies that are inefficient. Thompson and Kay (1986) argue that both a hostile takeover and bankruptcy forms are similar and good in competitive markets but they are sluggish in non-competitive markets.

### ***2.3.1.2. Market linkages***

Smallholders sell maize and beans to the local market, which then distributes them as food aid in areas that are severely affected by food shortages. This practice is known as local and regional food-aid procurement (LRP) (Ito, 2012). The majority of smallholder farmers produce and sell chicken, cabbage, maize, and beans for the local market as food-aid commodities. Overall, the cooperative, according to Mesfin (2017), gives farmers better access to regional and local markets by developing connections with traders and signing agreements with significant consumers. According to Bernard (2008), the development of specialist crops (such as maize, beans, and poultry) is also a focus, and the improvement of farm productivity to raise crop yields and household food security are also stressed.

### **2.3.3. Economic contribution of cooperatives**

According to the United Nations (2010), cooperatives are expected to significantly contribute to the Philippine Development Plan's objectives of attaining a) rapid, inclusive, and sustained economic growth; b) financial inclusion; and c) poverty reduction (2011-2016). With the proper oversight and support from the government, cooperatives, as a help-help organization, can mobilize savings and money that can be used as inputs in the creation of goods and services for the less fortunate parts of society (International Cooperative Alliance, 2010). Traditional financial institutions usually turn away micro business owners, but cooperatives engaged in deposit mobilization and capital creation can provide them with credit. Especially in rural and agricultural areas, the expansion of micro and small businesses that acquired financial services via cooperatives creates quick, inclusive, and sustained economic growth.

The Philippines fell almost 50% short of the MDG goals and commitments to end extreme poverty by 2015. Extreme poverty only slightly decreased, from 33 percent in 1991 to 16 percent in 2015. (2015) (Abebew and Haile). To end severe poverty, 2015 was the deadline that was



missed. But it is anticipated that giving technical, financial, and institutional development support to micro and small cooperatives of which a sizeable portion are cooperatives for agriculture and agrarian reform will aid in the development of rural and agricultural enterprises that will aid in the reduction of extreme poverty in rural and remote areas.

As of December 2015, 9,826 cooperatives in the Philippines reportedly complied with the CDA's reporting requirements, including the filing of audited financial accounts. 54 percent of the total was micro cooperatives, followed by 27 percent small, 15 percent medium, and 4 percent large cooperatives. Micro cooperatives made up 2 percent of the cooperative movement's total assets, followed by small cooperatives with 7 percent, medium cooperatives with 19 percent, and large cooperatives with 72 percent (see Table 2.1 below) (Ma, 2018). The amount of assets held by cooperatives and their size are inversely related. Only 2% of the total assets were controlled by the micro cooperatives, which made up 54% of the reporting cooperatives, while 72% of the assets were under the control of the large cooperatives, which made up only 4% of the reporting cooperatives. The data show, among other things, that strengthening numerous micro and small cooperatives would have a significant positive impact on the social and economic growth of the rural and agricultural economy, in particular

**Table 2.1: Status of cooperatives, by size of cooperatives as of December 2015, Philippines**

Size of Coop	No. reporting	percentage	Assets (Million Php)	Percentage
Micro	5264	54	51184	2
Small	2694	27	192207	7
Medium	1437	15	545271	19
Large	431	4	206482.2	72
All	9826	100	285348.4	100

**Source: CDA, 2017**

## **2.3.4. Factors influencing farmers' participation in agricultural cooperatives**

### **2.3.4.1. Technology**

Cooperatives are now more than ever seen as a way to advance agricultural technologies, reduce hunger, and alleviate poverty. Crop yields, household income, and household assets typically increase with cooperative membership, and access to input and output markets typically involves lower transaction costs (Abebaw and Haile, 2013). This is true because, in most circumstances, cooperatives are linked to collective action and social capital, making them more likely than other institutional innovations to reduce poverty (CDA 2007).

Membership in agricultural cooperatives is a significant factor in the transmission of knowledge and technology, both because of the effects of collectively using a technology and because group activity encourages creativity and learning among members (Chagwiza et al., 2016). Numerous elements that influence households' participation in cooperatives have been found by earlier studies on cooperatives. Numerous research have demonstrated that the household head's age and educational level might have an impact on cooperative participation. Farmers who are older and more educated are more likely to be cooperative members (Chagwiza, 2016).

The literature that has already been published contains a number of empirical studies that have looked at the variables that affect the adoption of enhanced agricultural technology. Numerous of these research employed discrete choice models to identify key components (Adegbola, 2010). In these kinds of investigations, the adoption date is not taken into consideration. According to other studies, adopting technology is a dynamic process in which farmers gradually become familiar with it and adopt it when the benefits are beneficial (Alcon et al., 2011). The factors influencing technology or the pace of adoption have been examined in these studies on the time to adoption using duration analysis models (Abdulai ,2005) In the paragraphs that follow, list many aspects from the literature that could have an impact on how quickly technology is adopted.

Prior research has identified a number of variables that may have an impact on how quickly technology is adopted. These variables can be categorized as household and farm variables, social capital and networking variables, and geography variables. Education, household size,

ownership of land and livestock, and other household and farm factors have been found to accelerate the adoption of technology (Beyene and Kassie, 2015). According to various studies (D'Emden et al., 2006; Abdullai and Huffman, 2005), contact with extension agents is crucial for technology adoption. Contact with extension agents is typically seen as a proxy for information availability.

Contrarily, the impact of age on technology adoption is typically ambiguous, with some research demonstrating a negative impact and others a favourable one (Beyene and Kassie, 2015; Nazli and Smale, 2016). This is the case because older farmers may have gained significant income and increased exposure to agricultural methods, but aging is also linked to less energy, shorter planning horizons, and a greater aversion to risk (Adegbola and Gardebreek, 2007; Kassie et al., 2013).

Adopting agricultural innovations is typically expensive (ex. cost of better seed and fertilizer), thus farmers with insufficient acquired resources may find it challenging to do so. Therefore, farmers choose credit in order to buy the necessary resources for implementation (Adegbola and Gardebreek, 2007). Several earlier research have demonstrated that having access to finance speeds up the adoption of new technologies (Alcon, 2011).

#### ***2.3.4.2. Land ownership***

Previous research have indicated that land ownership has a favorable (and occasionally a negative) impact on farmers' propensity to join agricultural cooperatives. Land ownership is a significant resource for the majority of smallholder farmer cooperatives. However, the bulk of studies demonstrate that ownership of property is correlated with higher cooperative participation (Ma , 2016). According to other studies, owning land decreases one's chances of joining a cooperative (Chagwiza et al., 2016). It becomes challenging for members to divide land when there are irresolvable issues and the cooperative needs to be disbanded.

#### ***2.3.4.3. Credit matters***

Farmers who regularly interact with extension personnel are better able to collect pertinent information about the advantages of joining a cooperative (Abebaw and Haile, 2013). The overwhelming body of research also implies that having access to finance is important. Farmers

that don't have financial restraints are more likely to join cooperatives since they can easily pay membership dues, for example (Churk, 2015). Since social networks are typically linked to collective activity, it is anticipated that they will increase the possibility that people will join cooperatives (Abebaw and Haile, 2013 ). Last but not least, the distance to a cooperative office is a proxy for transaction costs, and it is anticipated that the farther a home is from the cooperative office, the lower the possibility that it will participate in transactions.

#### ***2.3.4.5. Business knowledge***

According to research, youth develop market knowledge, freedom, and mobility outside of the family (Mayoux 1995). The market is something that young people should learn about because they are frequently underinformed and underrepresented in the corporate world, which is traditionally dominated by males and the elderly. Ojiagu (2015) reports that adolescents in the Philippines who participate in cooperatives say that their developing understanding of the market gives them more alternatives for what kind of cooperative to join and what cooperative best suits their community and way of life. They now understand how they may take advantage of these opportunities after completing training that allows them to discover markets and access these markets in a proficient manner.

#### ***2.3.4.6. Cooperation, problem solving, and networking skills***

Farmers "learn by doing" to build, share, and maintain skills through interacting with one another in larger networks and exchanging information (Phago, 2007). Farmers' groups and cooperatives can assist farmers in improving the accessibility of agricultural extension programs and inputs as well as helping them to acquire the skills necessary to influence business agreements. Young farmers should be aware of this because they often have limited access to the resources, programs, and employment opportunities needed to develop these skills (Lado, 1998). Members who cooperate and work together are better able to handle the many difficulties they encounter in the community. The cooperative's leadership has encouraged the development of more smaller-scale self-help projects in conjunction with farmer members. While completing labour-intensive, deadline-driven farm operations like planting, brooding, and harvesting, farmers move between group members' plots as part of work parties, which encourages them to share the burden of farm labour and to transfer expertise (Mahamed, 2004).

Individuals that join cooperatives network with one another, giving them access to the valuable resources and social capital that are stored in the network (Osman, 2002). Along with individuals creating cooperatives, clusters of cooperatives are also created at local, regional, national, and worldwide levels where higher level cooperative organizations interact with and support lower level ones, further enhancing the power of collective action. Networks give cooperatives the chance to take full advantage of scale economics, access low-cost farm inputs, modern agricultural technologies and practices, access to the market, develop creative solutions to problems like transaction costs, and advocate for advantageous government policies (Mahamed, 2004).

### **2.3.5. Contribution of cooperatives to development**

With an estimated 2.6 million cooperatives worldwide, cooperatives not only play a significant role in the impoverished people's means of subsistence but also in the global economy. With over 1 billion members and clients, these cooperatives are expected to employ 12.6 million people throughout 770,000 cooperative offices and outlets (Merrien, 2014). Additionally, cooperatives are thought to generate \$3 trillion in annual revenue (Merrien, 2014). Additionally, the cooperative sector is well-represented in the world of insurance, accounting for 27.3% of it in 2013. (International Cooperative and Mutual Insurance Federation, 2014).

As a result, several nations are developing cooperative-friendly settings through a variety of legislative tools that promote the creation and expansion of cooperatives (Mayo, 2012). The contrary is the case for developing regions like Africa where cooperatives are often small-sized and operate mainly in agriculture (Develtere, 2009).

Despite the fact that cooperatives significantly benefit farmers and residents of rural areas, their performance behaviour has not yet received enough attention (Abebaw, 2013). A cooperative can be thought of as a hybrid organization that incorporates the traits of both for-profit and common businesses. In contrast to the mono-identity of regular enterprises and non-profit entities, the combination of private and non-profit features leads to a different attitude for cooperative management conduct. The understanding of organizational performance would be enhanced by a focused study on cooperative performance (OP). In addition, the subject is crucial for cooperative survival in the context of New Generation Cooperatives (NGC).

Since 1988, the rise of NGOs has caused cooperatives to place a comparatively greater emphasis on value-added activities and competitive strategies (Ortmann and King, 2007). Cooperatives are therefore anticipated to be less reliant on government assistance and more independent when it comes to gathering resources and cash (Chukwukere and Baharuddin, 2012). This demonstrates the necessity of cooperative performance studies carried out by modern OP researchers.

#### **2.4. The contribution of cooperatives to development**

Cooperatives provide a variety of functions in human society. As a result, they can support rural populations' livelihoods in a variety of ways. According to Tchami (2007), the primary function of a cooperative is to enable people to band together and pool their resources in order to accomplish a common goal that would be challenging for them to do individually. Additionally, cooperation typically arises when a group of people are threatened by outside forces; as a result, cooperatives are the strongest line of defence against the deteriorating social and economic situations that impact a portion of the population. Cooperatives are businesses that support their members' cooperation in resolving common social issues (Dubell, 1985).

According to the National Cooperative Business Association (NCBA), cooperatives are created by its members, particularly when the market is unable to meet demand for essential goods and services at reasonable costs and with acceptable quality. Given these feelings, it is clear that cooperatives enable people to expand their economic chances and quality of life primarily through self-help programs. According to Barton (2000), the main reasons cooperatives are established are to increase the members' bargaining power, aid in preserving their access to comparable markets, and take advantage of emerging market opportunities. As a result, they may simply purchase the essential goods and services on a competitive basis, improving earning potential and cutting costs at the same time.

According to Attwood and Monna (2008), the majority of rural cooperatives, particularly those that were created as a result of government initiatives in developing nations, aimed to close the gap between rural and urban areas. This illustrates how rural cooperatives worked to correct the economic duality left over from colonialism, which was marked by policies that encouraged the growth of urban industrial sectors at the expense of rural communities. According to Chitsike

(1988), the majority of rural populations in Africa feel the need to boost agricultural output through cooperatives because most less developed countries have agrarian societies, where agriculture is seen as the primary source of subsistence. According to (Dubell ,1985), the majority of governments in Africa were able to teach rural farmers new farming and selling strategies thanks to the development of rural cooperatives. In this way, more affordable, easily accessible agricultural and cooperative extension services were made available to rural farmers. Due to the fact that dealing with groups rather than individuals proved to be simpler and less expensive for extension agencies, the group method of cooperatives took on more significance.

According to Chitsike (1988), rural cooperatives are a common way for people in most agrarian civilizations to share and exchange agricultural knowledge. These details aided farmers in their agricultural endeavours. Barton (2000) observes that the majority of farmers established cooperatives with the intention of increasing profits by securing products and services at lower prices than they could elsewhere. In order to sell their goods at higher prices and in new, previously inaccessible markets, the farmers also established cooperatives. Additionally, it is asserted that cooperatives, particularly in rural areas, helped farmer's access modern equipment and farming technologies.

This has been identified as one of the key factors encouraging the majority of peasants in Africa to join rural cooperatives. These agricultural cooperatives have the potential to create economies of scale, allowing members to gain from working together and functioning on a bigger scale. This demonstrates that the benefits to the members increase as the size of rural cooperative operations increases. Rural cooperatives, according to Mayoux (1995), are successful at economic development because they are seen as commercial organizations that uphold principles other than the mere pursuit of profit. In order to ensure that an open and voluntary membership base has equitable access to markets and services, cooperatives have been viewed as business enterprises.

## **2.5. Poultry farming**

Early in the 20th century, mass production of chicken meat and eggs started, but by the middle of the century, meat production had surpassed egg production as a specialized business. According to a report by the International Food Policy Research (IFPR), poultry would make up 40% of all

animal protein consumed by the year 2015, with production of poultry meat and eggs accounting for more than 30% of all animal protein globally (Gueye, 1998).

The small-scale village or backyard poultry system (local chicken production system), which is the dominant one, is how most poultry is produced in Tanzania. Most chicken are raised in small-scale, traditional systems in rural areas; they provide the majority of the poultry meat and eggs consumed in rural areas and roughly 20% in urban areas (MAFC, 2008). According to an NSCA report from 2002–2003, the Shinyanga, Mwanza, Tabora, Mbeya, Iringa, and Morogoro regions of Tanzania's mainland accounted for 45 percent of the world's chicken population, with an average of 9–15 hens per household. Due to the abundance of industrial farms, Dar es Salaam had the highest number of chickens per home despite having the fewest indigenous chickens (182,448). Chicken populations were most dense in Zanzibar, Dar es Salaam, Mwanza, and Kilimanjaro. 3,017,004 hens are kept by smallholder households in Tanzania, or 62 percent of the population. Out of them, 2,950,268 were on the Mainland and 66,736 in Zanzibar, this reduced food insecurity.

Additionally, according to FAO (2001), there were 30 million indigenous chickens that provided 100% of the poultry meat and eggs consumed in rural areas and 20% of the poultry meat and eggs consumed in urban areas. Poultry production, along with other small livestock, contributes 5.4 percent to the total GDP of households. Smallholder farmers rear all of these birds, with flock numbers varying from 10 to 30 birds per household.

According to URT (2010), with three laying cycles per year, the average household would have access to 75 hens for sale each year. If each chicken costs 15,000 Tanzania Shillings (approximately M126.00), the annual income from chicken production would be 1,125,000 Tanzania Shillings (about M10,220.00), which is roughly equal to the per capita GDP average in rural Tanzania. The improvement of poultry productivity lead to the increase of income to small scale farmers of local community by selling much in the markets, the income that will be obtained from the selling will help to fight against poverty and reach the strategy imposed by the government in five year development plan 2010-2015 of reaching income per capita M42,000.00 (URT, 2010).



## **CHAPTER THREE**

### **COOPERATIVES IN LESOTHO**

#### **3.1. Introduction**

The first cooperative buying syndicate was established in 1931, but it was allegedly destroyed by management issues and a lack of experience in Lesotho (The Kingdom of Lesotho, 2009). According to Starik (2006), in 1933 there was a rise in the promotion and development of cooperatives across the nation, and despite the lack of a regulatory framework at the time, these cooperatives flourished. Cooperatives weren't fully registered until the Cooperative Societies Proclamation Act No. 47 of 1948 was passed (The Kingdom of Lesotho, 2009). Small agribusinesses are mostly driven to create or join cooperatives by the need to pool their resources and efforts while cutting expenses. Individual farmers cannot consistently and reliably control the price they receive for their agricultural products or the price they pay for the inputs needed to produce those goods. Thus, they formed cooperatives so that they can enhance their economic market power.

Lesotho has had a commercial chicken industry since 1962, with the goal of providing its citizens with high-quality meat. At first, 30 to 100 birds were sent to farmers' cooperatives around the nation (Lado, 1998). This project was carried out by the Government of Lesotho until the late 1970s with aid from the British Government and UNICEF (Abate, 2013). Additionally, it created a few marketing campaigns (referred to as "poultry farmers' courses") to entice farmers to invest in the poultry sector in hopes of future expansion and profitability (Lado, 1998). This is significant since it relates to a government initiative aimed at combating poverty more directly.

According to The Kingdom of Lesotho (2009), before the cooperative societies proclamation Act No. 47 of 1948 was passed, cooperatives were not officially registered, and there were no programs in place to teach young people co-operative skills in the classroom and in the community. These abilities allowed the community to become interested in cooperatives and sign up to join cooperatives in their local communities (Yengwa, 2004). This was a major benefit

for Lesotho, a country with two million people and a poverty rate of 56%. More specifically, Lesotho's economy is dependent on agriculture, remittances from migrant laborers working in South African mines, and more recently, water sales to South Africa, which currently account for 65 percent of the country's revenue (The Kingdom of Lesotho, 2009).

Cooperatives derive an investment function of poultry production in Lesotho, with particular attention to capital stocks and financial implications such as cash flows (net profits and savings of the investor) of investing in poultry production (Bollman and Kapitani, 1981). Harman (1972) explains that based on the results obtained from econometric tests an evaluation and policy recommendations of investing in poultry production in Lesotho workers were offered the freedom to make a decision to go the opposite direction if they choose to without being influenced by the system. This privilege was given to part-time workers in poultry farming.

The International Fund for Agricultural Development (IFAD) and the International Labour Organization (ILO) are stakeholders for cooperatives, but their influence is small. Donors generally do have some impact on the Lesotho cooperative sector, but it is minimal (Mahamed, 2004). This makes the co-operative sector very much a Mosotho-led and -owned strategy that seeks to address some of the challenges the country faces, such as getting processing going, assisting farmers to buy inputs and market their products, and providing people who want to help themselves with a group-fitting model that fits with these values.

### **3.2. Economic background of cooperatives in Lesotho**

History demonstrates that the Basotho survived during the colonial era by raising animals and growing crops, however there was not enough for both personal consumption and trade. Due to the Aliwal North Treaty, many people lost their grazing and agricultural land to what is now the Free State Province (Mayoux, 1995). As a result, Lesotho has little land left for settlements and agriculture. Additionally, some natural elements like soil erosion accelerated the degeneration of the agricultural land (Lado, 1998). A combination of the aforementioned elements and rising population growth led to a decline in agricultural production.

According to Ferguson and Lado (1998), by 1966, Lesotho's economy had not changed from its simple way of life, and the nation had not undergone modernity. Mayoux (1995) emphasizes that not embracing a shift in fundamental views about life and work as well as in social, cultural, and

political institutions implies not being affected by modern economic progress. Furthermore, according to Mayoux (1995), cooperatives were almost nonexistent. Lesotho was a primitive peasant society that lived off the land. However, the current scenario shows significant reductions in the use of foreign labour in South African mines, which has raised the unemployment rate. There are now much fewer guys from Lesotho working in South African mines, which is causing serious issues. Agricultural cooperatives continue to be the primary source of employment and sustenance for the majority of the rural population and contribute 7.9% in 2006 and 8.6% in 2011 to Lesotho's GDP, some people view cooperatives as a way to boost business activity in a variety of sectors and have a positive impact on the economy (African Economic Outlook, 2012). As a result, communities continue to choose cooperative farming to raise their level of living.

### **3.3. Contribution of cooperatives to development in Lesotho**

Contrary to Western cooperatives, Lesotho cooperatives are still largely informal and so have scant documentation, according to Wanyama (2009). Excluding the 10,000 SACCO memberships in the credit union league, the cooperatives in Lesotho are the apex organization, representing 3,307 members. 99 registered cooperatives (not including SACCOs) and 9,092 members make up Lesotho's cooperative movement. The creation of self-employment opportunities is where Wanyama, 2009 believes cooperatives may most effectively serve its members' economic needs.

#### **3.3.1. Poverty reduction**

According to Schwettman (1997), cooperatives are a powerful force in eradicating poverty and generating new jobs. In order to reduce poverty, cooperatives are essential. All cooperatives, whether social or economic, serve as safeguards for the development and prosperity of localities. Education and training cooperative structures enable communities in emerging and transitioning nations without access to capital to pool their resources to solve issues, identify shared objectives, and take on the causes and symptoms of poverty. Cooperatives are anchors that share, recycle, and multiply local knowledge, resources, and money. They respond to community needs and are tailored to local issues. Autonomous cooperatives provide access to basic infrastructure and opportunities for advancement to the most vulnerable members of society that big

enterprises overlook. Agricultural cooperatives play a vital role in distributing food and basic resources in rural areas thus, alleviating poverty (Thomas, 2010).

### **3.3.2. Employment creation**

Cooperatives continue to be important in Lesotho because of their capacity to provide jobs. It is clear that many Basotho men and women have discovered ways to put food on the table through cooperatives. According to Braverman (1991), cooperatives are successful in the agricultural sector because Basotho have a lot of land and can easily build farms or grow crops there. Despite the fact that there are few studies on cooperatives, people in rural areas have established them as a way of life with some degree of success. Cooperatives help farmers increase their returns, and they also support their members by giving them resources, training, and access to financing (Kwapong, 2010). Agriculturally dependent rural cooperatives don't need to turn to multinational corporations to expand; instead, they create jobs.

### **3.3.3. Cultural values**

In addition to creating jobs, Wanyama (2009) notes that cooperatives also have other significant components that are frequently ignored in the cooperative discourse, such as cultural values. Even while Lesotho cooperatives have a mandate for development, many academics writing about cooperatives fail to critically engage with the idea of development. Instead of using a more complete definition of development, the dominant strategy has been to understand it primarily as economic expansion (Braverman, 1991). As a result, there has been little research done on Lesotho cooperatives. The inherent democratic and cultural values of Lesotho cooperatives are usually disregarded because the focus is primarily on the economic products. But as will be seen, these intangible values are crucial to the process of development.

McMurtry, (2009) maintains that despite their internal and structural challenges, cooperatives remain significant in Lesotho due to their compatibility with traditional African cultural values, their capacity to create employment, and to provide social protection, particularly for many rural Africans. Another important factor in determining a cooperative's success is membership engagement, but effective membership in a cooperative depends on how well it supports members' needs and interests. According to Muenkner (1993), the success of cooperatives in Africa would thus depend on whether they are established on the interests of the people and offer

pertinent services to meet the requirements of the people in order to encourage active and effective membership participation. Cooperative growth should organically arise from the bottom up rather than being directed from above, according to Bollman (1981). Kwapong (2010) claims that the adoption of democratic politics by the continent's political culture will make this particularly viable, to this end, democratic reforms that are going on in many countries ought to be nurtured to facilitate a better political environment for cooperative development (Bollman, 1981).

### **3.4. Types of cooperatives in Lesotho**

Nearly 320 people are said to have found jobs thanks to the cooperatives in Lesotho. According to the various types and operations of cooperatives, such as poultry cooperatives, dairy farmers cooperatives, savings and credit cooperatives, consulting cooperatives, farmers cooperatives, multi-purpose cooperatives, handicrafts cooperatives, and consumer cooperatives, this includes temporary placements and seasonally booming. However, for the purposes of this study, only three cooperative types are relevant.

#### **3.4.1. Workers' cooperative**

This type of cooperative, according to Starik (2006), is owned and governed by the employees utilizing the traditional one member, one vote structure. Many of these cooperatives have a board of directors that oversee daily operations along with managers. Workers have the final say in how the business is operated in the long run, and worker-owned businesses are distinguished by a substantially less hierarchical management structure than the typical narrowly owned organization (Ministry of Trade and Industry, Cooperatives and Marketing, 1999). Workers' cooperatives are made to prioritize the interests of the workers over increasing profits or stock prices in the short term. Frequently, a workers' cooperative contains a legally obligatory constraint that pertains to preserving and growing employment (Smith, 2003). Depending on memberships or hours spent, profits or surplus might be distributed to members or invested to expand the business or boost its competitiveness (Osman, 2002). Workers' cooperatives must be concerned with their production costs, just like conventional businesses, if they are to survive and thrive in the market. Workers' cooperatives are mostly found in the service and processing industries, while manufacturing is also significant.

### **3.4.2. Agricultural cooperatives**

In an agricultural cooperative, farmers (often local farmers) pool their resources to start a business that generates income. According to Yengwa (2004), depending on the kind of cooperative (in this case, an agricultural cooperative), Lesotho farmers can enhance their earnings, save costs, or share risks. This is because they will be evenly splitting everything. This makes it possible for suppliers and manufacturers of agricultural products to gain more affordable access to markets and supplies. By expanding the size of their economies, they hope to cut costs (Rukuni, 1998).

Agricultural cooperatives in Lesotho are able to access markets and supplies that would otherwise be out of their grasp if they operated independently, albeit it is only on a small scale at the moment due to a lack of funding. In other words, there are reasons farmers join cooperatives, that being for risk mitigation, better access to markets and suppliers because in Lesotho farmers don't have enough funds to compete with the global markets (Osman, 2002).

### **3.4.3. Credit union**

A credit union is a type of consumer cooperative that concentrates on the money market and has one of the largest memberships, along with the retail cooperatives for food and clothing. A credit union is frequently locally owned and run in accordance with the one-person, one-vote principle (Ministry of Trade and Industry, Cooperatives and Marketing, 1999). But the credit union is daily managed by an elected board and competent officers. Relations between management and labor can and frequently do resemble those in a traditional financial organization. When credit unions first began, their primary goal was to provide financial resources to individuals and companies who were having problems obtaining them from the traditional financial sector (Starik, 2006). Credit unions have evolved into financial institutions that cater to the needs of individuals across all income levels and firms of different sizes. This allows credit unions to spread the risk of their financial portfolios.

An important institution in Lesotho is Cooperative Lesotho Ltd. According to Lesotho research, the Basutoland Cooperative Banking Union (BCBU) was founded in 1957. The cooperative's main function was to act as a bank for its members. Philips (2002) asserts that the cooperative was finally destroyed after being declared insolvent in 1963 as a result of managerial issues.

After the Basutoland cooperative Banking Union failed, the government established the Finance and Marketing Cooperative Union of Basutoland (FMCUB) to act as the movement's focal point. Further stating that FMCUB changed its name to Cooperative Lesotho in 1970, Starik (2006) Six secondary cooperatives put together the new Cooperative Lesotho Bylaws in 1980, with the Lesotho Government serving as founding Members.

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**Table 3.1. Cooperatives and their membership in Lesotho district, cooperatives reported in 2016 in a Government Sponsored Study**

Serial no.	District	Active	Coops with less than 10 members (sec.6(1) coop act 2000)	Registered but do not have members	Total Coops
	Berea	19	1	0	20
	Botha-Bothe	6	0	1	7
	Leribe	19	0	0	19
	Mafeteng	28	1	0	29
	Maseru	60	1	0	69
	Mohale's Hoek	5	0	0	5

	Mokhotlong	9	0	1	10
	Qacha	7	1	0	8
	Quthing	3	0	1	4
	Thaba-Tseka	8	0	0	8
	<b>Total</b>	164	4	11	179
		<b>91.62%</b>	<b>2.23%</b>	<b>6.15%</b>	<b>100%</b>

**Source: Lesotho Poultry Cooperative union Ltd**

### **3.5. Policies that govern cooperatives**

Every nation has laws that regulate any type of business operation because these laws set the objectives of a corporation and offer direction on how to attain them (Phillips S and Orsini M, 2002). The collection of rental arrears and capital replacement planning are two examples of critical tasks that are identified by policies. General building regulations are another issue that is covered by policies. The same is true for Lesotho cooperatives, which maintain the ideals and standards established by the International Co-operative Alliance in 1995. Self-help, self-responsibility, democracy, equality, equity, and solidarity are a few of these. Others include openness, honesty, and social duty.

#### **3.5.1. National cooperatives law Lesotho**

The Cooperative Societies (Amendment) Act, 2014 (the Amendment Act), and the Cooperative Societies Act, 2000 (the Cooperatives Act) in Lesotho unify the legal framework for all varieties of cooperatives (Sets'abi, 2006). The Cooperative Societies (Protection) Act No. 10 of 1966, the Cooperative Societies Proclamation No. 67 of 1948, and the Cooperative Societies Rules issued under those laws were all repealed by the 2000 Act (Moja, 2003). The regulations were known as the High Commissioner's Notice 174 of 1948 of the 28th August 1948, Cooperative Societies Rules. The 1948 legislation, according to Sets'abi (2006:8), was neither based on the Basotho people's culture nor their experiences between 1931, when the first cooperative was created, and



1947, before it was enacted. Additionally, the procedure did not involve consulting the cooperative movement.

Currently, a single set of laws governs all cooperatives, including Savings and Credit Organizations or Societies (SACCOs). However, under the wording of the Financial Institutions (FIA) Act of 2012 and the Financial Institutions (Licensing Requirements) Regulations of 2016, there is a parallel regulatory framework for major financial cooperatives (Phillips S and Orsini M, 2002). The Central Bank of Lesotho is in charge of administering and enforcing this Act (CBL). Financial cooperatives are specialized deposit-taking organizations as defined by the FIA and are governed by the CBL law to the fullest extent possible. The Financial Cooperatives Act, 2016, a new piece of proposed law for financial cooperatives, is now awaiting passage by parliament.

Although the Cooperative Principles are included in the Financial Cooperatives Act's interpretation section, neither the Cooperative Principles nor the other elements of the Identity Statement (values and definition) are included in the Act's core provisions (Phillips S and Orsini M, 2002). Cooperatives are not specifically mentioned or taken into account in the Lesotho Constitution. The freedom of the people to freely associate with others for ideological, religious, political, economic, labour, social, cultural, recreational, and similar objectives is protected by a provision in the Constitution.

### **3.5.2. Specific Elements of Cooperative Law**

The Cooperative Societies Act, according to Osman (2002), defines cooperatives as special-purpose private business organizations that are registered under the Act and operated according to cooperative principles and practices. In Lesotho, the idea of "cooperation" is fundamentally based on the economic and social interests of the members (Smith, 2003). In Lesotho, the following legal characteristics can distinguish cooperatives from for-profit companies: I Only a minimum of ten individuals or, in the case of Apex organizations, 50% plus one of the major cooperatives active in the same industry, may form a cooperative. However, one or more people may register a corporation (Smith, 2003).(ii) Cooperatives are registered by the Commissioner for Cooperative Development (the Commissioner) under the Ministry of Small Business Development, Cooperatives, and Marketing (MSCM), whereas companies are registered by the

Registrar of Companies under the Ministry of Trade and Industry (MTI). (iii) Cooperatives must establish the required minimum share capital in their bylaws, whereas corporations must specify the permissible capital in advance in their articles of incorporation, which cannot be exceeded at any time by issued share capital. (iv) While cooperatives are limited to registering one class of shares, corporations may issue non-participatory shares like preference shares. (Roux, 2006).

The objectives of cooperatives are not mentioned in the Cooperatives Act. Cooperatives must, however, outline their own objectives in their bylaws. Any activity that differs from the stated goals may be disqualified by the Commissioner. These objectives are specifically designated to furthering members' economic and social interests in line with cooperative principles and practices. According to the Cooperatives Act, cooperatives are required by law to pursue only objectives that are in the best interests of their members and to only engage in transactions with nonmembers that are specifically authorized by their bylaws (Smith, 2003).

Although it is said that a cooperative may enter into agreements with its members, this is only the case if the agreement is specifically stated in the cooperative's bylaws (Roux, 2006). Cooperatives are only allowed to undertake member promotion under the Cooperative Societies Act of 2000 (the Cooperative Act) and the Cooperative Societies (Amendment) Act of 2014 (the Amendment Act). Any vote or action taken by officers or the management committee that, in the Commissioner's opinion, goes against the purposes of advancing member interests may be refuted. However, community interests in the area where the cooperative is headquartered may be served in pursuit of the cooperative principle of concern for the community, in accordance with policies established by the members (Osman, 2002). Because all cooperatives are permitted to engage in such community activities, there is no unique sort of cooperative that the legislator has created with the pursuit of communal interest in mind.

### **3.6. Challenges faced by cooperatives in Lesotho**

According to Roux (2006), farmer cooperatives suffer a number of difficulties that have a detrimental effect on Lesotho's development. First, the ownership and control rights of farmer cooperatives are disproportionately concentrated within a small group of core members or the founders. Common people tend to concentrate on farming and are rarely involved in management or decision-making, which makes it challenging to manage and control what

technical procedures to apply and, as a result, reduces productivity when left unaddressed (Thomas, 2010). Second, compared to farmer cooperatives in the west, Lesotho's participation in farmer cooperatives is quite tiny (Mahamed, 2004). The government's promotion of farmer cooperatives and the low registration threshold both contribute to the slow growth in number of these organizations, which hinders development. In comparison to their contemporaries, farmer cooperatives' competitiveness is weak. The opposing power of cooperatives is in great need of talent and capital, and the lack of competition within cooperatives does not spur farmers to put in extra effort or learn new skills on a daily basis.

Fourth, the majority of farmer cooperatives add little value. The majority of the services offered by farmer cooperatives are input purchasing, product marketing, and/or primary processing, which only involves grading and packing; as a result, cooperative farmers are unable to compete in the global market for economic growth and therefore cannot expand globally (Thomas, 2010). Fifth, it is expensive for the government to distinguish between member-beneficial cooperatives and entrepreneur beneficial cooperatives, which force the displacement of various government supports and subsequently the dissimilation of cooperatives. When this occurs, some coops fail and families lose their source of income, which in turn causes the percentage of people living in poverty to rise (Roux, 2006).

Many cooperatives still struggle with the fundamental issue of not having customers for their service or product, despite some of them collaborating closely with the department of Trade and Industry and being inventive by launching cooperatives in new sectors of the economy like tourism (Roux, 2006). The Department of Trade and Tourism is eager to support cooperatives as they work to address this issue by adding value and attempting to enter global markets, for instance with their handicrafts.

The Ministry of Trade and Industry, Marketing and Cooperatives/MTIMC (1999), states that some of the challenges facing Lesotho cooperatives, among others, include the fact that people setting cooperatives set them up as a way of accessing (financial/funding) assistance from the government and/or from donors but not for self-help or self-reliance. Some of the co-ops' policy challenges are lack of regular or reliable market for their products. The government needs to address this problem if co-op policy is to attain sustainable development in Lesotho (Starik, 2006). The government needs to reduce dependence of the cooperatives on it. Furthermore,

transparency in policymaking and inclusion of all stakeholders need to be a priority to achieve sustainable development (Field Interviews, December and January, 2012 – 2013).

Roux (2006) reported that 30 out of 50 Assistance Committee (AC) members have reported that the presence of the Lesotho cooperative policy has not brought any challenges to the lives of the farmers because they are not even aware that it exists. Reportedly, policy makers and Cooperative officials have failed to educate the farmers about what is entailed in the policy (Osman, 2002). The government imposed 90 cooperative policy without including them as the ACs' members. They also feel and state that cooperatives policy has not brought any changes because they are, once more, not even aware that a cooperative policy exists (Field Interviews, December and January, 2012 – 2013). Osman (2002) reports that the majority of the respondents (96 percent) did not express any attitude towards the cooperative policy because they have never heard of it, farmers are not against the policy at all. Daemane, (2011) continues on to say, few farmers (6 percent) find it to be un-important because it has not brought any change to their lives, especially because farmers do not know anything about it. Cooperative policy is a good idea that encourages an effective and efficient operation of cooperatives. On the contrary (Field Interviews, December and January, 2012 – 2013) reports that the only problem that they have about the cooperative policy was that they were not included during its formulation, implementation and evaluation. Some farmers regard it as a government paper that has nothing to do with them

### **3.7. Conclusion**

Setbacks to the cooperative movement in Lesotho have long been a result of unhelpful legislation and onerous regulations. If cooperatives are to thrive in Lesotho, legislators must address certain issues that have been brought to their attention by the legal framework analysis immediately. Legislation that is supportive of cooperatives must be built on the ICA cooperative principles. Members must have a sense of independence and ownership over their own cooperative operations and be able to accept credit for their successes or blame for failures without blaming the law or the Commissioner.

## **CHAPTER FOUR**

### **THE CONTRIBUTION OF POLUTRY AGRICULTUAL COOPERATIVES TO DEVELOPMENT IN THE MOHALE'S HOEK DISTRICT**

#### **4.1. Introduction**

This chapter presents analyses and interprets data collected from poultry cooperatives in the Mohale's Hoek district. The chapter is about the contribution of poultry cooperatives to social and economic lives of people in the study area. Contribution of farm poultry cooperatives to improvement of the living standards of the cooperative member's participants is witnessed when they rear or keep chickens for supplying local markets with products. In addition to supplying the local market with poultry products, cooperatives are important for pooling some scarce resources together in order for members to reach a common goal. In short, cooperatives are mainly established for solving social and economic problems faced by members

#### **4.2.Characteristics of Poultry Cooperative Farmers**

Cooperative members have diverse characteristics that are not only important for individuals, but for the entire enterprise. Some of the characteristics contribute to performance of cooperative enterprises. It is therefore important to study the dynamic characteristics of poultry cooperative farmers in this study.

##### **4.2.1.Gender of Poultry Cooperative Farmers**

Agriculture plays an important role to development of most rural areas in developing countries, and particularly in Africa. This sector (agriculture) employs both men and women, but their participation is not the same. This is because farming in many African societies is done mostly by women, while their husbands are away engaged paid work or in some other income generating activities. Men are migrating gender, and they leave agriculture in the hands of women and children back at home. Furthermore, research in Africa reveals that, women are found in large numbers in cooperatives compared to their male counter parts. In the light of this, gender of cooperative members is presented in Table 4.1 below.

**Table 4.1: Gender distribution of poultry farmers in the Mophale'sHoek district, May 2022**

Gender	Broiler		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Male	2	10	1	4	3	7
Female	19	90	22	96	41	93
<b>Total</b>	<b>21</b>	<b>100</b>	<b>23</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field data

An observation from Table 4.1 shows that the majority (93%) of cooperative poultry farmers in both broilers and layers are female. These results suggest that females are dominating poultry cooperative farms in Lesotho. There are some factors that contribute to female participation in poultry cooperative farms in the study area. Firstly, according to Basotho cultural practices, females are responsible for taking care of some domestic animals such as pigs and birds such as chickens. Secondly, cooperative works are mostly dominated by women in Lesotho. These ranges from burial, grocery societies and other income generating activities such as cooperatives.

It can also be noted from the above Table 4.1 that the cumulative percentage (7%) of males is low in poultry farm cooperative. It is a fact that the male people in Lesotho are more interested in rearing economically viable livestock such as sheep and cattle. As a result, they are less interested in chicken rearing which is dominated by the females. The low number of male people in poultry farming can also be associated with a historical migration of Basotho men to work in the mines of South Africa. They left women back at home working on family farms (Rants'o, 2016). Although the small number of men participating in poultry farm cooperatives in the study area cannot directly be linked with migration of Basotho men to South African mines, the historical experiences that contributed to gender disparity in participating in agriculture in Lesotho cannot be overlooked.

#### **4.2.2. Marital status of Poultry Cooperative Farmers**

It is important to look at the marital of poultry cooperative farmers in this study. This is because marital status is important when looking at decision making in the household. In addition, married people have more responsibilities compared to single/divorced or widows. For instance, in most cases, married people take care of other family members. Although, this is not the case with all married people. There are some married people who do not have children and they do

not have too many responsibilities. The following results showing marital status of poultry cooperative farmers is presented in the following Table 4.2.

**Table 4.2: Marital status of poultry cooperative farming in the Mohale’sHoek district, May 2022**

Gender	Broiler		Layer		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Single	2	9	1	5	3	7
Married	14	61	17	81	31	70
Divorce	2	9	0	0	2	5
Separated	2	9	1	5	3	7
Widow/er	3	13	2	10	5	11
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field data

It is evident from Table 4.2 that 70% of both broiler and layer poultry cooperative farmers are married. It is a common trend in Lesotho and other African countries that mature people get married. Married people always strive for maintenance of their households. Therefore, they are jointly working together to take care of the family. Although it is not known where some other partners are working, it is common that married people bring whatever they have worked for, for the development of the households. It can therefore be argued from these research findings that, poultry farming in the study area is an important source of livelihood for married people. While not each and every married person has some dependents to take care of, these results suggest that even those who do not have many people to support are involved in this important income generating activity.

It can also be noted from Table 4.2 that a small percentage (11%) of poultry cooperative farmers are widows. A large percentage (13%) of widows is found in broiler cooperative compared to a slightly smaller percentage (10%) in layer cooperative. One can make some conclusions from these results. One, poultry farming is an economic activity that some widows can rely on for making a living. Two, widows also have some family members to take care of, as a result they rely on poultry farming for maintaining their households.

### 4.2.3. Age Group of poultry farmers

Age plays an important role in production, in both farm and non-farm activities. Performance of both agricultural and non-agricultural businesses is associated with age of owners. The same applies to farm cooperatives. According to research, young people are more energetic, and they tend to be more productive. It is also stated that the elderly people are less productive because they are no longer physically active. The common trends in cooperatives show that, many agricultural cooperative or farming in general is dominated by elderly people. This is because the young people are less interested in farming. Against this background, the following Table 4.3 presents age of people actively involved in poultry farming in the study area.

**Table 4.3: Age distribution of poultry cooperative farmers in the Mohale’sHoek district, May 2022**

Age group	Broiler		Layer		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
18-25	0	0	0	0	0	0
26-35	2	9	1	5	3	7
36-45	2	9	1	5	3	7
46-55	3	13	2	10	5	11
56-65	15	65	13	62	28	64
66-75	1	4	4	19	5	11
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field data

It is important to note that, age plays an important role in performance of farm cooperatives in developing countries, and particularly Africa. Research on Africa reveals that, agriculture is dominated by elderly people. In this regard, the above results are in line with what is happening elsewhere in Africa. For instance, about 64% of poultry farmers are elderly people aging between 56 and 65. It is common in many African countries and particularly Lesotho that people working in civil service retire between the age of 55 and 60. It can therefore be argued that, poultry cooperatives in the Mohale’sHoek district are dominated by old people. People who are in the retirement age are no longer physically active, and this affects performance of many cooperatives.



There are many things that are suggested by dominance of old people in broiler and layer cooperatives. One of the reasons is that, many people in rural Lesotho are not educated. Therefore, many of them do not have pension that can be used at old age. In addition, people in the 56- 65 ages structure are not yet eligible or do not qualify for old age pension in Lesotho (the qualifying age is 70). In this case, they are also involved in poultry farming for survival.

The results from Table 4.3 also show that are zero people in the 18 – 25 age group in poultry farming. People found in this age group are considered youth in many countries. However, youth are considered to be people aging between 18 and 35 years in Lesotho. It can be noted that, people in this age group make a small percentage (7%) in both broiler and layer cooperatives. It can be observed from the results that youth are less interested in farming despite an increasing youth unemployment rate in Lesotho.

It can be concluded from the above results that, poultry farming in the Mophale's Hoek district is dominated by the old people. It is evident that the old people are less knowledgeable about the modern farming practices compared to the young ones. It can therefore be deduced that, poultry cooperatives are likely to lack behind in terms of technological innovations that are mostly linked with the young people. It is important to encourage youth to participate in self-employment projects such as poultry farming in order to overcome the current challenge of food insecurity in Lesotho.

#### **4.2.4.Educational level of poultry farmers**

Education is one of the most fundamental aspects needed by the owner of a business to help them succeed. This is because education has helped a lot of businesses grow in their different aspects of businesses. Cooperatives equally need educated people to help them grow. In this case, poultry cooperatives farmers need educated individuals who will keep up with new trends in poultry farming for success. The poultry industry is constantly evolving, thus cooperatives must have knowledge of what is happening around the world and the skills to make change, and they must adopt to trends such as campylobacter reduction strategies, managing vaccines in the hatchery and omega 3 enriched eggs. Table 4.4 shows educational level of poultry farmers.

**Table 4.4: Educational level of poultry cooperative farmers in the Mohale'sHoek district, May 2022**

Educational level	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
No Education	0	0	0	0	0	0
Primary	13	57	14	67	27	61
Secondary	5	22	3	14	8	18
High school	2	9	2	10	4	9
Tertiary	3	13	2	10	5	11
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field data

Table 4.4 shows that a total of 61% of poultry farmers in both broilers and layers have low educational background (primary level), some of them could not answer some of the questions without being explained to first. This implies that, they are not able to adopt new innovative ways that will help them increase production in a short space of time. For example, one cooperative in Mohale's Hoek, Maphohloane Poultry Farm, is still yet to find ways to produce eggs that are rich in omega 3 in order to be competitive and fetch good returns from the market. For this reason, Maphohloane Poultry Farm was forced to recruit new members with some good educational background so that they can assist the cooperative to be innovative and adopt new innovative ways that improve production.

There is about 11% of cooperative members who attained tertiary education. These results reveal that, the more educated people do not join agricultural cooperatives in large numbers. This is because most of them are absorbed in the formal sector. However, with increasing unemployment among the graduates, agricultural cooperatives are now an avenue for absorbing them. Many of them do not last for a long time in cooperatives because they are still looking for good paying jobs in the formal sector.

Although formal education is important, the research findings show that most cooperative members have acquired skills through attendance of workshops. This has increased their production and management skills which result in increased production.

#### 4.2.5. Number of households for Poultry Farmers

The number of household members in a family in an African family has proven to influence individuals to get up and find means of income, especially if those members are children who cannot do anything to find means of income

One respondent affirmed, “It was hard seeing my children suffer with no food on the table so I had to get up and talk to my children to see what we can do for ourselves to put food on the table.” Table 4.5 shows the number of household members in poultry cooperative farming

**Table 4.5: Number of household members in poultry cooperative farming in the Mohale’sHoek district, May 2022**

Number of household members	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
1-3	2	9	1	5	3	7
4-7	7	30	7	33	14	32
8-11	12	52	13	62	25	57
12-15	2	9	0	0	2	5
16 and above	0	0	0	0	0	0
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field data

Table 4.5 indicates that about 57% of cooperative members have household’s sizes ranging between 8 and 11 members. These results suggest that, the household of the farming cooperative members are too large. The large size of household members has both positive and negative impact on development. On the one hand, the large household size means availability of household labour for production. It is a fact that, the household labour is not remunerated in most rural areas in Africa and elsewhere in developing countries. On the other hand, too many people in a household mean many mouths to feed. Therefore, the high level of consumption has impact on savings, as produced goods are used for family maintenance, and too little is left for saving that can be used for further investment.

For a cooperative to qualify as a cooperative, it needs to have at least 15 members, during data collection, it was recognized that some family members were part of the cooperative. It is also

argued by FAO (2013) that many African household are large, and it was observed during the study that some cooperatives in the study area rely on household labour using for production.

#### 4.2.6. The year of joining the poultry cooperative members

Poultry farming is an agricultural enterprise meant for creation of employment and incomes for its members. Most businesses were established during a period when Lesotho was experiencing inflation at its highest until now. This was the year 2016 when inflation increased to a whopping 6.6% when the previous year it was 3.22% (Statistics, 2018). The table below illustrates the joining period of cooperative members.

**Table 4.6: The year of joining poultry farming cooperative in the Mohale'sHoek district, May 2022**

Joining period	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
2016-2020	20	87	17	81	37	84
2021-2022	3	13	4	19	7	16
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field data

Cooperative poultry farming has been used in Lesotho since before the colonial era. It is a pursuit that got its beginnings in 1931. But according to reports, it was destroyed due to management issues and a lack of experience in Lesotho (The Kingdom of Lesotho, 2009). According to Starik (2006), in 1933 there was a rise in the promotion and development of cooperatives across the nation, and despite the lack of a regulatory framework at the time, these cooperatives flourished. Cooperatives were not fully registered until the Cooperative Societies Proclamation Act No. 47 of 1948 was passed (The Kingdom of Lesotho, 2009). Small agro-businesses are mostly driven to create or join cooperatives by the need to pool their resources and efforts while cutting expenses.

Table 4.6 illustrates that 87% of poultry farmers who specialize in broilers joined the cooperative between the years 2016-2020, it is the same case with farmers who specialize in layers, 81% of them joined the cooperative in the years 2016-2020. This was a period when inflation was at its

highest in Lesotho, therefore some people wanted to find the means of making income. This has forced many people to start some income generating activities such as cooperatives.

#### 4.2.7.Poultry Cooperative Members

A cooperative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (Hendry, 2021).International Cooperative Alliance (2018) further states that for a cooperative to qualify as a cooperative it has to have 15 or more members, each member has a voting right at an annual and membership meeting, they are allowed to elect board of directors, make decisions on major cooperative issues. Table 4.7 shows the number of cooperative members in the study area.

**Table 4.7: Poultry Cooperative Members in Mohale’sHoek district, May 2022**

Cooperative members	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Cooperative member	23	100	21	100	44	100
Not cooperative member	0	0	0	0	0	0
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field data

Table 4.7 above serves as proof that cooperatives (100%) recognize its members strictly and not outside people regardless of any positive impact brought by outsiders. There can be donors, but they are not recognized as part of the cooperative. For example, Maphohloane Poultry Cooperative is supported by the World Vision Lesotho as donor. The World Vision Lesotho donated 800 chickens to Maphohloane Poultry Farm. This came after the cooperative helped them (World Visio Lesotho) to locate homeless children in the village. The support of World Vision Lesotho to the cooperative is illustrated in Appendix 1.

#### 4.2.8. The location of poultry cooperatives in Mohale's Hoek district

The location of a farm is an important factor for rearing of chickens. The location of a farm can determine the number of chickens each cooperative farmer can keep.. Some other factors to consider about the location is safety, water availability and if it is next to the market. Table 4.8 shows the place where poultry farmers operate from.

**Table 4.8 Location of cooperative poultry farm in Mohale's Hoek district, May 2022**

Place	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Home	23	100	0	0	23	52
Farm	0	0	21	100	21	48
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field Data

Table 4.8 shows that 52% of cooperative members keep their birds at home. This is because it is easier to manage when they are at home unlike when at the farm. At home, they have security all the time. Also, keeping poultry at the farm is expensive because cooperative members will need to hire security to avoid poultry theft. For this reason, it seems logical to keep them at home where they can be guarded all day and night. Another reason of keeping animals at home is because water is available in abundance. Members fetch water in the comfort of their homes; they have tap water that is almost always available at their disposal.

Table 4.8 also illustrates that other cooperative members (48%) in the study area keep their chickens on the farm far from their home. These farmers prefer farms because there is enough space on the farm, so that chickens can roam around more easily (Sam, 2003). On the contrary, a farm that is far from home is more vulnerable to theft. In addition, keeping birds on the farm is costly because of scarcity of water. As a result, cooperative members have to construct a water tank for storing enough volumes of water. Another expense that cooperative members incur is that of having to travel every day from their homes to the farm, some of them need to use transportation.

#### 4.2.9. Numbers of chickens' in a cooperatives

The number of chickens in a cooperative likely determines how well a cooperative is doing. It also indicates how big the cooperative is. A big with a large number of chickens cooperative is likely to produce more hence make profit. As Nembhard (2002) states, the wealth of a cooperative is determined by how much each member is willing to invest, but equally important how much products a cooperative has. In this study, the number of chickens in a cooperative determines the output it produces. The table below shows the number of chickens cooperative has.

**Table 4.9 Number of chickens in a cooperative, May 2022**

Number of chickens	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
200-500	23	100	0	0	23	52
501-1000	0	0	21	100	21	48
1001-1500	0	0	0	0	0	0
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>23</b>	<b>100</b>

**Source:** Field data

Table 4.9 is an indication that members of cooperative all agree that they have chickens between 200-500 for broilers and layers have chickens amounting to 501-1000. The number of chickens for broilers is small because it was stated by a few members that broiler feeding is a bit more expensive as compared to layers. They further stated that in winter it's even worse for broilers because they die easily due to the cold weather, hence they try by all means to keep a fair number of them for easy management.

Cooperative members do not have chickens over 1001 chickens in both broilers and layers. This may be caused by a lot of factors which include, land, financial power and government support that cooperatives need but lack. One cooperative managed to get a sponsor of 800 chickens from World Vision but they died together with those that they already had because they did not have enough space and financial power to maintain them.

#### 4.2.10. Increasing the size of chickens in the near future

According to the World Bank (2013), Africa could become a trillion-dollar food market by 2030 if agriculture was given more attention. This could be achieved by promoting poultry farming for the development of developing countries. Following China's poultry farming success stories as one of the world's largest poultry meat producer, with the world's largest egg producer with 38% of global production (FAO, 2012). Although there are success stories for all these countries, there is still shortage of poultry products and this is where Africa needs to take advantage and make their own success stories. Poultry farmers need to compete in the local and international markets. They need to seize this opportunity and expand their poultry farms. Table 5.10 shows the number of chicken poultry farmers aspires to have.

#### 4.10. The number of chickens Poultry farmers aspires to own in Mohale's Hoek, May 2022

Optimal number	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
100-500	17	74	13	62	30	68
501-1000	6	26	4	19	10	23
1001-1500	0	0	4	19	4	9
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

Source: Field data

Majority of cooperative members (68%) aspire to have between 501-1000 chickens, this is because they are putting into consideration the kind of space they have, the number of members in the cooperative and the means to keep them alive and well fed. This aspiration is not different from the number of chickens cooperatives have. Some farmers want to take a leap of faith and increase their chickens to 1500; this number is still small to make Lesotho reach the stage of sufficiency in poultry farming. Cooperatives choose at least 1500 chickens as their aspiration because they are looking at their land and what they are capable of.

#### 4.2.11. Educational background of farmers in poultry farming

Education is the key to success. For a cooperative, this is one fundamental value that members should have. As education in a specific or chosen field helps one to acquire the right information and skills for growth of the business. In the case of poultry farmers with the right formal



information and educational skills, are in a position if having maximum production in poultry farming. Table 4.11 illustrates educational background of farmers in poultry farming.

**Table 4.11. Educational background of Mohale’s Hoek Poultry Cooperative Farmers in Poultry farming, May 2022**

Training in poultry farming	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Obtained formal training in poultry farming	2	9	1	5	3	7
No formal training in poultry farming	21	91	20	95	41	93
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	44	100

**Source:** Field Data

The above table indicates that 93% of cooperative members have no formal education on poultry farming, this suggests that a large number of poultry farmers have no formal skills on poultry farming. This information suggests that cooperative members with no formal education do not have the right formal skills to grow their cooperative; it also suggests that it is unlikely for their cooperative to be in a position of competing with international markets due to not having the right knowledge on how to go about it. On the contrary, this percentage also proves that cooperatives have reduced the unemployment rate and poverty resulting to lack of job opportunities in Lesotho. In this respect, Lesotho can achieve SDG 1. Retrenched mineworkers may lack formal training, but this can attend workshops where they are taught about poultry farming.

A small number of members 7% have formal training in poultry farming, this in most cases are young people. Evidence shows that this formal education was obtained in higher learning (tertiary). This is an advantage to cooperatives as they are able to acquire innovative ways from these individuals. However, this number is still small; it says that there is a gap in cooperatives that still needs to be filled in order to promote higher returns in farming.

#### 4.2.12. Use of labour in poultry farming

Every kind of business requires labour for it to operate. Some labour businesses hire labour from outside, while other businesses simply use members as employees. Most cooperatives use its members for labour, this is because one of the main objectives of cooperatives is to create employment for its members, and there is division of labour amongst members. Another reason that cooperatives use its members is because cooperatives have not reached a phase where they can financially employ outside labour. Table 4.12 shows the use of labour in poultry cooperative farming

#### 4.12 Use of labour in Mohale's Hoek Cooperative Poultry Farming , May 2022

Use of labour	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Hired labour	0	0	0	0	0	0
Self employed	23	100	21	100	44	100
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	44	100

**Source:** Field data

Table 4.12 shows that 100% of cooperatives members are self-employed in 2 cooperatives that were studied in Mohale'sHoek, this suggests that poultry farmers in Lesotho employ themselves. This suggestion agrees with (Dorosh, 2003) that commercial farming in developing countries depends mainly on the use of its member labour. As stated in chapter 1, there is an increasing high unemployment rate that has resulted in poverty where the poverty rate increased from 26.6% in 2019 to 29.4% in 2020 (see ILO, 2020) but through establishment cooperatives, poverty is abridged through creation of jobs. It can be concluded that, promotion and support of poultry farming cooperatives can reduce unemployment, social and economic problems facing the country.

#### 4.2.13. Employment status of cooperative members

Cooperatives require a full time employee like any other business. For a business to operate accordingly there needs to be full time management. This is why in most cases cooperative

members work solely in the cooperative and not employed in the formal sector. Another reason for cooperative members to work solely in the cooperative could be that Lesotho is faced with high unemployment rate, this is because there are no job opportunities, for this reason cooperative members have no other alternatives than to work in the cooperative sector (FAO, 2012) adds on to say informal sectors may have higher growth rate as compared to formal sectors. Table 4.13 shows the employment status of cooperatives in the study area

**Table 4.13. Employment status of cooperative members in Mohale’s Hoek, May 2022**

Sector	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Formal	3	13	1	5	4	9
Informal	20	87	20	95	40	91
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field data

Table 4.13 indicates that 90 of cooperative members are employed by the cooperative being the informal sector, members also added that they supplement their cooperative income by engaging in other informal income generating activities but poultry farming is their main source of income. Lack of employment opportunities in Lesotho has forced members to venture into the cooperative business as a means of living. Although the majority of cooperative members do not work elsewhere, (9%) use poultry farming to supplement their salaries. Thus, they have something to fall back on when there cooperatives experiences problems. According to the current statistics, unemployment is estimated at 22.5% in Lesotho (Bureau of statistics, 2019). For this reason, cooperatives were established to lessen the high rate of unemployment by creation job opportunities in Lesotho.

#### **4.2.14. Turnover for poultry cooperatives**

To know if the business is doing well or not, the owner will know by the turnover of the business. For the business to be operating well its turnover has to be profitable. Furthermore, the existence of the business can be determined by the amount of money generated per month. It is

considered important to study the monthly turnover of poultry farming to determine their profitability and success. Table 4.14 illustrates the turnover for poultry farming.

**Table 4.14 Turnover for poultry cooperatives, May 2022**

Turn over	Per month turn over Broilers members		Monthly turn over for Layers members		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
2000-3000	20	87	17	81	37	84
4000-5000	3	13	4	19	7	16
6000+	0	0	0	0	0	0
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field Data

Table 4.14 illustrates that 87% of poultry members in a broiler cooperative each make a turnover between M2000-M3000 per month. A small percentage 13% of them makes a profit between M4000-M5000 per month. It should be noted that each cooperative has the responsibility to sell and make their own turnover; it is only at the end of every six months that they link their profits. As for cooperative that has layers, 81% of them make a monthly turnover between M2000-M3000, a small percentage of 19% of its members make a turnover between M4000-M5000. As shown above, layers make a bit more money than broilers; this is because eggs are used for many other things as compared to chicken meat. This is a fairly good profit given the fact that Lesotho is a poor country. Each member in every cooperative is given an opportunity sell eggs/meat so that each person can know how much profit they make. This creates positive competitiveness among members because as much as each person will make their own sales, profits will equally be shared amongst members.

#### **4.2.15. Farmers Perception of poultry cooperative profitability in the study area**

The cost of running a cooperative is expensive, mainly because there are a lot of financial errors made by members because the majority of members do not have any formal education of running and maintaining a poultry farm. In addition, the way farmers manage their cooperative is extremely crucial as it's the main factor that determines where is cooperative will make profit or

not. Table 4.15 shows the farmers perception of poultry cooperative profitability in the study area.

**Table 4.15 Farmers perception of poultry cooperative profitability in Mohale’s Hoek district, May 2022**

Profitability	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
<b>Profitable</b>	20	87	19	90	39	89
<b>Not profitable</b>	3	13	2	10	5	11
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

Source: Field Data

It is observed from table 4.15 that the majority 89% of poultry farmers find poultry farming cooperative to be profitable. They get good returns when selling eggs and meat both to the community members and street vendors. They sell both eggs and meat at a higher price to the villagers as compared to the street vendors because street vendors buy in bulk. Although the village market brings in more money, farmers sell their products to the street vendors because they are reliable as compared to the villagers. One farmer pointed out that villagers buy on credit and pay month end, but sometimes they make a loss as some villagers do not pay.

Some farmers, 11% say the poultry business is not profitable. They state that cost of feed is expensive, that sometimes the money they saved, is later used for emergencies for the cooperative and not for personal use. In winter, chickens need a lot of heat, if the heat is not provided, they die. This is costly and farmers often find themselves not making any profit. Farmers also state that, when chickens produce low quality eggs, local markets demand prices to be reduced, this tarnishes their expected income. One farmer pointed out that, local markets like the Chinese demand reduced egg prices when they bring in small eggs. The findings also suggest that marketing strategies employed by local poultry breeders are not sufficient to attract customers. It is concluded that cooperatives only sell their goods to the local market and villagers. Word-of-mouth advertising, social media (WhatsApp) and a sign along the road are some of their marketing strategies only used.

It should be observed in table 4.15 that layers make more profit as compared to broilers, this is because layers can easily be fed and managed while broilers demand a lot. Also, broilers are not as marketable as layers. They take a long time to be sold because they are expensive. On the contrary, layers have a market because eggs are used for different needs and services.

#### 4.2.16. Source of chicken feeding in poultry cooperative

Broilers should have a feed that has between 22-24% digestible crude protein, DCP. An added 10-20grams each of toxin binder, coccidiostat and growth enhancers like zinc bacitracin. The above formula contain metabolisable energy of Kcal/Kg=3038.80. Sam (2012) states that Lesotho farmers who are involved in a cooperative have not reached a level where they can produce for themselves hence they buy from local shops. The table below shows source of chicken feed for poultry cooperative.

**Table 4.16. Source of chicken feeding in poultry cooperative, May 2022**

Chicken feeding	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Grow chicken feed	0	0	0	0	0	0
Buy Chicken feed	23	100	21	100	44	100
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

Source: Field Data

The results from table 4.16 show that 100% of cooperatives in the study area buy from local shops. These results support evidence from (Sam,2012) that poultry farmers buy from local shops. In this regard, vast majority in the study area suggest that farmers buy from local shops. This is because these cooperatives are still small and do not have the means to grow chicken feed. Also, 10% of farmers do not have formal educational background on farming meaning they do not know how to grow chicken feed. Furthermore, growing chicken feed is a bit more complex as it requires individuals who know intensively about growing feeds. Farmers also complain about not having land to grow chicken feed.

#### 4.2.17. Availability of water

Water is a source of life. Availability of it is very important in our daily life, equally so, water is extremely important in Poultry Cooperatives. Water in cooperatives is used to feed chickens and

clean of the farm and disinfecting poultry equipment. According to Tadd (2009) water in the sub-Saharan African is inadequate in volumes and unfairly distributed. For this, water becomes scares in some parts of Lesotho, and watering points are often poorly managed. Table 4.18 shows availability of water sources for poultry farmers in Lesotho, 2022.

**Table 4.17 Availability of water source in Mohale’s Hoek district, May 2022**

Water source	Broilers		Layers		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Well	0	0	0	0	0	0
Tap	16	70	8	38	24	55
Tank	7	30	13	62	20	45
River	0	0	0	0	0	0
Dam	0	0	0	0	0	0
<b>Total</b>	<b>23</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>44</b>	<b>100</b>

**Source:** Field Data

Cooperatives in the study area show that about 55% of farmers in poultry farming use tap water from table 4.17 to feed their chickens, and clean their equipment. The farmers who use tap water are those who keep their chickens at home to be next to taps. Farmers in this study area gravitate more towards tap water because it is reliable, it is clean and easily accessible. Poultry farmers did state however, that they prefer tank water as it is cheaper to use, the only problem is that installation of a tank is on the expensive side.

About 45% of farmers use tank water. It is noted that poultry farmers do not commonly use natural sources of water because of severe drought that dries up dams and rivers. Also, a smaller percentage uses tank water (which is the most expensive out of the five mentioned sources of water supply) because they can afford to have a tank build unlike other cooperatives that do not have that kind of money. Tank water after installation is cheap and water is always available.

### **4.3. Modernisation Theory**

Modernisation theory explains that farmers are still employing traditional methods and their outputs are still in small quantities, subsistence activity still dominates the economy. Due to a lack of financial support from the government and its inhabitants, production is labour-intensive and uses relatively small amounts of capital. In developing nations, technology is scarce, and traditional manufacturing techniques heavily influence resource allocation (Harrisson, 1988). This theory is in line with the findings of this research, because lack of financial power from members seems to be a barrier of improvement. Also, cooperatives are still using traditional methods of producing hence still produce in small quantities and are unable to compete with international markets

#### **4.4. Conclusion**

It has been concluded that for cooperative to improve their socio economic growth of its members, there needs to be an injection of capital. Poultry cooperatives in both Broilers and Layers have the potential to succeed and that can be done through funds. It is also concluded that cooperatives in Mohale's Hoek are still using traditional ways of production; this is due to insufficient funds. It can also concluded that most members in both cooperatives are individuals with no educational background on poultry farming which hinders progressive production. One cooperative, Thusanang ka Lerato Poultry Farm has limited space due to lack of financial power, this is one of many circumstances that hinder large returns.



## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. Introduction**

Cooperatives are recognized as a way to enhance people's quality of life through revenue generation, as well as the economic and social ideals of African nations. In Lesotho, cooperatives are regarded as a major advancement for their members. As a result, cooperative members are able to create and sell goods to the local community and markets, making a profit in the process. The report also includes suggestions that may help advance cooperatives and poultry farming in Lesotho. This chapter summarizes the contribution of cooperatives to development.

#### **5.2. Summary**

The study's main goals were to look into the marketing techniques employed by chicken farmers, strategies employed for long term production, and innovative ways to improve production. In Molepolole district, information was gathered primarily about cooperatives that raise chickens and sell their broilers and layers. It was determined that because cooperatives are collective enterprises and members can acquire farming, management, and financial skills, they can create jobs for a wide spectrum of people. The research's findings also demonstrate that farming is poultry farmers' primary source of income and that the majority of them work in other informal rather than formal industries.

This study's goal was to evaluate cooperatives' cutting-edge production-improvement strategies. The study's findings suggest that chicken producers are aware of creative ways to boost productivity; their only challenge is finding the money to implement those methods. The strong demand from customers and street vendors in the village and town of the study region is driving chicken producers to enhance production through the use of technology methods of production. In order to raise the number of hens and thus the number of profits, cooperatives must invest in a larger space.

The study looked on the marketing strategies employed by local poultry breeders. It is concluded that cooperatives only sell their goods to the local market and villagers. Word-of-mouth advertising, social media (WhatsApp), and a sign along the road are some of their marketing strategies. Additionally, it was found that cooperatives don't spend money on marketing strategies like radio and television in order to reach a wider audience. This is due to the fact that members claim that before investing in marketing, they must first invest in the cooperatives' inputs, enabling them to generate more outputs that will satisfy the needs of both the local community and those from outside it. So for now they are still producing in small quantities because they do not have the means to invest in inputs. This situation hinders cooperatives from growing and making a lot of profit. However, the low produce of eggs and meat by cooperatives means members make minimal mistakes and also this prevents cooperatives from making costly errors that will force the cooperative to fail.

### **5.3. Challenges**

Cooperatives encounter the same difficulties as other businesses do. The largest obstacle for cooperative poultry farming members is access to cash. Due to a lack of funding, cooperative members have been obliged to produce in small numbers, which prevents the cooperatives from competing in global marketplaces. Additionally, with limited resources, members are unable to create high-quality goods that would enable them to compete in global marketplaces. Other nations receive financial assistance from their government, which has heavily invested in their goods as a result of knowing the potential output of cooperatives. Due to a lack of resources, members are also unable to purchase current equipment like a sorter or appropriate advertising channels. International producers produce in enormous quantities and take up the best spaces in stores, investing considerably in product marketing and promotion. To compete in the global market, cooperative members must enhance their production processes by utilizing cutting-edge technology, such as robots, to assist with tasks like feeding the birds, handling and packing eggs, managing shed ventilation, and automatic transfer of carcasses and defective carcass detection in the production of chicken meat. In Mohale's Hoek, there are no poultry cooperatives using these tactics.

Investment opportunities are another major issue cooperatives must contend with. Lesotho offers several investment options, but cooperatives don't seem to benefit from any of them. Because of the way they function, cooperatives are thought of as informal sectors.

The majority of them are not registered, they shut down before they have been in business for five years, and no Lesotho cooperative has ever faced up against a worldwide cooperative. The study also reaches the conclusion that cooperatives produce in small amounts as a result of the lack of investment opportunities from members, the private sector, and the government. As a result, they are unable to upgrade to modern resources for maximum production and high-quality products. Cooperatives in Lesotho confront a hurdle because they do not receive any sort of funding, in contrast to other nations where the government invests in their cooperatives.

Unskilled labor suffocates cooperatives in Lesotho. These are folks who attend workshops to learn about what they are making rather than having any formal education in what they are producing. This investigation came to the conclusion that cooperative poultry producers lack any formal training in the industry. They frequently make costly mistakes for the company as a result. In a cooperative, where the majority of the individuals are elderly and uneducated, it is uncommon to locate skilled members. Additionally, the chances and information given on social media sites blind these inexperienced workers, leaving them open to failure.

## **5.5. Concluding remarks**

Cooperatives can be a way out for Lesotho; it is capable of bringing development in Lesotho through creation of employment especially for people with no educational background. For cooperatives to be a success, there should be developmental policies put in place to protect cooperatives including its members.

## **5.6. Recommendations**

The study makes recommendations in relation to the challenges that are cooperatives have.

The poultry sector is always changing, just like any other. Members must be assisted by the government in promoting their products all over the country, they must invest some of their money to marketing strategies that will help them reach a wider range of customers. Naturally, this will be accompanied by changes in management of cooperative funds. Cooperatives need to

put money aside that will help them promote their products on Television, Radio and Newspaper, this news outlets are used in Lesotho and they reach a wide range. In other to achieve this objective, cooperatives need to cut some unnecessary costs or cut salaries for a while until their cooperative is well known.

Cooperatives need to invest in innovative technologies in order to maximize production. It makes sense to seek for ways to increase the automation level in a chicken processing facility given the lack of qualified labour in the industry. Cooperatives must write proposals to Non- Government Organisations seeking assistance with innovative technologies that will help them increase production. Q-Wing is a remarkable illustration of an automated procedure. In response to market demands for increased wing yields and less manual labour, Marel Poultry created this chicken wing part grading and distribution solution. Chinese poultry cooperatives currently use this plant, which allows them to manufacture in huge quantities and sell to markets abroad.

Cooperatives must investigate strategies producers employ that lead to long term production. There should be policies put in place to facilitate movement control of poultry goods. For example, there should be a policy that does not allow foreigners to import poultry products, this will lead to long term production of goods all over, and also this naturally increases the demand supply of poultry products which automatically allows. Equally important, cooperatives must be allowed to trade freely, this will enable them to establish connections with other foreign marketplaces that are compatible with their goods. They will get the chance to learn more about other cooperatives' operations as a result. It should be emphasized that free trade increases economic efficiency; hence, Lesotho's economic efficiency will increase when cooperatives are allowed to trade freely. Lesotho's Gross Domestic Product (GDP) will increase thanks to free trade as it will expand its market and attract new investors.

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**PERSONAL INFORMATION OF POULTRY FARMERS COOPERARIVES  
(DEMOGRAPH DATA) A case ofMaphohloane and Thusanang ka Lerato Poultry  
Cooperatives in theMohale’s Hoek district.**

1. Name of the respondent (Optional).....

2. Gender: Male { }

Female{ }

3. Marital status:

Single{ }

Married{ }

Divorce{ }

Separated{ }

Widow/(er){ }

4. Age group:

18-25 { }

26-35 { }

36-45 { }

46-55 { }

56-65 { }

66-75 { }

5. Educational level:

No Education {}

Primary {}

Secondary {}

High School {}

Tertiary {}

6. Number of household members:

1-3 {}

4-7 {}

8-11 {}

12-15 {}

16 and above.....

***Profile of the cooperative***

7. When was the cooperative established?

.....  
.....

8. What was the mandate/purpose of establishing the cooperative?

.....  
.....

9. How many members does the cooperative have?

.....  
.....

10. When did you join the cooperative?

.....

11. Why did you join the cooperative?

.....

12. How much did you pay to join the cooperative?

.....

13. Where did you get the joining fee?

.....

14. How much is the monthly contribution fee?

.....  
15. How does the cooperative spend/use the contribution for?  
.....

16. Is the monthly contribution enough to cater for the cooperatives needs?

Yes { }

No { }

17. If it is not enough, how do you supplement it?  
.....

**Inventory cooperatives**

18. How many chickens does the cooperative have?  
.....

19. How many chickens are for?

Eggs.....

Meat .....

20. Where do you keep the chickens?

Home { }

Farm { }

21. If chickens are kept at home, what challenges do you have for keeping them there?  
.....  
.....

**Management and extension of poultry cooperatives**

22. Are you planning to expand the number of poultry?

Yes{ }

No{ }

23. If the answer is yes above, what is the optimal size of chickens are you planning to have?

200-400

401-800

801- 1000

1001-1500

1501+

24. How do you plan to obtain the additional chickens?

.....  
.....  
.....

**Training and skill acquisition**

25. Do you have education background in poultry farming

Yes { }

No { }

26. If no to the question above, where did you get the skills of managing poultry farming?

.....  
.....

a. Were you provided with workshops to manage poultry?

Yes { }

No { }

b. If yes, to the question above, how often are you provided with workshops?

.....  
.....  
.....

c. If you were not provided with workshops, how do you manage the poultry?

.....  
.....  
.....

27. Do you need any assistance from the government or other stakeholders for:

Managing poultry { }

Market access { }

Capital for purchasing of new breeds { }

Bookkeeping { }

**Economic benefits of poultry cooperative**

28. Do you have employees outside cooperatives members who take care of the chickens?



Yes{ }

No { }

29. If yes to the question above, how many are:

Men.....

Women .....

30. How much do you spend on employees per month?

.....  
.....

31. Are you employed in the formal sector?

Yes { }

No { }

32. If no, to the question above, what are your alternative ways of making a living?

.....  
.....

33. What are other alternative sources of income?

.....  
.....

34. Are the incomes derived from poultry cooperative enough to sustain your household?

Yes{ }

No { }

35. If yes, to the question above, how much profit does poultry farming generates per month?

M2000-M3000
M4000-M5000
M6000+

36. If no to question 34, what is the problem?

.....  
.....

37. How do farmers spend money accrued from poultry farming?

Invest in more poultry products {}

For advertising {}

Pay salaries {}

House hold needs {}

Other {}

**Marketing and market access**

38. How many eggs does your chickens lay per day

30-40 {}

41-45 {}

46-50 {}

51 and above {}

39. Do you produce enough eggs for the market?

Yes {}

No {}

40. If enough eggs are produced, how many trays are old per day?

15-30 trays

31-40 trays

40+ trays

41. How much does a tray cost?

.....  
.....

42. If not to question 38, which innovative ways Poultry Cooperatives Farm use to improve production?

.....  
.....

43. How do you increase production of eggs?

.....  
.....

44. Who sets/determines the egg prices

Myself {}

- Cooperatives members { }
- Selected board of directors { }
- Other.....

45. Where do you market the eggs?

- Villages { }
- Local shops { }
- Among other members { }
- Board
- Other.....

46. Is the market reliable

- Yes { }
- No { }

47. If no to the question above, what is your alternative market?

.....  
 .....

48. What marketing techniques are used by Poultry farmers?

- Social media (Facebook, Whatsapp, Twitter) Tick the appropriate
- Newspapers
- Radio
- Television

49. Do other members equally participate in marketing of products?

- Yes { }
- No { }

a. If yes does the cooperative provide resources to its members for marketing of the products?

- Yes { }
- No { }

b. If no to the question above, how does the cooperative assist farmers to find reliable markets?

.....

50. What challenges do you face when marketing?

.....  
.....  
**Transport and ferrying goods**

51. How do you transport eggs from the farm/home to the market?

My own transport { }

Public transport{ }

Hired transport{ }

52. If you use your own vehicle to deliver eggs, do you also deliver for other members?

Yes { }

No { }

53. If yes, how much do you charge for delivering (if there are some charges)?

.....  
.....

54. What challenges do you come across when using your own transport to deliver?

.....  
.....

**Chicken feeding**

55. Do you produce chicken feed?

Yes { }

No { }

56. If yes to question 55 above, what type of chicken feeding do you produce?

Corn{ }

Grains{ }

Starter grower/ Finisher { }

57. If no to the above question, where do you get food for chickens?

Grazing land { }

Purchase from local shops { }

From town { }

South Africa { }

58. If you purchase food from town, what kind of expenses do you incur?

.....  
.....  
59. What are challenges you meet when buying from the suppliers?

.....  
.....

60. How much do you spend for purchasing food?

M750.00-M900.00

M950 –M2000

M2000+

61. What is the source of water for chickens?

Well{ }

River { }

Tap{ }

Tank { }

Dam { }

Other .....

62. Is water available all the time even during the drought season?

Yes { }

No { }

63. If no where do you get water for the chickens?

.....  
.....

## APPENDIX

