



COOPERATING FOR TRANSFORMATION:

Cooperative Case Studies
from Amathole District, Eastern Cape

2010



COOPERATING FOR TRANSFORMATION:

**Cooperative Case Studies
from Amathole District, Eastern Cape**

2010



ACKNOWLEDGEMENTS

The Amathole District Municipality would like to thank all the cooperatives in this study for making the time to provide information to this research project. The focus groups, face-to-face interviews and sharing of primary information by cooperators enabled the development of this learning resource for cooperatives in the municipality.

We also want to thank the Cooperative and Policy Alternative Centre (COPAC) research team for the research design, management of the research strategy and for the production of this research report. In particular we acknowledge the roles of:

Dr. Vishwas Satgar - COPAC Executive Director

Mazibuko K. Jara - COPAC Research Associate

Mphuthumi Mayekiso - field worker

Nolitha Nkomana - field worker

Mthetheleli Poti - field worker

COPAC can be contacted on:

Tel: (011) 447-1013 • E-mail: copac@icon.co.za • Website: www.copac.org.za

TABLE OF CONTENTS

<i>Acronyms</i>	4
I. INTRODUCTION AND METHODOLOGY	5
II. COOPERATIVES IN AMAHLATHI MUNICIPALITY	10
1. Injinga Timber Cooperative	10
2. Seven Stars Dairy Cooperative	14
3. Sisonke Bakery Cooperative	24
III. COOPERATIVES IN BUFFALO CITY MUNICIPALITY	27
4. Izandla Zethu Farming Cooperative	27
5. Khazimla Farmers' Cooperative	33
6. Mamande Chemical Cooperative	37
7. Ncera Women's Cooperative	39
8. Rising Sun Paper Cooperative	42
9. Sikhangelene Cooperative	45
10. Sparrow Mkhonto Farming Cooperative	47
IV. COOPERATIVES IN GREAT KEI MUNICIPALITY	52
11. Gwaba Women's Cooperative	52
12. Ngxingxolo Women Crafters Cooperative	56
V. COOPERATIVES IN MNQUMA MUNICIPALITY	58
13. Bee Dew Cooperative	58
14. Green Harvest Agricultural Cooperative	62
VI. COOPERATIVES IN MBHASHE MUNICIPALITY	66
15. Khanyisa Ntsimbi Cooperative	66
16. Thwalisanani Cooperative	70
VII. COOPERATIVES IN NGQUSHWA MUNICIPALITY	74
17. Jongumsobomvu Cooperative	74
VIII. COOPERATIVES IN NKONKOBÉ MUNICIPALITY	76
18. Nomzamo Cleaning Services Worker Cooperative	76
19. Nomzamo Gardening and Grounds Cooperative	87
20. Siyagaya Makhosikazi Sewing Cooperative	93
VIII. CONCLUSION	95
ANNEXURE 1 - Marginal Cooperatives Table	102
ANNEXURE 2 - Self-developing Cooperatives Table	103
ANNEXURE 3 - Commercially Viable Cooperatives Table	103
ANNEXURE 4 - Cooperatives Contact List	104

ACRONYMS

ADM	Amathole District Municipality
BRC	Border Rural Committee
CBD	Central Business District
CBDC	Community Business Development Support Centre
COPAC	Cooperative and Policy Alternative Centre
DLA	Department of Land Affairs
ECDC	Eastern Cape Development Corporation
ECSECC	Eastern Cape Social and Economic Council
FET	Further Education and Training College
GDP	Gross Domestic Product
IDT	Independent Development Trust
LRAD	Land Redistribution and Agricultural Development Program
NASODA	North American School of Decorative Art
NEHAWU	National Education Health and Allied Workers Union
NGO	Non-governmental Organisation
NTC	Natal Timber Cooperative
SEDA	Small Enterprise Development Agency
UVIMBA	Eastern Cape Rural Finance Corporation

I. INTRODUCTION AND METHODOLOGY

Introduction

South Africa is experiencing a rapid growth in cooperative development. In 1994 South Africa had about 1400 cooperatives. The majority of these cooperatives were mainly white agricultural cooperatives. These agricultural cooperatives produced a turnover in excess of R20 billion rands per annum and made a major contribution to national Gross Domestic Product (GDP). In fact these agricultural cooperatives played a crucial role in modernizing South African agriculture. Today South Africa boasts over 19000 formally registered cooperatives. The statistics available from the national Registrar of Cooperatives points to a rapid increase in the number of formally registered cooperatives between 2005-2006 immediately after the new Cooperatives Act came into being. The major growth of cooperatives has taken place in the rural parts of South Africa. The highest density of rural cooperatives is concentrated in the province of Kwazulu-Natal.

The Amathole District Municipality is in the Eastern Cape province and is home to about 1.7 million people. This district has 8 municipalities and has a vibrant and thriving urban economy mainly concentrated in Buffalo City municipality (East London, King William's Town, Mdantsane and Bhisho). A core economic sector of the Amathole District economy includes manufacturing which is made up of automotive, textile, pharmaceutical, electronics and food-processing industries. The automotive industry has strong linkages into activities such as component parts, industrial textiles and leather tanning. Employment in Amathole is concentrated in Buffalo City which accounts for 72% of the districts formal employment and about 42% of the districts population. Outside of this urban based economy are many small towns and villages managed through the other 7 municipalities: Amahlathi Municipality (Cathcart, Stutterheim and Kei Road), Great Kei (Komga, Kei Mouth, Hagga-Hagga, Morgan's Bay and Chintsa), Mbhashe (Dutywa, Willowvale, Elliotdale), Mquma (Butterworth, Nqamakwe, Centane), Ngqushwa (Peddie, Hamburg), Nkonkobe (Seymour, Fort Beaufort, Alice, Middledrift) and Nxuba (Bedford, Adelaide).

To understand the state of development, role and contribution of cooperatives in this municipal district this research report was commissioned by the Amathole District Municipality (ADM). It is a booklet that presents case studies of 20 cooperatives in the district. These case studies are meant to provide a basis for learning, dialogue and transformation of cooperatives. In short, this research report is a development resource and tool.

Cooperative Development in Amathole District

Guided by national and provincial policy commitments to cooperative development, the ADM is committed to the growth and development of a powerful, vibrant and autonomous movement of cooperatives in the district. It is envisaged that such a movement can play a meaningful role in social, economic and cultural development given the widespread structural poverty, inequality, unemployment and under-development in the district. In this regard, the municipality actively works to facilitate support, access to finance, access to markets and economic opportunities for hundreds of cooperatives that have knocked on its doors. Since the 2005/6 financial year, the municipality has spent more than R1.5 million on 50 cooperatives, providing direct and indirect support for financial, organizational and technical needs. The municipality has also worked closely with district based cooperatives to host an annual Cooperatives Indaba with the first one held in 2008. As a direct result of the 2008 Indaba, the municipality supported the initiation of the Amathole Cooperatives Forum. This Forum is a space that cooperatives have used for networking, bringing cooperatives together, surfacing of challenges facing cooperatives, laying the ground for deeper cooperation amongst the cooperatives, and providing a regular platform for interaction between the municipality and cooperatives.

Despite positive state-cooperative relations the social and economic contribution of cooperatives in the district is not known. There is also little information about the experiences, successes and challenges facing cooperatives. There are very few publications that tell the stories of cooperatives in this district. This report is exactly about these stories: what are the experiences of cooperatives in Amathole? What makes cooperatives work and succeed in Amathole? What failures and challenges face cooperatives? What do these experiences mean for cooperatives themselves? What implications do they hold for the municipality and broader government policy? What role for trade unions, universities, churches and other social institutions? Is there potential to build a cooperative economy in Amathole? What is its social and economic impact? These are some of the questions the various case studies in this report speak to.

The 20 cooperatives selected for this report are only a small sample of the actual cooperatives that exist. The 2008/9 the Eastern Cape Social and Economic Council (ECSECC) baseline study of cooperatives in the Eastern Cape province showed that there were at least 1100 registered cooperatives dispersed across the province. In the Amathole district Cooperatives Forum about 200 cooperatives have been participating since its inception in 2008. Whilst the stories of these 20 cooperatives do not represent a detailed and comprehensive baseline study on the full situation facing cooperatives in Amathole, they present compelling narratives that starkly surface the experiences of cooperatives. This is not just for story-telling sake but for action by cooperatives, the municipality, other spheres and arms of government, trade unions, universities, churches and other social institutions. The stories provide extensive lessons that must be looked at very closely by all cooperatives: this booklet is about sharing experiences in order to build a cooperative movement that can lead structural change. It is about **cooperating for transformation**. In giving the reader detailed information about how these 20 cooperatives formed, the stages each cooperative went through, what each cooperative does, how it does it, its successes and challenges, the booklet is painting a picture of the organic development of cooperative cultures and practices in many communities across the district. The stories narrated here give a sense of the emerging cooperative economy in the district.

Methodology

Between August and December 2009, COPAC field workers visited and interviewed all 20 cooperatives, critically read and analysed background documents and synthesised the stories of the cooperatives into this research report.

COPAC held focus group discussions with each of the cooperatives, read and analysed their constitutions, business plans, funding proposals and contracts, available financial statements, available media reports, and other relevant documents where they were found. In some cases, individual interviews were also held in order to dig deeper into specific focus areas particularly in cases where a cooperative has employed a general or financial manager. The overall approach to the research was based on qualitative methods. The field and desktop work also yielded quantitative data of the cooperatives. Indeed, the field work gathered some important quantitative empirical data about the membership, key dates, assets and finances of the cooperatives. But this was not aimed at gathering raw, unprocessed empirical data anew, verifying such data for a complete quantitative picture as would be the case in a baseline study for example. The use of qualitative methods was a deliberate choice in order to allow for an exploratory approach that is effective at uncovering insights, understanding experiences, perceptions and attitudes.

The focus group discussions were an effective means of generating detailed and nuanced information. They allowed for a rich and textured understanding of the circumstances and conditions of each cooperative. The diverse voices, experiences and perceptions in each cooperative were heard. The focus groups were stimulated with a few guiding questions. Participants were able to talk freely in a relaxed and informal manner. The researchers explored in greater depth all the key issues that emerged in the open-ended focus group discussion.

All participants in the research were fully informed of the research process, its objectives, what was expected of them and the final outcome of the project. There was no case of withdrawal or withholding of any information by any respondent. This report respects and protects the confidentiality of all respondents. Where names are mentioned, it is in a positive light and to contextualise the roles played by the mentioned individuals.

A selective draft report was presented as a seminar discussion at the December 2009 Amathole Cooperatives Indaba. This provided moment for the municipality and the cooperatives active in the Amathole Cooperatives Forum to critically review the draft findings, analysis and recommendations that COPAC had developed. This discussion helped to shape this final report.

The sample of 20 cooperatives was not randomly chosen. COPAC used a list provided by the municipality which was informed by the following criteria: (i) identified cooperatives had the potential to grow and be self-sustainable; (ii) there are high levels of commitment displayed amongst cooperative members in these cooperatives and (iii) the municipality has assisted some of these cooperatives directly or indirectly. Hence the municipality needed to appreciate to what extent cooperative development paths were proving to be successful or not. This narrowed the pool of researched cooperatives. An alternative approach could have developed a random sample based on the list of registered cooperatives prepared by the Registrar of Cooperatives. Moreover this could have been augmented with cooperatives identified in the extensive 2008/9 ECSECC baseline study of cooperatives in the Eastern Cape province.

The pre-selected sampling limits the scope of systematically identifying those cooperatives that are more successful in order to focus the analysis on their success factors. The pre-selected sampling also has the danger of leaving out other critical and important cooperatives such as the Koi fish, the Ostrich farming and other fairly successful cooperatives that were present at the December 2009 Cooperatives Indaba. This may mean that cooperatives active in diverse economic sectors may not be fairly represented here and such diversity may have helped enrich the quality of information. Nonetheless, the current sample still provides a comprehensive set of cooperatives that are drawn from 7 local municipalities that fall under the ADM (these local municipalities being the Amahlathi, Buffalo City, Great Kei, Mquma, Ngqushwa, Mbhashe and Nkonkobe municipalities). In the given sample, there are cooperatives that fall under different economic sectors (ranging from baking, beef production, crop production, dairy, honey production, landscaping, manufacturing of household toilet rolls and cleaning chemicals, poultry production, sewing and services)

As in any research process, the implementation of this project came across several unforeseen challenges. There was a tight deadline that did not take into account the delays that were experienced in the administrative process and transfer of funds. As a result of these administrative delays, project commencement was delayed leading to contracted field workers having to drop out in order to meet their other commitments and they had to be substituted. This delayed project work. In addition the December-January 2009 holiday period added a further delay to the process. Other problems experienced during fieldwork relate to sourcing primary information. Some of the cooperatives did not have written information about their objectives, financial operations and policies. This placed a greater reliance on information gathered through focus group discussions and face-to-face interviews. The scope of the project did not allow for additional interviews with respondents external to the cooperatives from which additional information could have been obtained. With all these problems taken into account and understanding that the challenge of building a cooperative movement is a long-term challenge, this report remains a valid and useful narrative on the challenges facing cooperatives in the Amathole district.

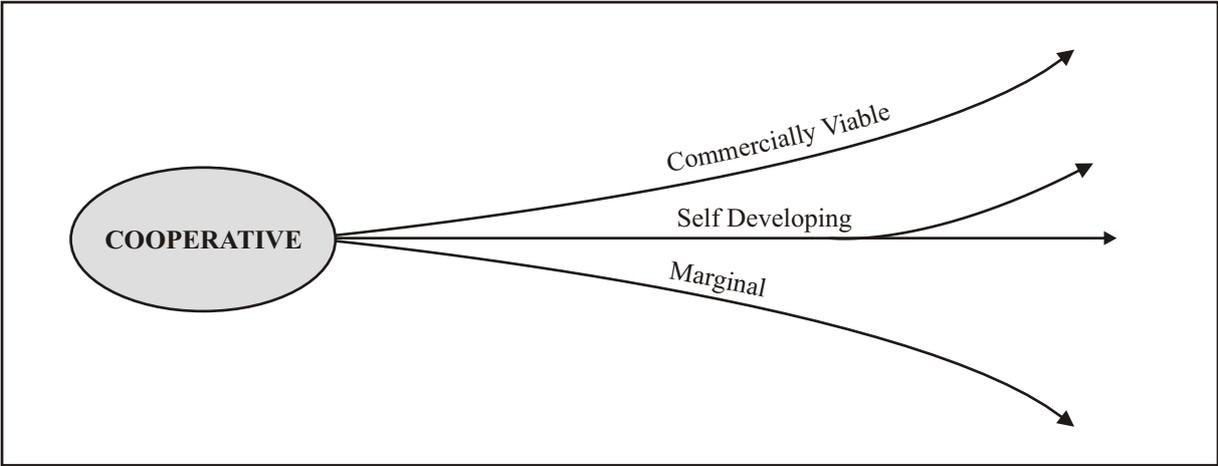
Analytical Approach

(1) Interpreting the Experience of Cooperation in Practice

The research methods used in this study lend themselves to observing how cooperation works in practice. To present this in an understandable way COPAC has written up the case studies to highlight the following aspects of the cooperatives researched: i) how the cooperative started, the origins; ii) the core economic or social activities of each cooperative and how the cooperative takes into account the broader market and economic context; iii) the extent to which the life of the cooperative is informed by, and takes forward the universal principles and values of cooperatives; iv) how each cooperative manages its finances and assets; v) how each cooperative has sought to access webs of support; vi) the wider social and economic impact of each cooperative and vii) the extent to which each cooperative has the capacity to meet its objectives (an assessment of lessons and challenges). In order to give as full a picture as possible on the extent to which each cooperative is succeeding in meeting its social and economic objectives, COPAC also considered the period of existence of each cooperative (in a previous study, COPAC had used a minimum of 5 years as a benchmark), and whether the cooperative's business and other daily activities directly relate to its stated objectives. Given the unevenness between the selected cooperatives, it has not been possible for all these crucial aspects to emerge and be captured in all the written case studies. From the specifics of each cooperative, the narrative also synthesises the common issues and draws out implications for action by cooperatives and the District Municipality.

(2) Typology of Cooperatives

Diagram: Cooperative Development Paths



Most cooperatives in post-apartheid South Africa have not been able to realize their full potential. Moreover, high cooperative registration numbers can be misleading about the actual and context specific dynamics impacting on cooperatives. Hence, to provide a clear analytical picture of the 20 cooperatives in this study, particularly their development pathways, the following conceptual classification is utilized as part of interpreting the practices of the cooperatives:

Marginal - refers to cooperatives that do not have capacity to meet their objectives and generally do not have a major impact on the local community. Most marginal cooperatives are mainly constrained by low levels of capital investment, have not internalized cooperative values and principles at an institutional level, lack a strategic plan and have skills constraints. Such cooperatives have low member commitment because needs are not met and self-exploitation is the main driver. Eventually such cooperatives degenerate and collapse. However, it is not impossible for a marginal cooperative to transform its development pathway and become more sustainable.

Self-developing - or 'survivalist' cooperatives are just able to meet member needs. Some amounts of capital have been secured but this is not sufficient. In other words most of these cooperatives are capital poor and need further capital injections (either from internal or external sources). Limited capacities exist to realize the objectives of the cooperative and generally such a cooperative has a small but visible impact on the local community. Such a cooperative has the potential to overcome its constraints and could enter a more sustainable path of development.

Commercially viable - cooperatives are able to meet member needs. Such a cooperative has developed effective capacities to realize its objectives, has innovated on cooperative values and principles to secure an advantage, has built up financial resources and is constantly planning its development. Such cooperatives are dynamic and alive to their context. Moreover they have a major impact on the local community.

Each of these cooperative development pathways requires specific responses from cooperators but at the same time also assists government to think more strategically about support interventions.

II. COOPERATIVES IN AMAHLATHI MUNICIPALITY

INJINGA TIMBER COOPERATIVE

Introduction

Located in the mountainous Keiskammahoek area which has both indigenous forests and plantations, the Injinga Timber Cooperative started working and registered as a cooperative in 2005. Through the cultivation practices on the plantations the area has been invaded by the alien wattle tree that is extremely water-thirsty and destructive against other plants. The area is reported to have wattle worth at least R45 million in commercial value.

The wattle trees have grown within the commonage areas and privately owned land in the Keiskammahoek villages. On this basis, the founders of Injinga sought to claim what they saw as communal property. The Amathole District Municipality (ADM) assisted with the formation of the cooperative. It facilitated further research on the prospects of community control of wattle harvesting and processing.

Origins and Development of the Cooperative

The history of the cooperative goes back to the late 1990s when many of the current members worked in different community-based groups and others were casual workers all involved in harvesting wattle for a private timber company based in Stutterheim. Before 2005 the company would randomly meet and persuade different groups of residents to mobilise labour in the different villages for wattle harvesting. Some individuals within the villages invaded by wattle decided to research the value chain of the wattle in relation to the pittance they received from the casual labour they provided the Stutterheim-based private company. From their study, they realised that they were getting exploited and in their words 'robbed in broad daylight'. They discovered that value-adding makes the removal and processing of wattle a worthwhile developmental opportunity. This motivated them to push for the community to take control and ownership of wattle harvesting and processing.

In this process the ADM was approached for assistance. The ADM facilitated a process to ensure the community groups were organized into a cooperative. Moreover, technical work was done through a consultant and various partners were engaged to support the cooperative. These relationships have not yielded results for the cooperative. The cooperative remains marginal in terms of the realization of its objectives and its role in the local economy. It has not become a serious economic actor in the wattle value chain and it has not been able to harness its full cooperative advantage.

Core Activities

The cooperative has a seven-member committee elected at the AGM. Two AGMs have been held to date - one in 2006 and another in 2008. However the AGMs are just for elections and no reports have been tabled either financial or organisational .

The cooperative currently has no office from which it operates. Its harvesting activities have not cohered as they take place in different villages (which are far apart) and without central premises for collection and processing of the wattle.

Key objectives of the cooperative are to:

- Establish as a timber enterprise in Keiskammahoek in order to harvest and process wattle into finished timber products;
- Mobilise communities whose land has wattle and other timber trees into the timber cooperative; and
- Create jobs for members and community members through creating a timber industry and contribute to the development of the local economy.

Wattle is cut on commonage land based on an agreement between the cooperative and community. Private land owners are also benefitting when they allow harvesting on their land. They receive a percentage of the selling price. Each village has a group of twenty people with a team-leader and her/his assistant who keeps records of the tons harvested and a tools inventory list. The cooperative coordinates the sales of the harvest and manages the payment of stipends to workers. This is not an optimal operation as there are no working systems, procedures and central office of the cooperative to coordinate and manage work, production and contracts. Production is still haphazard. The board itself is not skilled or focused on managing the affairs of a timber cooperative.

Despite these problems, the cooperative has made relevant contacts in the market for timber. Despite the haphazard nature of the production process, the cooperative has succeeded to mobilise members and to have a business plan in place. The cooperative has used this business plan to knock on many doors looking for support and contracts. This has not yielded much success thus far. This is due to the absence of a central office and the pressure on leaders to continue with their other livelihood activities whilst also setting up a cooperative on the side.

Due to the haphazard nature of the cooperative's affairs, there are no systems and procedures for managing sales or further processing of the harvested wattle. The cooperative has received very little assistance from government departments. The Department of Water Affairs and Forestry's Working for Water programme has not integrated the cooperative. Instead, there is a strong perception that what the cooperative seeks to do is at variance with this programme. The cooperative believes that the Amahlathi Municipality could have played a far more strategic role than it has played to date. The cooperative also perceives the relevant ward councilors as not enthused about its goals and activities.

Initially the pricing of the product depended on the buyer. But the cooperative has been able to gather market information on standard prices for tons of harvested timber.

The cooperative lacks appropriate timber processing skills and capital equipment required for this. The cooperative also lacks skills for effective financial, business and administrative management of the cooperative even though a few individuals in the cooperative have received some of this training. The failure to apply the received training means that the skills acquired get lost. Members have basic skills in so far as converting wattle into timber. The Border Rural Committee (BRC) trained members on basic organisational skills and conflict management but not on what cooperatives are, how they work, and what their cultures and practices are. The cooperative has an instinctive understanding of cooperative principles insofar as members understand the need to work together democratically. But because the cooperative has not cohered as an economic entity it is difficult to get a sense of how it has developed its own approach to cooperative values, principles and practices.

Building Webs of Support

The ADM contracted a consultant to assist the cooperative with the research and development of a business plan. From this process, the cooperative received a detailed business plan that was mainly drawn up by the consultants. After this the cooperative was also able to quickly register with the Registrar of Cooperatives and the tax authorities. After the production of a business plan there was no subsequent support on wattle harvesting and processing, and other critical business aspects.

The consulting company facilitated a visit by the Richard's Bay based Natal Timber Cooperative (NTC) to meet Injinga. The NTC proposed a deal for Injinga to mass harvest timber and supply it to the NTC without any value added. This deal did not take off as it was seen to be in conflict with the community based Working for Water program of removing invader plants which did not necessarily have commercial goals.

Parallel to the consulting company, the East-London based Border Rural Committee (BRC), a progressive NGO working on rural development projects with Keiskammahoek village communities, and which had been doing some training with the cooperative, developed a proposal for a Wattle Pilot Project. Given the BRC's profile in the area, the different communities received further encouragement to collaborate and work together on the BRC proposal.

Membership

The cooperative is composed of people from Chatha, Gxulu and Rabula. Membership of the cooperative is open to village wattle associations that are made up of families who own private plots of land with wattle trees and individual residents in the communal parts which also have wattle in the commonage areas. The village wattle associations that are part of Injinga are the Injoli Timber Group from Rabula, the Iyisile from Chatha, the Sibambene Lower Ggxulu and the Silinga group at Upper Gxulu.

The total membership of the cooperative comes to 250 individuals drawn from the three villages.

Financial and Asset Management

The only assets the cooperative owns are chain saws, wood clearing equipment, worksuits and boots. These were bought for the cooperative by the BRC under the pilot project it had proposed. Assets are kept under the supervision of the team-leader in each village. Member participation in financial control is not yet an issue because there is not yet significant cash flowing through the cooperative. There is no cash flow projections, break-even analysis and profit estimation from the business plan. The cooperative does not yet have a bank account as financial operations are mainly done through the BRC.

Impact on the Local Community

By removing alien plants, the cooperative's work has the potential to improve the environment and increase underground water supplies. In some of the villages, the clearing of the wattle has opened up and restored grazing fields that were lost to the wattle invader. The potential of the cooperative has awakened community interest in further business opportunities in the wattle value chain. However, the lack of capital has not realised the latent potential that exists.

The cooperative has no relations with other cooperatives in Keiskammahoek as there are no relevant forums to bring cooperatives together in the area. The nature of the business of the cooperative also means that it will have limited business contacts with the large farming cooperatives that exist in the area. However, the clearing of grazing land and environmental issues could be the basis for future cooperation.

Lessons and Challenges facing a Marginal Cooperative

This is an important cooperative given the potential of the envisaged timber enterprise. But without significant capital, the cooperative will remain marginal. It could even fail to ensure serious and sustained core activity and could eventually unravel. The main challenge here is for a strategic role played by the state in partnership with an increasingly capacitated and operational cooperative. A value-chain analysis is also required in order to ensure that as much value as possible is added in the Keiskammahoek area. This can lock the cooperative into a value chain that generates a stronger local economy and potential market for finished timber products in the area and the greater Amathole district. The cooperative also needs to pay attention to further education on the theory and practice of cooperatives. It needs to institutionalise more effective ways of realising cooperative values and principles. For example it needs to organize its membership base into a more effective way of working together. It also needs to build capacity for self-management and making strategic, operational and policy decisions. This is important given the challenge of geography as the villages that the cooperative works in are distant and not adjacent. The Working for Water Programme can work well together with what the cooperative seeks to do. The existing misperceptions need to be addressed. More generally, the cooperative has to develop the capacity to widen and build webs of support. Its link with the BRC is not sufficient to build its other institutional capacities that it requires.

II. COOPERATIVES IN AMAHLATHI MUNICIPALITY

SEVEN STARS DAIRY COOPERATIVE

Introduction

The Seven Stars Cooperative is one of the most important cooperatives in the Amathole district with a long history. Members have persevered and risen up to address difficult challenges. The Seven Stars Cooperative is located on 700 hectares of land that is nestled between Sandile Dam and the historic Amathole Mountains, lying just outside the centre of Keiskammahoek. Keiskammahoek is a small valley town surrounded by the high-rising Amathole mountains in the former apartheid-era homeland of the Ciskei. From the late 19th century to the rise of the apartheid homeland system in the 1950s, the economy of the town and its surrounding villages was built by productive African and German dairy and vegetable farmers who relied on the good rains and rivers fed by the surrounding mountains. By building the Mnyameni and Sandile Dams in the Keiskammahoek district in the late 1970s, the Ciskeian homeland government made irrigated farming possible. This is one of the most important external factors in the life of the Seven Stars Cooperative today.

The Seven Stars Cooperative is a good example of how cooperatives can survive through the application of the unique values, principles and attributes of collectively owned enterprises in their daily economic life. In its long history, this cooperative has had to solve many problems and face many challenges. However, in facing these realities the cooperative found itself instinctively resorting to the universal attributes of cooperatives.

Origins and Development

The Seven Stars Cooperative was formally established and registered in 2003: *“But our story does not start in 2003. It starts much earlier. We arrived here 30 years ago working here, each person working for himself. But when things did not go well, we sat down as farmers. We were not happy with the new government's decision to close the Keiskammahoek Dairy Scheme”*. Following South Africa's first-ever democratic elections in 1994, the new government rationalised many apartheid-era institutions including those that were set up by the homeland governments. In the case of Keiskammahoek, this meant that the Ciskeian-era irrigation and dairy schemes were cut off from government subsidies and ultimately closed down. This led to the complete collapse of the scheme and the immediate withdrawal of government support for the farmers who operated under the scheme.

The Seven Stars Cooperative was formed out of the ashes of the old Keiskammahoek Dairy Scheme that had been set up in the late 1970s by the Ciskei homeland government. The Ciskeian government inherited previously German-owned farms and established the LIMOCOR Trust to run them. It also encouraged interested African farmers to apply for ownership of the farms on the basis that they would supply milk to a centralised dairy that was run by the Trust. Tens of farmers applied to join and benefited from irrigated grazing that was provided in the scheme.

The spread of the farms was over 7 distinct production units some of which were not adjacent to each other. Each unit had a dairy facility. LIMOCOR ran the central unit. The individual farmers produced milk on their own farms and then brought it to the central unit which then sold the collected milk. Sales from each producer were recorded. People were paid according to their production. The central unit determined the prices and not the farmers. The Trust also made monthly deductions from the farmers to repay its costs for establishing the irrigation scheme as well as for its milking and dairy processing facilities.

Since the collapse of the scheme in the late 1990s, there were several attempts to revive it and organise the farmers anew. One of the key developments in this period was the formation of the Nkqubela Farmers' Association which mobilised the former beneficiaries of the scheme as well as other farmers in the villages adjacent to the old Keiskammahoek Dairy Scheme. After the collapse of the scheme, many of the farmers were forced to work for their own account as individual farmers not connected to a central collecting unit. During this period, some of the farmers formed a supply cooperative providing feed and production inputs. In this cooperative, the farmers did not join up their plots of land and did not produce milk collectively in the central unit.

After many years of concerted efforts, in the 2002/3 financial year the provincial government ultimately agreed to hand over the central processing unit (Unit 3) to the cooperative. This went together with a grant of R1,8 million that was shared with the adjacent Zanyokhwe Irrigation Scheme that had also suffered from the post-1994 rationalisation by the new government. This money provided the required capital to restart the scheme. When the provincial government handed over the central processing unit to the cooperative, the farmers then joined up their local units into 7 primary coops.

Working with Cooperative Values and Principles

The cooperative was formed out of many years of effort to revive the Keiskammahoek Dairy Scheme. These efforts underlined the collective commitment of the farmers to ensure that their private lands and the available dairy infrastructure inherited from the Ciskei government were effectively used in order to generate local jobs and income. But this was not possible if the farmers did not build economies of scale through pooling together their individual plots of land thereby creating a larger grazing area that would also allow for rotation of grazing fields. The years of effort made the farmers recognise the need for cooperation in order for them to build the required economies of scale and have a louder voice in dealing with government and other external agencies:

“There was a time when government closed down the scheme and each farmer would decide how to sell. It was then that we decided to revive the schemes ourselves. It became logical to combine the lands in order to revive the scheme.”

“Government said that if you work alone you will not be heard by government. As farmers we decided to form a cooperative so that our voice can be heard. Then we started. Another reason for us to form a cooperative was when we discovered that for us to make money we must come together so that we can access funding.”

“We thought about being a company which would not make us close to government. We heard that a company does not get help from government. And we needed help at the time as the different and emerging farmers. As a company, there would be blockages to our access to help. And taxation as a company would be a major concern. We realised that government is biased to helping coops. Also this idea of working together was attractive. As a coop, cooperation grows more compared to a company. As different farmers, we were all struggling and there was no one who was boasting about their individual piece of land. There was no time for individual boasting about private land.”

“Once we had a workshop with Germans in Katberg where they taught us about cooperatives. We learnt about limited liability. We were happy about learning this. This was even before the scheme was closed.”

“We were helped by the arrival of some Italian-American fellow - he told us about the 30ha coop they formed from their little pieces of land and was shocked about the amount of land people had, given the land they had. He advised us to join the land together and form a coop as a basis for getting help. He also told us of another coop which formed after their advice. We followed this advice and formed the Ingwe primary coop as the first coop.”

Even though the 32 farmers have not received any extensive training on the definition, values, principles and other aspects of how to run a successful cooperative, the idea of cooperation comes as second nature. The idea of cooperation has been present and dictated by circumstances. They faced the exploitation of LIMOCOR together. At the time they had no collective power. From this experience, they realised the need for working together. When the old dairy scheme collapsed, they all suffered. After an initial period of collective and individual disillusionment, they could only move forward together. It was their collective effort and voice that put pressure on government. It was the same with accessing information and support. All this informal collaboration was ultimately formalised with the formation of the primary and the secondary cooperatives.

Each primary cooperative is legally registered and operates on the basis of a constitution that was decided by its members. Each primary cooperative elects an executive committee whose term of office is three years. Each executive committee has a chairperson, a deputy chairperson, a secretary, a deputy secretary and a treasurer. Some of the primary cooperatives have up to 2 additional members. The roles and responsibilities of each of these positions is well-understood. Members are generally happy about the performance of the elected leaders.

At the secondary level (i.e. when it comes to the Seven Stars Cooperative itself), each primary cooperative must forward 3 representative to form a Producers' Assembly. This assembly is made up of 18 members. From this 18, the assembly elects a 7-member Management Committee whose term of office is currently 5 years (it had been 2 years before). The number and the structure followed allow for each primary cooperative to have 1 representative in the Management Committee. The Management Committee is equivalent to the Board of Directors. The Management Committee meets once a week.

The Producers' Assembly is seen as a check and balance on the role of the Management Committee through exercising oversight and monitoring of the governance role of the Committee: "It is our watchdog. Management reports to the Assembly. And the Assembly decides." The Producers' Assembly is the main mechanism through which the primary cooperatives exercise control and accountability. The Assembly is made up of the remaining 11 members and meets separately once a week. It also has a disciplinary committee. There are no Producer Assemblies at the primary level.

The constitution also provides for a Producers' Council. But this structure does not really meet and seems to be an unnecessary layer in the structure of the cooperative: "*We also wanted it to play a watchdog role. But it is struggling to perform its functions. The Council was decided after receiving advice from outside but when it came to us it has not really functioned. The Assembly is the more functional structure.*"

Core Activities

"We produce milk as our main product. Farmers said that they cannot bring milk to a central point. Each farmer's milk from their own cows remains theirs. Then farmers went as 7 stars to ask for a loan to buy cattle that belong to 7 stars. These cattle are at the central unit. All production of 7 stars is at the central unit. But the cattle can graze in every other unit - and also for them to get rye grass, maize and kikuyu grass planted at each unit."

"The total is above 700 hectares. There are 200 cows being milked but the total is now close to 400 cattle. We have no bulls. We sell male cattle. We use artificial insemination."

There is no production for the collective pool at the primary level - individual farmer-members at the primary level merely provide land for both individual needs and those of the secondary cooperative. This is an interesting combination of individual household livelihood needs and collective commercial needs. When the secondary cooperative needs to use more of the individual farmers' land, each member can negotiate the amount they can have for their own use. But the goal is to ensure that the secondary cooperative has maximum access to members' land.

Not all the 32 members are employed by the secondary cooperative. Only 4 members of the cooperative are working full time (with their sons) and they receive allowances: *“This is the number of jobs available. They also started as volunteers. It is with the growth of the coop now that there will be more employed - from members first”*. There are skilled workers (who are not members) drawn from the surrounding villages who are employed for milking and on working on the fields.

After milking, the milk is stored in large containers from which it is sold as unpasteurised milk to the public. There is no bottling done at the central unit. There is also no processing of the milk into different dairy products (cheese, sour milk, yoghurt, cream, etc.). The cooperative does not have the required equipment for pasteurisation, bottling and processing. The old dairy scheme had pasteurising facilities but these went into disrepair when the scheme collapsed. The cost of buying new equipment is beyond the financial means of the cooperative currently. Further, the cooperative's business plan states that it can start producing other dairy products only once it reaches peak production.

The central unit produces 2000 litres of milk a day from 200 cows (out of a total close to 400) but this rate goes down when there is insufficient feed. The breed is mainly Friesland cows with a recent introduction of Jersey cows. The 200 cattle are from the original stock of 72 at the formation of the secondary cooperative in 2003. The individual farmers also collectively contributed 36 cattle from their own private stock; the other 36 was bought with money from the Land Bank loan. Then the herd was grown to just less than 400 by 2009 from this original 72 that started the new cooperative in 2003. All the milk is bought by the next day after it has been milked. The cooperative started with individual buyers. It has now recently introduced the system of contract buying. Before contract buying, there were a few instances when the milk went sour. This was partly due to low sales volumes and failure to operate the refrigeration system properly: *“Once we secured buying contracts, we addressed this problem”*.

The secondary cooperative is supposed to pay dividends, including for using the land. For 2008 and 2009, the secondary cooperative worked out a selling price of R3,50 per litre based on production costs. The milk buyers come from many parts of the Amathole district: Stutterheim, East London, Dimbaza, Mdantsane, Fort Beaufort, being the main centres of the cooperative's customer base. The cooperative continues to sell to the public in Keiskammahoek as well.

Building Webs of Support

Throughout its gestation period and after it was formed, the cooperative remarkably worked hard to build relationships and webs of support with various government departments and related institutions, the private sector and other private individuals who can be regarded as friends of the cooperative. In building and utilising these relationships, the cooperative was persistent and focused on its clearly defined objective: to revive the old Keiskammahoek Dairy Scheme. Very importantly, the cooperative did not receive any support from the cooperative movement or NGOs providing support to cooperatives. This is not surprising given that the cooperative movement in the Amathole district is not yet effectively organised and lacks an effective support system. There are no NGOs or other institutions in the Keiskammahoek area that specialise in working with, or providing support to cooperatives. The cooperative had to find its way and had to climb the ladder by accessing information and support from others.

Out of these webs of support, the cooperative gained confidence and knowledge out of which it was able to secure financial support (in the form of grants) from the provincial government, the Amathole District Municipality, the Amahlathi Local Municipality and a loan from the Land Bank. The Land Bank loan was used to buy cattle. In addition to financial support, the cooperative was also able to get valuable ideas, information and advice about running a dairy enterprise and what support to get.

“We went to several doors. We got ideas from government officials in Keiskammahoek and Bhisho. We went to many meetings in Bhisho.”

“Government had said they could give this farm to anyone. But we pointed out the issue of establishment costs to government. We got help from outside advisers to solve the dispute around establishment costs and other issues of dispute. We received recommendations based on research. Then it was clear that government owed us money.”

In 2009, the secondary cooperative negotiated and signed a partnership with the Amadlelo Agri (a private company representing 70 white farmers as a vehicle for supporting emerging farmers). The provincial government employed consultants who helped the cooperative to secure Amadlelo as a partner. In terms of this partnership, Amadlelo will provide management, capital, additional cattle and training in order to ensure that the secondary cooperative can reach its peak production levels and achieve a surplus. The partnership with Amadlelo will last for ten years. Amadlelo will also employ an overall manager and a dairy manager. During this period, Amadlelo will have a 50% share in the surplus made from the cattle it will bring. The cooperative will keep the surplus from its own cattle. Amadlelo will bring 1000 cattle which will increase the production capacity of the cooperative. Amadlelo will also bring required additional implements.

Amadlelo advised that they will look for good prices in markets. Amadlelo advises R3 per litre. The agreement does not currently provide for the production of other dairy products. The biggest advantage Amadlelo has is that it buys supplies directly from the factory. Amadlelo has agreements with suppliers.

The cooperative discussed the Amadlelo proposal in detail and also sort advice from the various government institutions the cooperative has relationships with. This is the demonstration of a cooperative that is confident in itself but also seeks to verify the information it has. The Amadlelo management team started to work at the cooperative in July 2009. The cooperative believes that the partnership will not change its essence as a cooperative. The partnership will be governed by a joint trust of 9 people (6 will be from the cooperative).

In its search for commercial partners, the cooperative nearly committed a fatal mistake. During 2007 and 2008, the cooperative had actually signed a partnership agreement with another company. However, the terms and conditions of this partnership were unfair to the cooperative. They included clauses that would have made the cooperative lose its assets in case of failure. The company also demanded a minimum of 4 000 litres from the cooperative before it could sign the partnership. The company also demanded that the cooperative must sell all its its movable assets (including cattle) to the company. The agreement also stated that the partner will have the right to take all assets in case of a dispute and that they would leave within 24 hours of an unresolved dispute. Whilst the cooperative's chairperson had been hoodwinked to sign this clearly unfair agreement (having been hurriedly pulled out of a church service by a representative of the company), the members of the cooperative were able to discuss and reject the agreement. Fortunately for the cooperative it was able to withdraw from the partnership before it had been signed by the other party.

The cooperative took the draft agreement to attorneys for legal advice: *“Even before this was clarified we heard that there was a contract signed by the then chairperson and other signatories. We then took action and outvoted them. But they still remain members of the cooperative.”* This partnership collapsed in 2007. The company agreed with the dissolution of the venture.

This collapsed venture nearly divided the cooperative. A few members left the secondary cooperative including the Siyasenga primary cooperative. The Siyasenga cooperative had another problem - they work from communal land and there is no agreement on who owns, has access and rights to land. The secondary cooperative wanted a clear agreement on the communal land so that there would be secure access and rights to such land. Siyasenga could not resolve these problems: *“But we still work with them to resolve their problems and their other plans. Siyasenga did not leave on bad terms. Siyasenga resolved on their own to leave”*.

Membership

The Seven Stars Cooperative is a secondary cooperative made up of 7 local primary cooperatives following the spread over 6 units of the old dairy scheme. There was one other primary cooperative from a nearby village that was part of the formation of Seven Stars Cooperative but it has since withdrawn its membership. Each primary cooperative is made up of individual farmers who, in turn, each privately own plots of land in their own name.

Taken together, the remaining 6 local primary cooperatives have a total of 32 members. Following the government grant of R1,8 million in the 2002/3 financial year, the farmers collectively decided to take over the central unit that had been run by LIMOCOR previously. But this required that the farmers join up as a primary cooperative in each of the 6 units. The logic was: farmers in each unit must be in a cooperative. These primary cooperatives were attached to each of the old units. After the primary cooperatives were established, then the formation of 7 Stars as a secondary cooperative followed.

After each primary cooperative formed, they then came together to form Seven Star as a secondary cooperative. It is through the secondary cooperative that the primary cooperatives own the old LIMOCOR central unit as well as the special breed cattle for milk production (which number close to 400 animals) and other facilities that are jointly owned. Early on, the members agreed to join up their individual plots of land in order to increase the amount of grazing land available.

The original primary cooperatives (“the 7 stars”) that formed the Seven Stars Cooperative are:

- a. Unit 1 - Unit 1 primary cooperative
- b. Unit 2 - Mzamo primary cooperative
- c. Unit 4 - Laphum' ikhwezi primary cooperative
- d. Unit 5 - Friesland primary cooperative
- e. Unit 6 - Red Hill primary cooperative
- f. Unit 8 - Ingwe primary cooperative
- g. Unit 11 - Siyasenga primary coop (this is the one that withdrew its membership)

Unit 3 houses the central processing unit which is operated by the Seven Stars Cooperative. The Siyasenga Primary Cooperative is no longer a member of the secondary cooperative thus reducing the primary cooperatives to 6 instead of 7. Despite this change, the cooperative keeps the “seven” in its name.

“The 32 farmers are households. Mcasi and his family join. If Mcasi dies, then the wife will come in. Each family has a single vote.”

In general, the main person registered is the male head of the family. There are 26 men and 3 women registered as main members. There are 2 families where both parents died. In these instances, there was no change in the member registration. The remaining children in each of these 2 families were asked to choose from amongst them the person who will represent the family in the cooperative.

The cooperative is fairly self-formed and the constituency for its membership is fairly self-defined.

“It is not everyone who can join. Only those with water or those who were in the old dairy scheme can join. The members of the coop are those who suffered under LIMOCOR. The constitution says this clearly in practice we define it more than the constitution. Where other areas lack clarity we discuss them”.

When asked whether it is possible for new members to join, the unanimous response of the cooperative's leaders was: *“We have not opened up this avenue because who we are. It is about our origins and history”.* In the farmers' attempts to revive the old dairy scheme it was discovered that under the LIMOCOR system, all of the farmers were owed money by LIMOCOR and the Ciskei government. The R1,8 million grant paid out by the provincial government in the 2002/3 financial was in part a settlement of this debt. On this

basis it was agreed to limit membership of the secondary cooperative to those who had suffered under the old dairy scheme.

A once-off membership fee of R1,000 was agreed as the amount each primary cooperative must pay to join the secondary cooperative. There are differing rates and arrangements for membership fees for individual farmers joining each of the primary cooperatives.

Financial and Asset Management

The secondary cooperative is in control of a wide range of assets worth close to R10 million. These include close to 400 cattle, office blocks, office furniture, 7 houses, halls, supply store, storage sheds, juice factory, dairy units, irrigated fields, irrigation equipment, fencing, tractors, trailers, and earth removal equipment. Most of the buildings are in a state of disrepair. Since the dairy scheme was started again, the cooperative has not been able to do anything else but invest in milk production.

The 145 hectares of land and buildings in the central unit belong to the local municipality (Amahlathi) and the cooperative has a long-term lease on the land. There is also a process to transfer the ownership of the land to the secondary cooperative. The cooperative continues to receive an annual allocation from the Department of Agriculture - for 2009, this had accumulated to R3 million. The budget allocations from the Department of Agriculture can only be used for infrastructure. Inside the cooperative other available money has been used for infrastructural investment (irrigation equipment, milking factory machines), and the revitalisation of grazing fields through planting new grass cultivars for cattle feeding. These were necessary investments due to their contribution to productivity.

The cooperative does not have a written business plan. This makes it difficult for the cooperative to accurately estimate its current and future capital and operational costs. This may be addressed in its new partnership with Amadlelo Agri (see below). The cooperative may be overwhelmed by the extent of attention it receives from government institutions. For example, in 2009 the Department of Public Works visited the fields to assess costs for future renovation but there has been no feedback and effective follow-up. The cooperative also does not know when it will achieve its break-even point.

In 2009, the key items in the cooperative's monthly expenditure were:

- Loan repayments - R27 000
- Animal feed - R70 000
- Electricity - R11 000
- Telephone - R2 800

In 2009 the monthly income from milk sales was an average of R210,000 (2 000 litres per day x R3,50 x 30 milking days). In April 2009 the farmers received their first dividends from a pool of R100,000 in surplus.

In most years, the cooperative has not been able to record a surplus and thus declare dividends to members: "*We are still covering the Land Bank and Uvimba loans*". The loan from the Land Bank was R1,7 million. The cooperative used R800,000 of this loan and the remaining R900,000 lapsed. However, the cooperative was not clear whether it was paying for the entire amount or that which it received. It services the loan without fail at R17,333 per month. After several years of operation, the cooperative accessed a separate revolving loan of R900,000 from Uvimba (the Eastern Cape Rural Finance Corporation). For this Uvimba loan, the cooperative pays back R10,000 a month. The loan repayments are a huge drain on any possible surplus and dividends. From time to time, the cooperative has used the revolving credit facility with Uvimba. This was in instances where there was a need to repair equipment, obtain additional feed and restore old equipment.

As stated above, the cooperative does not pay the salaries for its management staff as the Amahlathi municipality covers these. There is no working capital. Cash flow only exists through the sales of milk.

The cooperative has a finance committee which works with the Finance Manager and discusses financial affairs on a monthly basis. The finance committee has 5 members elected at the AGM. The cooperative has audited financial statements from 2003 except for the 2006 financial year. The year 2006 was a difficult year in the life of the cooperative. Due to internal differences, the cooperative decided to dissolve its elected committee. This affected the governance role of the committee and the annual audit was one of the things that fell by the wayside.

The cooperative has written financial policies. The employed Finance Manager is an important cog in the cooperative's financial affairs. She provides regular financial reports to the General Manager, the Management Committee and the Finance Committee. She prepares and reports on monthly, quarterly and annual financial statements. She is also responsible for human resource management, petty cash, salary payments and tax affairs of the cooperative.

The cooperative also operates cheque and call accounts. The cooperative is proud that no money has ever been lost through carelessness, fraud, corruption or mismanagement. The cooperative attributes this to high levels of trust. The cooperative believes that it has transparent cash flow management compared to the period of the old dairy scheme. In terms of its partnership with Amadlelo Agri, members of the cooperative will be trained on financial management skills. The cooperative does not budget for member training and research.

Members have invested in the cooperative by contributing their land and paying the required membership fees. Other contributions from member economic participation include cattle, loan commitments, old assets from the old scheme, and contributions of labour and tools.

Impact on the Local Community

The cooperative shows clear community concern as it sources its labour from the community, sells cheap milk, works with other cooperatives and is part of wider development initiatives. Other benefits that the cooperative identified itself include exposure to new information and possibilities, providing a good example to the rest of the community, being a source of information and advice to others who are starting their own businesses in the community, the hiring of the cooperative's venues to the community:

“People have asked about opening a supply shop from the old supply coop store that is part of our assets”.
“The community is attracted to this place. The Keiskammahoek Development Forum wants to learn from us. They come and learn.”

“The new Keiskammahoek Development Initiative had come here to explain who they are and invited us to join them”.

The employees have rented accommodation at the farm”.

“Others come here looking for work.”

“We sell the community milk at a cheap price of R3,50 compared to R8 at the stores.”

The cooperative also works with other cooperatives in the community. The cooperative is not in an association of other cooperatives. No such association exists in Keiskammahoek: *“We meet other coops and community projects who use water - to discuss water issues”*. Cooperation amongst cooperatives exists insofar as the secondary cooperative itself is formed by primary cooperatives. But there are limited efforts to seek out and work with other cooperatives.

Lessons and Challenges Facing a Self Developing Cooperative

Many of the farmers have skills from the period they were under the old dairy scheme. They have also received recent training on what cooperatives are, artificial insemination, dairy machine operation and financial management. But the cooperative believes that there is not enough education and training: *“It is our wish that each person in the cooperative learns”*. There is no policy on education, training and

information. The cooperative is in a fortunate position as it has access to networks that *“help us access information and outsiders come and ask to train us”*. The cooperative has also received social facilitation support for the various activities and stages it has gone through including social facilitation in preparing for its partnership with Amadlelo.

The cooperative mainly learns from practice and mistakes. An aborted earlier attempt to develop a partnership with a private company was an important learning experience: *“We now know how to deal with outsiders”*. There is very limited youth training: *“the young members of the families do not know about cooperatives”*. This could mean that there is possibly insufficient commitment and buy-in from the young members of the families to the idea of a cooperative.

The cooperative would not have come this far if it exclusively relied on its own resources. External support, access to finance, and government support have been critical and it has come in various ways. The original grant and debt settlement of R1,8 million from the provincial government was critical as part of start-up capital. The Land Bank loan made it possible to cover the costs of livestock. The additional loan from Uvimba was critical when the cooperative required additional equipment. The revolving credit from the same Uvimba loan has eased difficult financial moments. The contribution by the Amahlathi Local Municipality of paying the salary costs of the financial manager and the manager has proved absolutely essential. Without employing effective managers, the cooperative possibly would not have survived. The Amahlathi support being for ten years provides certainty and security. This is now strengthened by the Amadlelo partnership. The Amathole District Municipality also provided important grants for new calves, animal medicines and feed, and a new tractor. The cooperative also relied on advice from a wide range of individuals in their private and institutional capacities.

“We have not succeeded because we did not get cattle with all the loan money. We wanted 300 cattle”.
“What keeps us going is that we are getting old and we have taught our children with milk”.

Despite the fact in most years the cooperative has not yielded a surplus and dividends, but its story has many successes. It has been able to revive the old dairy scheme and prove that it can produce. It has built new infrastructure and bought new equipment. All the land is now fenced. There are new irrigation systems. The grazing fields have been replanted with winter and summer grass cultivars. Many of the farmers have also gained new skills as fence-makers and they do most of the repairs themselves. Other key achievements include - the joint ownership of property and assets worth at least R10 million, the range of agreements with government institutions, securing the loans, achieving a land use agreement with all the members, the new partnership with Amadlelo, and the fact that the cooperative's structures are working. From a household livelihood perspective, the fact that some of the members also sell milk from their own cattle is also an important achievement.

These successes were not smooth sailing:

“We had a disagreement over the joint ventures. The initial joint venture brought up uncertainty These terms brought tension in the cooperative”.

Typically, gender dynamics are also very present in the cooperative: *“In the old board, there were lots of women. At times they felt that when we spoke it was because we were men”.*

Another area of tension in the cooperative was over a loan that the cooperative wanted to apply for from the National Empowerment Fund (NEF): *“We wanted to pay up other loans with this. The NEF had better rates. This caused division. Letters were sent by some to our government supporters - saying they are leaving the cooperative as they do not want to take such a big NEF loan”*. This NEF loan option was not followed up when the Amadlelo option came up. This resolved the tension. The NEF was ready to agree and wanted the cooperative to hire a dairy expert.

The main impact of the cooperative has been to give its members significant bargaining power: *“We are now heard and responded to positively”*. Members are also used to, and they have learnt to trust each other: *“Amongst members, we are now able to sit down. Members can see the benefits of working together. Members accept the idea of working together. Members accept the idea of working according to the rules of a coop. People see it as a success to discuss key issues”*.

The cooperative is uncertain about the provisions and operations of the new Cooperatives Act of 2005 including provisions on limited liability. Both the primary cooperatives and the secondary cooperative have not submitted annual and financial reports to the Registrar of Cooperatives as required by the Act. The cooperative rarely ever receives written communication from the Registrar: *“The manager does not bring correspondence to the management committee”*.

Other challenges facing this cooperative - are the bad state of roads, the poor state of bridges, and the absence of electricity in the houses which are part of the complex. This means that the houses cannot be used for commercial purposes. The cooperative also lacks a clear understanding of the structure and functioning of the dairy industry and markets. This means that it does not have all the information it needs to work out costs and prices. This may lead to a cost squeeze situation without the cooperative realizing this in time. Despite having the required facilities and equipment, the cooperative does not yet undertake value-adding activities, through dairy processing and manufacturing of dairy products. This is partly due to milk production not yet reaching the required levels and the capacity of the cooperative's employees. It is not clear how the partnership with Amadlelo seeks to address this.

The key lessons from this cooperative are patience, persistence, clarity of goals, cooperation, trust and learning from doing:

“When people want to do something, they must have clear goals. There must also be a focus and consistency with keeping to the focus”.

“Ukuvisisana kubalulekile. Siyabhidana kodwa siyahlala phantsi sibonisane. Ukuba bekungenjalo ngesingasekho apha”.

II. COOPERATIVES IN AMAHLATHI MUNICIPALITY

SISONKE BAKERY COOPERATIVE

Introduction

This cooperative is located in Keiskammahoek in the heart of the former Ciskei homeland. It is within the town in a small business centre next to the taxi rank and opposite the Post Office. The buildings in which the cooperative is operating are said to be owned by Eastern Cape Development Corporation (ECDC) and thus far they are paying no rent and water, but only electricity.

This cooperative was initiated in 1995 by fifty women who contributed an amount of R300 each with the aim of contributing start-up capital. The main objective of starting this cooperative was to contribute towards the economic development of the members and the town through employment creation for members and the general public, and to provide fresh bread for the local shops, schools and the district.

At its initial phase it started as a project and changed in 2003 into a cooperative on the basis of advice received from the Eastern Cape Department of Social Development. It registered as a cooperative in 2003.

Core Activities

Bread production is the main economic activity of this cooperative. There are two working shifts with five each and one member is a cleaner. The first shift starts at 5am till 13h00 and the second shift starts at 14h00 till 23h00. The main market for their produce is 30 schools (11 in Ngqushwa and 19 in King William's Town). This imposes a significant transport cost on the cooperative as King William's Town is 45km away and Ngqushwa is 95km away yet there are closer schools in the Keiskammahoek, Stutterheim and Dimbaza areas. The cooperative pays an amount of R12,000 per month for transport. The cooperative does not have its own vehicles so it is forced to hire an external bakkie for transport. The Department of Education pays R1,65 per child per day but the cooperative is negatively affected by the delayed payments from the department.

There is one local shop in Keiskammahoek which buys bread from the cooperative. The cooperative does not have other customers in Keiskammahoek. The cooperative perceives the local shop owners as refusing to buy from them because they say customers do not buy their bread. This cooperative relies on the school feeding scheme contract for its market. The cooperative also provides an additional service by preparing soft drinks for the same schools they sell their bread to.

Working with Cooperative Values and Principles

Beyond knowing that the baking business belongs to them equally, the cooperative has not developed its cooperative practices and culture. They continue to operate as a pre-cooperative project despite its use of the name of a cooperative. This is due to the lack of relevant education on cooperatives and the absence of internal dynamos pushing the spirit and practices of cooperatives. It seems that the main concerns are production, sales and income at the expense of cooperative identity and values. The cooperative does not have a living constitution but uses a template it has from when it was being registered.

The cooperative has not recorded its practices, rules and procedures. Members see their economic contribution to the economic life of the cooperative as being through their labour. There is a committee consisting of a chairperson, a secretary, a treasurer, a coordinator, a manager and two additional members though no specific duties have been developed for these portfolios. There are no annual reports. The cooperative has not held an AGM since it was formed.

Despite the under-development of cooperative practices in this cooperative, there is effective internal communication. The cooperative also understands the need for education and training. It has organised training on bookkeeping for its members. The cooperative identified report writing, business management, marketing and basic organizational skills as its skills training needs. There is no plan and approach for skills development as the training of the bookkeeper was undertaken because of a contract requirement from the Department of Education.

Membership

The current membership of the cooperative is eleven with only one founder member and one male member. Out of eleven members only three are under the age of 40 and all others are above 45 years old. Initially there was a joining fee of R300 but the current members did not pay the fee.

Financial and Asset Management

In 1999, the cooperative received a grant of R34,000 from a European donor which was used to buy bakery equipment. In 2004, the cooperative received an amount of R200 000 from the provincial Department of Social Development following an earlier grant of R136,000 received in 2003 from the national department.

The cooperative has three bank accounts: Post Office, ABSA and FNB. The Post Office account is for daily sales whilst the ABSA is for bread spread and soft drinks, and the FNB is for receiving Department of Education payments. It is not apparent that this is the best arrangement given the unnecessary bank charges and complications for bookkeeping. The chairperson, treasurer and secretary are signatories

The sales person keeps the money which comes from the limited direct sales that take place from the premises but payments from the Department of Education are made through the bank. Despite there being weak financial systems, there is a “bookkeeper” who deals with slips, payments, banking, and requisitions. These are done at her initiative without written rules and procedures.

Members are paid R1 500 per month and dividends are shared equally at the end of the year. In terms of the available assets, the cooperative estimated their value at R206,000.

The cooperative has paid tax and submitted SARS tax return forms until 2008, but it has never audited its books. It is the same with submitting reports to the Registrar of Cooperatives.

Impact on Local Community

Within the immediate community there is little impact as only one shop is buying from them. Some sales are directly to individual customers. The cooperative also supports community activities like sports, HIV and AIDS projects, etc. with bread on request.

Lessons and Challenges Facing a Self Developing Cooperative

The cooperative has survived from 1995 till today and is paying its members R1500 per month. This is significant. The existence of this cooperative has been largely due to the existing market from the Eastern Cape Department of Education's school feeding programme.

The main problem for this cooperative is payment delays from the Department of Education, the lack of development of internal cooperative practices, the expensive transportation of their product and lack of support from local shops. The cooperative has not attempted to build its capacities through webs of support. This has also meant that the cooperative has not developed an approach to institutional innovation and improving its core activities. Hence the cooperative has not diversified beyond the school feeding

program to find other income generation opportunities. There is also no security in the building hence there are cases of burglary. At the moment there are no internal systems to address these problems. Members stated that through their involvement in the cooperative they gained more experience about communicating with the public. Despite there being no relevant training, some level of business management skills has been gained including experience in marketing and working with government tenders. There are no relations between the cooperative and the municipality.

Whilst the cooperative has many positive attributes, it needs to address its weaknesses in order to ensure that it can properly function as a cooperative that is part of the cooperative movement and that consciously builds and advances cooperative practices. This is an important basis for expanding on some of its current commercial achievements.

III. COOPERATIVES IN BUFFALO CITY MUNICIPALITY

IZANDLA ZETHU FARMING COOPERATIVE

Introduction

Located in a farm between Nahoon Dam and Fort Jackson, the Izandla Zethu Farming Cooperative is made up of members drawn from the villages of the expansive Nxarhuni rural area. The Nxarhuni rural area is a few kilometres to the north of Mdantsane and is bounded by the N2 to the south and the N6 to the north.

This cooperative was formed in a response to the high levels of unemployment, landlessness and limited livelihood options characteristic of many rural areas in the Amathole district. Its members are hoping that the cooperative can help them achieve a better life. The 15-member cooperative is a story about the efforts of the poor to fight poverty through self-employment and group commitment to a wider community.

“We are all not working. Our aim is to develop ourselves as business people, create work for the community and fight poverty.”

“We can see that to fight poverty is to cooperate”.

“We came together with business skills as people were already trying various things in the village. Government says vuka uzenzele.”

Origins and Development of the Cooperative

The beginnings of the cooperative go back to the year 2005. The cooperative was started at the initiative of 3 current members including its current chairperson who is a skilled builder and brick-maker. He made available his truck, brick-making equipment and know-how. He organised interested members of the community to join him.

“We decided to do things on our own. We said we must get others. Then we went for a member who was together with us in the farmers' association. We did not take long to recruit. We are active. We get up and go. We used the chair's car and knocked on doors. We went house to house looking for members. We started holding our meetings when we were convinced that we knew each other.”

Once they reached about 15 members and acquired the farm, the cooperative organised meetings to introduce itself, and open its membership to the wider community.

“When we got the farm, we decided to open up membership to others close to the farm. We called a community meeting informing them of the farm and inviting them to join us. We got one member from this. Others did not agree to join the cooperative. Abahlali take long to understand.”

Obviously, the cooperative was disappointed by the lack of enthusiasm from the majority of community members. But this did not deter the cooperative from continuing with its efforts. The cooperative was ultimately registered in 2007.

In order to produce and sell bricks, the cooperative initially obtained a free lease (no rent was paid) from a white farm-owner. This was in 2007. The brick-layer trained other members in brick-making and lent the cooperative his brick-making machine. The cooperative was able to produce bricks on a number of occasions. However, their production was not regular as they did not have all the requisite raw material, supplies and equipment to the extent that the cooperative at some point sold bricks from a small wheelbarrow. The cooperative also lacked access to a regular and adequate supply of water - so essential in

brick-making. The cooperative approached existing and well-established companies in East London (for a stone crusher and a cement maker) for help and partnership. But this was met with a cold shoulder. As a result of these inadequate supplies, lack of finance, and lack of support the cooperative lived from hand to mouth as it relied on securing an order first before it could produce bricks for sale. This has limited the potential growth of the cooperative. Despite these massive odds, the cooperative has a positive view of its brick-making venture: *“We continued with bricks to generate income quite fast and to change the situation. People did not have brick houses and we helped this development”*. However, the economic reality soon hit. The cooperative had to look at another alternative: *“We also explored RDP houses but we did not continue. We then looked at a farm.”*

After a few years of the free-lease, the cooperative heard that the farm from which they leased a portion of land for brick-making was for sale. The cooperative expressed interest in buying the land as it saw a new opportunity for owning its own premises for brick-making as well as farming opportunities. The cooperative approached the owner wanting to buy the farm. Upon this development, in 2008 the cooperative applied to the then Department of Land Affairs for a grant under the Land Redistribution and Agricultural Development (LRAD) programme.

The members discovered that the sum of their collective LRAD subsidies they would qualify for did not meet the price of the farm. The cooperative then approached Uvimba (the Eastern Cape Rural Finance Corporation) for a loan. The cooperative did not derive joy from this process as it had to “submit documents after documents” without any progress. This suggests Uvimba is reactive and not easily accessible to aspirant farmers who lack sufficient information on its products and services. Whilst the cooperative was still providing the required documents to Uvimba, the then Minister of Land and Agriculture Affairs announced an increase in the LRAD grants to R111,000 per individual applicant. This increase made it possible for the cooperative to afford the price for the farm. However, the Department of Land Affairs pointed out that the number of members of the cooperative was excessive for the available funds. The cooperative then decided that not all members will apply for the subsidy. However, this limited the amount of grant money the cooperative could have received for after-sale capital, infrastructure and operational costs. This experience suggests a Department concerned with its budget constraints at the expense of transferring an operational farm with adequate capital and other resources. After a long process, the cooperative eventually received the LRAD grant and bought a portion of the farm in 2009. The farm is now registered in its name: *“We did not get tired of the long process”*. The cooperative is hoping to secure more state subsidies to secure the remaining portion of the farm. The cooperative is not unduly worried about this as it believes that the smaller farm is an opportunity for it to experiment and learn before acquiring a bigger farm that may have more demands. In the original grant, there was R45,000 that remained but this is still held by the Department: *“The pig sties need renovation. When we asked the Department to get money for goats, they said no it is for renovation but we still do not have this money.”*

From its origins, the cooperative regards itself as a multi-purpose entity.

Working with Cooperative Values and Principles

“We heard from government that cooperatives are the way”.

“Coops are registered and are known nationally. We were taught about differences between a coop and other types of groups.

“It is the easy way to get help from government. In a close corporation, you can be alone and individual.”

“We hear of these things from these workshops we go to. Everyone says we must register as a coop.”

“We are also responding to government's call. These calls boosted us. When we go out to knock at government's door we find acceptance. We have now a truck from DTI. This came through because we are a coop. We will get a brick-making machine from the Amathole District Municipality because we are a coop.”

In addition to the reasons suggested in the above quotations, members of the cooperative were very positive about the idea of cooperation. They felt that in a cooperative they are more united, *“with one mind”*. The members regard the cooperative as something that can develop them as individuals, their families and the broader community: *“It is not just for one person. It is for all of us. It can feed families.”* The cooperative also linked this to the culture of the broader community which emphasises collective welfare. The cooperative also realises the benefits of building economies of scale through a cooperative instead of *“one biting more than one can chew”*. The cooperative also identified a clear self-interest in identifying with a broader community interest: *“our coop can suffer from theft if we do not include others”*. The cooperative is very conscious that *“the community can also learn from us”*. Already, the cooperative is approached by other aspirant cooperatives looking for information on how to get started. The cooperative is not selfish with providing support and assistance to these enquirers: *“We include other coops in our training”*. This is a cooperative that is marked by a strong ideological commitment to the cooperative option.

The cooperative's constitution stipulates how it must work. The cooperative has set working time and rotates responsibilities for sleeping on the farm premises. The cooperative holds regular meetings where all members take part in decisions. Members emphasised that theirs is a collective effort that is controlled by all members. Members also emphasised how all members contribute to the cooperative through fees paid, voluntary work and implementation of the cooperative's decisions: *“We take ourselves as children of one parent - we all stay in this home. This is our logic. We sit together and solve the conflict”*.

Core Activities

The farm is 202 hectares in extent. Initially, the cooperative planned to undertake goat farming but the grant received from the Department of Agriculture was not sufficient to buy goats, erect the required infrastructure and buy other required supplies (medicine). The cooperative did not stop at this barrier: *“We then investigated what worked in this farm”*. The cooperative identified available infrastructure, dams, fencing, buildings and fields. The cooperative also organised soil testing with the Department of Agriculture. After this assessment the cooperative then decided on planting and selling potatoes, butternut and pumpkin. The cooperative even went to the extent of planting these. However, a large portion of potential yield plants were destroyed by wild rabbits as the farm has inadequate fencing. Despite this setback, the cooperative fought off the rabbits and salvaged some harvest that was sold to the general public. But this was not enough to meet production costs and generate a surplus.

Given that fencing is a major infrastructural barrier, the cooperative submitted applications for funding to the Departments of Public Works and Social Development. However, the cooperative has waited for long without any results yielded from the application. Other available infrastructure on the farm includes 5 dams that are, however, shallow. When the cooperative asked for support from the Department of Water Affairs for water infrastructure and removal of the “granyathi” alien plant that is dangerous to livestock, the department demanded a feasibility study. This has stumped the cooperative as *“no one can help us do this”*. For its part, the Department visited the cooperative and provided information on alien and dangerous plants in the farm. Following this visit, the Department promised to engage the Department of Agriculture on behalf of the cooperative regarding the removal of tree stubs.

As part of its ongoing efforts, in January 2009 the cooperatives received pigs from the Fort Cox Agricultural College in Keiskammahoek. The cooperative supplemented these pigs with others that were donated by members. The cooperative also called 14 surrounding white farmers who donated 5 piglets and a boar. The cooperative continues to make and sell bricks. But this is still irregular due to financial constraints: *“we do not have operational capital”*. From April 2009, the cooperative has also been engaged in farming chickens. The original chickens were donated by members. Vegetable production is limited by the inadequate infrastructure. Work is shared amongst the members on the basis of which member has relevant skills. The only income that the cooperative has recorded from own production was from selling 25 bags of 10kg potatoes at R35 each.

For the bricks, the cooperative has identified the local community, housing construction projects and other public works programmes as the potential market: *“we have already approached government to provide bricks for 200 houses. There is another 250 houses that we are looking at in Mdantsane”*. The cooperative markets its services through meeting potential customers and word of mouth in the community. The cooperative has not submitted any formal tenders for providing bricks.

For the farming products, the cooperative sees the local community, the East London Fresh Produce Market, the Cambridge abattoir and retail shops as its market. The cooperative has already approached the Spar retail chain who agreed in principle to take fresh produce from the cooperative. The cooperative has not explored alternative marketing channels outside the fresh produce markets and retail chains. The Buffalo City area seems to provide few opportunities for alternative marketing channels compared to those developed in the bigger metropolitan centres which have seen box schemes, weekend organic markets and community supported agriculture initiatives.

Building Webs of Support

Besides sourcing in capital through government grants, the cooperative has reached out to various non-governmental actors for support. These are developing relationships that have positively assisted with building institutional capacity. For instance, the cooperative receives support from the Zingisa Educational Project, an NGO based in King William's Town that is working with small farmers. The cooperative also received help from Canadian student interns who were organised by The Business Place - they helped the cooperative with writing up its profile for marketing purposes.

The cooperative is actively looking for information regarding finance and support. For this reason it attends government events. The cooperative has approached the Department of Agriculture and private farmers for assistance. The cooperative has an active relationship with the Department of Agriculture whose officials visit and advise the cooperative on a regular basis: *“The Department can see that we can move and do things on our own”*. The cooperative also belongs to the Nxarhuni Farmers' Association through which it can access productive relationships with established commercial farmers who are freely giving information. As a result, the cooperative even organised an open day with the farmers on their farm. This was well attended and members benefited from extensive information provided by commercial farmers. The cooperative also attends many meetings and activities organised by the commercial farmers' union where they receive lots of relevant information for their farming venture.

Membership

The cooperative has opted for an open approach to membership. It prefers to ensure that through membership it can win more community support. The main requirement for membership is the payment of a once-off membership fee and acceptance of new applicants by the current members. Since the earlier recruitment drives, the cooperative has also taken a decision not to accept new applicants until its economic fortunes change for the better.

The membership fee contributes to the capital of the cooperative and was used to open the cooperative's bank account. Some of the capital received from membership fees was used to buy cement, blocks and slabs, as well as to clear the site for brick-making. Not all members paid this fee in one installment. But this did not exclude people. All members are unemployed. Hence many collect money from their relatives. This membership fee must be understood as contributing share capital from members: *“We are self-funded. Whoever is going to fund must find us moving.”* Members recognise the importance of members paying a contribution to the cooperative: *“To feel that you own this you must make a contribution. It gives us power to take out what we have. There is nothing that can stand without paying. Everything needs money”*. In addition, the cooperative also requires members to pay a monthly R50 subscription fee. However, the unemployed members struggle to keep up with these payments.

On a few occasions the cooperative has also employed temporary workers when the brick-making work required more labour. These were drawn from the surrounding villages.

Financial and Asset Management

The cooperative has not yet earned big volumes of money from sales. When it has bought things, this has been out of the pockets of members. The R50 monthly subscription expected from each member is aimed at providing monthly groceries used for lunch and refreshments. Women in the cooperative also prepare the food. This is regarded as an additional contribution.

From sales of bricks, the cooperative has been able to refund members for their transport costs incurred when carrying out the business of the cooperative. Despite not having written financial policies and procedures, the cooperative uses a simple and transparent system of financial management where it records all income and expenditure for discussion at every meeting to the satisfaction of all members. Receipts are brought back for every purchase. The monthly meetings of members take decisions on operations and finances. All decisions are recorded. Members are happy with the simple and transparent financial management system followed by the cooperative. Members feel that they have a clear role in the management of the cooperative's finances and assets. Internally, the cooperative also has adequate skills to operate its financial system. The chairperson has 19 years of experiences working as a post-master and has a financial management qualification. The treasurer has also learnt the ropes by doing. She also received some short training on financial management. The treasurer is also known for sharing financial information and developments immediately with all members without waiting for the monthly meetings this is through cell-phone technology.

In total, the cooperative's assets include the land, the farm house, a truck worth R300,000, a brick-making machine worth R190,000, pigs, chicken, the brick-making yard, and some furniture. The only liabilities the cooperative has are outstanding claims to members. The lack of sufficient working capital minimises the value of the assets that the cooperative has thereby turning them into dead capital.

The cooperative has not yet submitted a financial report to the Registrar of Cooperatives.

Impact on the Local Community

In the community, the cooperative is widely recognised as a source of information, bricks and temporary work. The cooperative has also availed some of the land to the community for the harvesting of natural resources.

Lessons and Challenges Facing a Marginal Cooperative

This cooperative has a limited life as an operational enterprise active in the local economy. In formal terms it has only been registered as a cooperative for about 3 years. In this time it has displayed a capacity to survive but as a marginal cooperative. Hence in its short life lessons can only be drawn from how it secured the farm and its very tentative production efforts through cooperation.

The major successes of the cooperative are to be seen in the patience of members keeping together despite massive odds, their strong cooperative identity and success in acquiring the LRAD grant and buying the farm. The cooperative has also taken in a member who lives with a disability. The cooperative sees the provision of care to this member as its responsibility.

This cooperative has done things on its own without much training on how cooperatives work, brick-making and farming. Even in cases where some of the members of the cooperative have attended workshops, they did not receive detailed and systematic training. The Buffalo City Municipality's One-Stop Shop that is located in Mdantsane promised to provide training. The cooperative has clearly

identified its training needs: *“we need training on group dynamics, cooperatives, marketing, and business planning”*. This experience underlines the dearth of training resources for cooperatives and emerging farmers in the Amathole district. At the same time, the cooperative believes that it is in line with government's political goals and stated commitment to rural development. In this way, the cooperative feels encouraged.

Members of Izandla Zethu cooperative are remarkable for the commitment that they have. This commitment is supported by ongoing efforts and basic skills that are relevant to meet their objectives: *“we have this internal potential. All these things make us to come together and this gives us hope. No one is lazy to contribute what they have. We are able to delegate effectively and share accordingly”*. The experience of working together in the cooperative has also increased levels of trust amongst the members. At the same time, the cooperative faces the danger of spreading itself thinly. For example, the cooperative also plans to plant maize for bio-diesel production. The size and quality of the land may not meet the requirements of all the cooperative's ideas. This wide spread of envisaged activities is partly explained by the lack of finance to get planned production going. It is necessary for this cooperative to develop a strategy for its growth and expansion around a core activity/product for it to overcome the barriers to entry into a market. A proper business plan and five year strategy could assist this cooperative break out of marginality and enter a more sustainable development path.

Until the cooperative acquired the truck with the support of the DTI, it lacked transport to deliver its bricks and to collect material from suppliers. The cooperative does not have ploughing equipment and other agricultural equipment. It depends on the village tractor for ploughing and other tilling work. The land does not have water. The cooperative collects some water through tanks given the state of disrepair of existing dams and the absence of a reservoir. Fencing is another challenge which can affect the cooperative negatively as there is increasing trespassing in the area.

Due to delayed production and profitability, some of the members of the cooperative are forced to take on other short-term employment. This affects the cooperative in a negative way.

The cooperative has not yet discussed how to deal with the rights of children and families of members in the farm. It is still early days for this discussion to be held: *“But we have discussed that each person must chose their beneficiaries”*. This issue became important after a member who withdrew from the cooperative received an LRAD subsidy as part of the collective to purchase the farm. This was resolved after some tension with this member.

Gender dynamics play themselves out in an interesting way in the cooperative. Men only produce bricks. Women do not. Women are only involved in transporting the water for the brick-making. The men in the cooperative also had to make way to assertive women who were claiming their space and role in the cooperative. Other related challenges involve different roles expected of women members who are single parents versus married men. This became a major point of tension in the cooperative. It requires ongoing discussion and resolution of problems as they arise.

The most important lesson from this cooperative is patience and ongoing efforts. Members also appreciate the learning they have received from the cooperative even though they also feel the need for more learning. They believe that they have learnt hard skills (brick-making) and how to work together.

III. COOPERATIVES IN BUFFALO CITY MUNICIPALITY

KHAZIMLA FARMERS' COOPERATIVE

Introduction

This is a well-organised and compact cooperative made up of 5 women. It owns and operates from a 22ha farm located along the double-lane N2 highway just outside the small town of Berlin. The cooperative started in 2003. At the beginning there were close to 20 members who came from informal settlements and the Ilitha township not far from Berlin. When members were asked to contribute money to get the cooperative going, some members stated that they joined as they were expecting to be paid and not to pay for the operations. This led to some members leaving. Later on, a few members passed away reducing the numbers even further.

Origins and Development of the Cooperative

“When we started we called ourselves the Khazimla Women's Project. There was no man then. Shine where you are. We were bethwa ziinzingo, namaqhwa. Sasifuna ukubonakala”. This initiative was registered in October 2003 as a coop. It was initially operating from the Berlin CBD where it was renting an old house. Members paid for this rent from their own contributions every month. The cooperative started with sewing clothes and tracksuits for cultural and church groups, sports teams, school uniforms and providing tailor services. Those members who had sewing machines brought them for use by the cooperative. The cooperative organised some sewing training for members from a fellow member who was a professional seamstress. But income came in very slowly as the cooperative largely sold on credit. This affected supplies needed to sustain the business. This was the case even with the contract that the cooperative had with the Berlin Primary School: the credit sales to the school were many but parents took long to pay. It was at this point then that the cooperative decided to switch from sewing to poultry. The poultry operation was located at the garage of the same old house that the cooperative rented. It was started with 50 chicks, feed, feeders and bricks for partitioning. This grew. 50 chicks gave birth to 150 chicks. As this poultry business was growing, the cooperative ultimately left the house and moved to their current site in 2005.

Working with Cooperative Principles and Values

The cooperative decided to register as a cooperative following advice from the agricultural extension officer. The members instinctively understand what economic cooperation means. They believe that the cooperative option gives them better control and access to information. But there has been no training received on what a coop is. The cooperative does not submit annual reports to the Registrar of Cooperatives. The cooperative has a constitution and a business plan which was developed with the help of the Small Enterprise Development Agency (SEDA) who appointed a service provider to develop it. The cooperative decided on the elements of the business itself: *“The business plan is your dream. We follow it quite closely. What has not happened yet is the abattoir because we cannot supply the big retailers as we slaughter on a small scale”*. The cooperative also follows its constitution closely: *“Khazimla is not just these walls but all of us”*. When some members started to be lazy, the cooperative used its constitution: *“We would write letters to the lazy ones. The constitution is clear if you are not active for 3 months, you forfeit everything”*.

The cooperative employs up to 40 people when its work demands more labour, in particular during selling time, or when the cooperative needs extra hands for slaughtering and cleaning. The community views this as its main contribution to the community. The cooperative was approached by the Department of Social Development which suggested that the cooperative must take on more members. The Department had

promised the cooperative some money if it took these additional people as part of contributing to the Department's poverty alleviation schemes. The cooperative agreed to take 7 more people even though it was not certain of the benefits. The 7 members did not understand what a cooperative is. They demanded R8,000 as a salary per month. They were also not working as required. They had also refused to pay the required membership fee. The cooperative went back to the Department to explain how it works and that the demands were not tenable. The 7 members left at their own will as they saw that the cooperative was not a free ride. The cooperative was not happy with the Department as they felt dictated to by it. This is an important lesson in how cooperatives must remain autonomous without being used as instruments to meet government objectives, no matter how noble.

Core Activities

At the new farm, the cooperative started with 200 chicks but they still did not have proper chicken housing. The cooperative buys 1-day old chicks, feeds, treats and grows them over 6 weeks and then sells them as live chickens. For each 6-week cycle, the cooperative runs 700 chicks in the 6 housing units. There were some members who left after the poultry operation had started in earnest - this was due to health reasons as they could not cope with the smell of poultry. The cooperative does not slaughter to any significant scale as they do not have the equipment and the required municipal permits. The chicken housing bought by the ADM required many repairs on a regular basis. The cooperative had to renovate these chicken houses with brick reinforcements and construction. The cooperative paid for this and it cost R39,000. The cooperative also fenced the chicken housing and feed tanks at its own cost.

The cooperative sells locally at pension payout points. But it does not have a vehicle for long-distance and bulk deliveries. They have to hire transport at high costs. The cooperative buys its supply from the local agricultural supply shop. This is a problem as the feed is more expensive compared to buying it directly from the local EPOL factory. The cooperative suspects that an EPOL employee is related to the owner of the agricultural supply shop. The cooperative asked the ADM to negotiate with EPOL. This is still ongoing. When the cooperative approached EPOL directly, the cooperative was asked to bring evidence of its stock and sales.

The operation has electricity and water costing about R2,000 per month. This is due to the high electricity consumption rate of infra-red lights which are need for several chicken growing stages in the first 3 weeks of the 6-week cycle. The cooperative has seen a massive number of chickens dying. The cooperative pinned this problem down to one supplier who did not vaccinate the 1-day old chicks that they bought. The cooperative has since changed suppliers.

Each member of the cooperative is responsible for their own chicken unit: *“when we all worked in one, some were lazy arriving late. At sales time, then people would come expecting money. Now each person has their unit to manage and sell, then you deposit in the common account. This works much better now”*.

The cooperative holds monthly meetings. They also meet when they have urgent business to discuss. The cooperative uses a diary and minute book: *“We sell after 6 weeks and when we are done we discuss the challenges that we have met”*. In other words, this is a growing cooperative business that reviews its progress regularly. The cooperative competes with a bigger commercial poultry farmer from Mpongo. The Mpongo farmer has a bigger number of chicks and thereby lowers his feed costs as he buys in bulk. His other advantage is that he delivers to his customers which the cooperative cannot do as it does not have a vehicle.

Another struggle facing the cooperative concerns securing an abattoir which they can operate from the farm. But the municipality zoning costs seem to work against them. The cooperative has pending financial support for the abattoir from the Department of Trade and Industry. The Department of Water Affairs has also inspected and approved the site for abattoir activity. Then municipality rezoning is required. Money required for rezoning. The Department of Agriculture has also expressed pollution concerns if more

abattoirs are allowed at individual farms. The Department suggested that there will be one abattoir built for use by community-based poultry farmers. This would be in Mgwali, some 90km away from Berlin. This will not work for the cooperative. The cooperative also makes the point that there are several private abattoirs on many farms that it knows about. The cooperative is frustrated by this insurmountable challenge: *“all we need is a small system, small and suitable”*.

The cooperative also has 6 pigs. But not major production yet. The cooperative slaughters and sells the port. The piggery operation does not have much income yet: *“when you sell to the abattoir as they decide the price. The Hanover abattoir was not giving us fair prices”*.

The cooperative banks its money every day during the selling period. As a security measure, the cooperative does not sell after hours.

The cooperative intends to use the rest of the land to grow vegetables that do not require much water as the farm has no dam. The cooperative it intends to use chicken waste for manure. The cooperative currently runs a small side garden where it grows onions, cabbages, butternut, tomatoes and potatoes for subsistence. Sometimes the surplus is sold. Not all the 22 hectares can be planted. About 2 hectares can only be planted. The 6 housing units occupy less than 1 hectare of land. Soil sampling was organised by the cooperative and done in 2008 by soil scientists from the Department of Agriculture, but the results had not been given to the cooperative at the beginning of 2010.

But the biggest problem for the rest of the land is invader wattle trees. The cooperative went to the then Department of Water and Forestry Affairs for advice. They were told that they can sell the trees as timber. This would help clear the land after which the cooperative would need to burn the roots. But the cooperative has not yet secured interested timber buyers.

Members see massive benefits from the cooperative: *“Even though we work most weekends, even more so during selling time, but our husbands do not complain as we bring money back home”*.

Building Webs of Support

When it was still sewing clothes, the cooperative had received a grant of R20,000 from the Department of Arts and Culture which was used to buy sewing machines. The cooperative applied in October 2003 to the Department of Land Affairs for a grant to buy the farm. The application, which took about a year to process, was successful. The farm was worth R360,000. The DLA granted a total of R400,000 with the extra amount helping with some capital and operating costs.

The cooperative built good relations with the Department of Agriculture's local extension officer who visits it regularly to give advice and on-site training on how to run poultry operations. Through this, the cooperative got some initial training on poultry but this was not sufficient. The cooperative then approached the Department of Labour (DLA) for poultry production training. The Department organised a service provider (Uluntu) who ran a month-long programme for the cooperative. Amathole District Municipality (ADM) financed the cooperative's purchase of chicken housing 6 units which cost close to R100,000. Uluntu training also included financial and business management. The cooperative has also received financial management training from The Business Place and on how to prepare tender proposals from the University of Fort Hare.

The cooperative has identified its skills needs as including computer literacy: *“We sell and we have to invoice. We lose invoices but computers can keep the invoices”*. The cooperative has also attended several workshops organised by the ADM including meetings of the Amathole Cooperatives Forum. The cooperative has learnt a few things from these about cooperatives and has also used these understandings to raise issues about their interests and needs. But the cooperative has not received any systematic information and education on what cooperatives are, and how to run a cooperative.

Membership

Membership was opened up to the community at the beginning. But this changed as the cooperative lost members and developed further: *“Now it is not easy for us to admit other members given our contribution so far. We started with R150 joining fee and monthly R100 affiliation fee - this money helped to cover operating costs. All these costs were our contribution. Now at the farm we do not continue with the affiliation fee for the operational costs”*.

One member stays in the house - she pays for services but not rental. This was a decision of the cooperative.

Financial and Asset Management

The assets of the cooperative are estimated at R600,000. This includes the 22 hectares, the chicken units, the house, feeding tanks, chicken growing equipment/accessories and some furniture. The cooperative owes for some legal fees and municipal rates. The municipal rates are a sore point for the cooperative: *“we get charged rates for private residential homes which are higher than those for farms. We complained to the municipality but they say it cannot be changed. This is not consistent as there are other farms in Buffalo City who do not pay household rates but farm rates. We know a Fort Jackson poultry coop which pays farm rates”*. The high rates have led to the cooperative not being able to pay some months resulting in electricity cuts and this means that they cannot run the infra-red lights so essential to poultry production.

The cooperative runs a bank account. Before any withdrawal, members meet and agree. The cooperative is also meticulous about its financial records: *“We keep our receipts in files. We do financial reports. We were helped by the training. We do narratives and put the figures in the financial report”*.

The cooperative gets enough income from sales to cover costs. But the problem is still the death of the chicks and the delays in sales. The members do not get salaries every month: *“We share once we have sold. We also deposit money in the bank, buy supplies, pay for services. It is much better than sitting at home. It is our business so we also plan for the future”*. The cooperative believes that it would be running a profitable business if everything worked well: *“We have plans to sort out our businesses”*.

Lessons and Challenges Facing a Self Developing Cooperative

This is a self-developing cooperative which is only a few steps away from achieving commercial success. The cooperative has achieved much due to the self-nurturing of economic cooperation. The cooperative has learnt from its own experiences: those members who were not committed to make a sacrifice self-selected themselves out of the cooperative. The remaining members value their unity, cooperation, common experiences and the systems they have set up. The cooperative was also able to learn and find a suitable business activity after sewing proved to be unprofitable. The cooperative is also motivated by the assets it holds which give it a strong foundation for further growth. The cooperative has been able to diversify its support sources and meet its diverse needs. The cooperative was also able to say no to help from government when it felt that it did not coincide with what the cooperative was doing. The cooperative's problems with municipal rates and barriers to securing an abattoir could limit its income sources. The other challenges can be easily addressed. The cooperative needs support with information, education, training on, and application of cooperative principles and values.

III. COOPERATIVES IN BUFFALO CITY MUNICIPALITY

MAMANDE CHEMICAL COOPERATIVE

Introduction

The Mamande primary cooperative is located in the Fort Jackson industrial area. This area was created as part of the “border industrial parks” in the days of the apartheid-era Ciskeian dream of locating industrial areas just on the border with the then Republic of South Africa for what was then favourable tax regimes and for easy access to cheap labour. Fort Jackson is just outside the sprawling township of Mdantsane and is less than 1km from the N2 dual-lane highway which provides easy access to transport for finished products from factories at Fort Jackson. The Mamande cooperative was started in 2001.

Origins and Development of the Cooperative

The Mamande Chemicals Cooperative was started by a dynamic individual popularly known as Mrs. Paper Bag because of her earlier efforts to collect paper bags for recycling. She started with selling plastic bottles in the Mdantsane CBD and in the community. At the beginning, this cooperative was a close corporation which saw itself as a potential Black Economic Empowerment company eventually rising to being listed on the Johannesburg Securities Exchange.

After the death of one founder member in 2003 it was decided that the company must now become a cooperative. It is not clear why this change. However, purported government support for cooperatives as opposed to companies seems to have been a factor. The cooperative ultimately registered as a cooperative in 2006. The cooperative does not have a long and dynamic life. It has not developed cooperative cultures and practices. This is due to its former status as a close corporation with some of the features from this past continuing into the present. There is no evidence of how the newly formed cooperative took steps to review its pre-cooperative practices including ensuring compliance with the law. This is a major question mark on this cooperative that must be addressed.

The 4 members of this cooperative are from Mdantsane. This number is below the minimum number required in terms of the law. Moreover, it would seem this entity is merely a cooperative in name and not in practice. It does not work with cooperative values and principles.

Working with Cooperative Values and Principles

In legal terms this cooperative should not exist given its lack of membership to meet the minimum legal threshold to become a cooperative. The 4 members also constitute the cooperative's committee which monitors the overall running of the cooperative. This committee holds meetings twice a month. The chairperson and secretary are responsible for organising meetings and the treasurer oversees the management of finances. This cooperative also has an exploitative practice which is inconsistent with the values and principles of a worker cooperative. It employs a large number of non-members as workers who receive R50 a day working as laundry workers. Those who become permanent earn R1,400 monthly.

Core Activity

The main business activity of this cooperative is to provide laundry services to hospitals, hotels and the general public. This is built on the networks the chairperson of the cooperative established when he was a laundry manager for 36 hospitals in the former Ciskeian homeland government. Its former clients include the Fort Beaufort Tower Hospital, Bisho Hospital, the East London Hospice, the Regent Hotel, the Winterberg Santa Hospital, Fort Grey Hospital and the Hemingways Hotel and Casino.

The laundry market is dominated by big players against whom the cooperative has lost several tenders. Because of this the cooperative is fishing around for “multi-purpose” opportunities. Given that one of the members received training in manufacturing industrial and household cleaning chemicals, the cooperative also produces these chemicals. The chemicals which are produced here are processed and sold to various establishments across the district - public hospitals and private businesses.

Another business idea includes providing business cards to various public and private companies visiting their site. This suggests a lack of focus and the absence of a clear business and marketing strategy.

Financial and Asset Management

The cooperative has a number of assets which includes a bakkie, laundry machines, a machine for making cleaning chemicals, sterilizers, office furniture and equipment (desks, chairs, a computer, a printer and a fax machine). The cooperative has received funds from the Amathole District Municipality. The assets of this cooperative amounts to R500,000. The cooperative has a cheque account and all four members are signatories. However, the financial operations of the cooperative are not very transparent. It was difficult to establish how the cooperative utilizes its surplus. The cooperative has maintained an efficient filing system and it also has computer literacy skills amongst its members.

Lessons and Challenges of a Marginal Cooperative

Besides the formal appearance of being a cooperative, this institution is not a cooperative in terms of the values and principles of a cooperative. While there are collective practices to ensure the cooperative can produce cleaning chemicals, for example, however in its laundry operations it seems to be operating as a typical business employing workers, with low wages. This kind of exploitative practice is contrary to what a worker cooperative is all about. It is also one of the means to keep this cooperative alive. This cooperative continues to operate in ways that go back to its pre-cooperative days.

In conceptual terms this is a marginal cooperative in all the markets it has tried to operate in - cleaning, laundry and chemical manufacturing. It serves the interests of a few insiders but has not been able to utilise the cohesion of its small core of members to become more sustainable and commercially viable as a cooperative. It has not developed the capacity to scale up its existing operations and ensure sustainable and viable market access. This is despite some initial support from the ADM. It is also not on a sustainable self-development path. The exploitation of cheap labour is not a sustainable development path. Also the size of its laundry machines keeps it locked into a small part of the laundry market.

The cooperative needs training in both cooperative business and financial management skills. It also needs to develop strategic capacity to understand the markets it operates in and to develop strategies for the growth and expansion within these markets. Moreover, this cooperative needs to deepen its webs of support to ensure cooperative institutional capacity is developed. The cooperative needs to have proper education on the worker cooperative model. It needs to design and put in place policies, decision-making systems and a proper model for worker owner membership. In other words, it needs to understand the importance and value of worker ownership such that this is institutionalised.

III. COOPERATIVES IN BUFFALO CITY MUNICIPALITY

NCERA WOMEN'S COOPERATIVE

Introduction

Despite its officially registered name, this is not a women's only cooperative. The name goes back to when the cooperative was running the school feeding programme. When its school feeding contract came to an end, the name was not changed. At this point, the cooperative had to decide its future. It decided to start a farming enterprise: *"We wanted to develop together and we want development for all the other villages"*. This was in 2007. It produces vegetables and maize in 10 hectares of land in Ncera, some 40km south west of East London, just off the R72 road from East London to Port Alfred.

The cooperative's central premises where its affairs are run from and where its equipment is stored are a house and big yard that belongs to a dynamic Mrs. Jongilanga who is also one of the members. Her premises are a former farm house which has all the requisite buildings to serve as the cooperative's nerve centre. Members still stay in the Ncera villages and come to the premises on a daily basis to start work. The 10 hectares on which they plant is just across the road from Mrs. Jongilanga's house. Mrs. Jongilanga has also given the cooperative use of 2 hectares of land from her premises.

Working with Cooperative Values and Principles

The cooperative has a basic understanding of cooperation. That is a collective which works around a common needs and an economic vision. No membership share capital has been contributed by members. The cooperative did not change its old constitution when it switched from school feeding to farming: *"No real constitution exists in writing but it exists in practice"*. This works for now given the high levels of mutual trust and a deeply shared commitment.

The cooperatives small size enables it to manage discussion on the basis of consensus: *"Conflict or different opinions are managed through discussion"*. The cooperative is still too young to have developed rules of what happens when members leave. All members, though, understand that the assets belong to the cooperative collectively and that they cannot be alienated to meet individual needs of members.

There are no relations with other cooperatives. The cooperative is a member of the Ilizwi Lamafama Small Farmers Association but it is not active in this association and was not sure of what it will benefit.

Two members received training on what a cooperative is from SEDA: *"They came back and reported to us. We are now trying it in practice. The training was at the end of 2008 and we still have the documents"*.

The cooperative intends to have a public launch after the first harvest as an inspiration to the community. The cooperative also intends to donate fresh vegetables to the Monwabisi Project for the Disabled. These examples demonstrate the cooperative's concern for the community. This is a highly motivated cooperative that has quickly set up its infrastructure and started with production in a short space of time.

Core Activity

"We are active in agriculture. We produce potatoes, butternut, cabbage, spinach, and beetroot. Not maize".

The cooperative's first production season was from August 2009 with 5 hectares planted of potatoes, butternut and pumpkin: *"We were helped by DTI for this first production. They paid for 10 hectares"*

fencing, a tractor, and irrigation equipment". No planting was possible before this. The cooperative's members installed the fencing themselves after the DTI funds were used to buy it. Irrigation equipment is not installed yet.

To plant this extent of land, the cooperative had to employ additional labour from the local community. Members of the cooperative are also encouraged to have their own plots: *"there will be land allocated for own use and sale"*. This is to meet livelihood needs of individual members. The cooperative believes that it has adequate checks and balances to prevent neglect of collective production.

The cooperative's business strategy is "looking beyond ukugqebhelana" as it is focused on building a sustainable farming enterprise. The cooperative does not yet have a written business plan. The cooperative has applied to the Small Enterprises Development Agency (SEDA) for support in business plan development.

The cooperative has negotiated selling its fresh produce to the Fruit and Veg retail chain. The cooperative will also sell to the community. The cooperative has not considered the possible negative impact of the power of retail chains and it has not explored alternative marketing channels. The cooperative's access to communal land has been a huge advantage. The cooperative has an agreement with the local traditional authority to use the land permanently.

Building Webs of Support

In its initial life as a school feeding cooperative this cooperative merely worked with the opportunity provided by government. It did not seek to build capacity for diversification hence with the end of the tender the cooperative was forced to find a new basis for its activities to meet member needs. If the cooperative was committed to a cooperative approach to development and business it would have sort out support to build its capacity for sustainability beyond the government tender.

This cooperative has developed a capacity to engage with and reach government agencies for support. Its evolution from school feeding cooperative to farming cooperative reveals that. The role of DTI and SEDA loom large. However, this cooperative is still stuck in a state-cooperative relationship and is not looking to mature into a cooperative with independent capacities.

Its link with the community has been crucial to ensure the survival of the cooperative. In particular the land it has obtained for farming is a crucial community resource it has to utilize for the benefit of its members and the community more broadly. For this to happen it has to build up its webs of support to ensure institutional capacity is developed.

Membership

The cooperative has 6 members: 3 women and 3 men. There is only one young person in the cooperative. The majority are middle-aged. Membership is open to others from the Ncera villages *"but people just speak and are not hands-on"*. The only other requirement for membership is a R50 joining fee. The cooperatives also assesses membership applications on the basis of whether a person has the required skills and ability: *"many have applied but we did not take them as they were lazy"*.

Financial and Asset Management

The cooperative has not yet produced a yield for sale. It must still work out its systems for financial management. The cooperative has identified the need for building reserves from the word go. In addition to the fenced land, the tractor and irrigation equipment, the cooperative has other assets worth more than R500,000 in value including a shed, offices, disc ploughs, harrows, and a borehole.

The cooperative has recently opened a bank account that is not yet operational. SEDA has promised to provide training to the cooperative on financial and business management.

Lessons and Challenges Facing a Marginal Cooperative

This cooperative is very dependent on opportunities provided by government. As a result it failed to sustain itself beyond school feeding. In other words it did not develop a capacity, resources and strategy to go beyond school feeding. Its role in selling this service to government was not expanded beyond government.

In its current venture to engage in farming the cooperative is also dependent on government for technical support and resourcing. If it does not attempt to build capacity to address some of its internal organizational and technical problems, it would continue to be dependent on government and will remain marginal even as a farming cooperative.

This cooperative does not have working capital to hire local labour, for diesel, repairs and seedlings. The cooperative used money contributed by members to provide working capital. The cooperative hoped to grow and sell poultry in order to generate this working capital. The Amathole District Municipality promised to provide the poultry chicks but the supplier delayed the provision of chicks.

The cooperative received training in the cultivation of vegetables, poultry production, fencing, how to repair farm equipment, tractor driving and truck driving. This is a cooperative that takes education and training seriously even before it starts with production. There has been no training on organic farming *“but we use manure not fertiliser and we kill pests with waste from pigs we keep”*. The cooperative also receives regular visits from a government extension officer. The cooperative identified its skills needs as being financial administration, business management and marketing.

Despite 2009 being the first year of the cooperative's farming, it has been able to generate community interest in self-reliant economic activities. The cooperative sees itself as a generator of local employment and a community motivator. The following statements from the members of this cooperative contain powerful messages for consideration by cooperators and their supporters:

“It is important that people must not look for quick gains. It takes hard work, cooperation, discipline, and perseverance”.

“We want to learn from other coops. We visited the Sparrow Mkhonto Cooperative and another white farmer for mentoring”.

“There is a need for the municipality to empower councillors to be effective in supporting coops. Residents cannot just go directly to the municipality to speak themselves. Municipality must also be able to monitor progress. This will be critical”.

What this story also raises is the need for training to be ongoing and built into the life of the cooperative in a sustainable way and as part of practising cooperative principles and values. The once-off education and training by SEDA is insufficient. Education and training has to be relevant and linked to problem solving.

III. COOPERATIVES IN BUFFALO CITY MUNICIPALITY

RISING SUN PAPER COOPERATIVE

Introduction

The beginnings of the Rising Sun Cooperative goes back to 2001 at the initiative of an employee of the University of Johannesburg who wanted to do something to provide opportunities for skills to unemployed people. At this point in time, there was no clearly defined goal to build an enterprise. Based in the KwaMahlathini farm next to the Mdantsane township, the initiator trained 10 interested people drawn from Zone 1 in Mdantsane in making products from recycled paper and bead work. But there was no clear plan of what would happen after the training. Some of the trainees got involved in a “project” (which was a registered NPO) to clean local schools and the local Magistrate's Court. But they did not have control over this as they were merely casual workers.

After many years of such casual work, the trainees decided to form themselves into a group. Most current members of the cooperative as it is today joined the group in 2007 to explore serious opportunities. The flow of new members brought in new energy and the cooperative was formally established and registered in 2008. The cooperative has 9 members.

Working with Cooperative Values and Principles

At the founding meeting, the cooperative elected a committee. The cooperative plans to have its next AGM in 2010. The committee meets once a week. Members meet twice a month. There are clear reporting routines that are followed even though the cooperative does not have detailed written policies covering all its activities.

The cooperative uses its constitution as a living document: *“we refer back to the constitution when we come across a stumbling block and in it we find tools to overcome them”* and *“We changed the signatories using the constitution”*. The cooperative's procedure for membership applications requires that the committee must discuss these and make a recommendation to members.

The cooperative has its fair share of group dynamics due to age differences. The majority of members are women. In its committees, the cooperative has a “company secretary” portfolio. This is a strange naming but the role played by this person is central in keeping the cooperative going. She acts as the leading coordinator and organiser of the affairs of the cooperative.

The cooperative has not received training on how cooperatives work. However, its evolution has generated sufficient experiential learning for “home-brewed” practices and cultures acceptable to members and in line with the universal principles of cooperatives.

Core Activity

Upon registration, the cooperative received training and support from Phumani Paper (based at the University of Johannesburg) on how to produce paper products from recycled paper. The cooperative now collects and recycles waste paper to produce office paper, invitation cards, conference packs, photo frames, envelopes, gift boxes and other related paper products. Phumani Paper initially provided the cooperative with the raw material. This arrangement came to an end in June 2009. For feed inputs, the cooperative also uses old denim jeans, banana tree stems, the core of black wattle trees and pineapple leaves. These feed inputs are processed in order to produce the necessary fiber needed as a specific input in making the finished waste paper products.

The cooperative receives its waste paper from nearby schools, the Walter Rubusana Further Education and Training College (FET), the local police station and the Magistrate's Court. The cooperative's production is also affected by municipal regulations on electricity. The cooperative's premises are part of a mini-hostel like complex/structure where the owner is the registered electricity account holder. As a result, the complex has only one main switch for electricity. This means that the cooperative cannot control the consumption of electricity and that the actual room where the cooperative operates from does not have the required electricity connections and lights. The cooperative has to access electricity supply through an extension cord from the complex's main connection. This is cumbersome and unsafe. For the cooperative to grow, it needs suitable working premises.

From its training the cooperative has the required manufacturing skills. The cooperative has one member who has been trained in business administration, another in marketing and another 2 with computer literacy skills. The cooperative has been able to effectively combine this pool of existing skills in its ongoing efforts.

Building Webs of Support

In obtaining training for paper production and sourcing input for production this cooperative has leveraged webs of support very effectively. The cooperative has also benefited from municipality organised activities where cooperatives are invited to take part. These have included the Amathole Cooperatives Forum, a cooperatives indaba and workshops. But only 1 member attends and as such any available information is not uniformly shared and shaped as effective training linked to the practical development of the cooperative. It works because of high levels of mutual trust amongst members. The cooperative is an active participant in the Amathole Cooperatives Forum which *“helps with coordination and lobbying of the municipality”*.

Financial and Assets Management

The cooperative has assets worth more than R1 million. The cooperative operates a bank account and a bank card. No withdrawals can be done with the card from an ATM. Card withdrawals can only be done over the counter. The cooperative accesses its bank statements on a regular basis.

The cooperative does not have a separate financial committee. But the cooperative accesses services of a bookkeeper who compiles a monthly financial report. The members' and committee meetings serve as the main system to control finances. The *“company secretary”* ensures that *“all information is filed”* and is an *“effective administrator”*. The cooperative has not had an audit yet. It has also not yet submitted annual reports to the Registrar of Cooperatives as required by law.

The cooperative has not been able to provide a regular income to members. This is due to the cooperative's failure to produce in sufficient volumes and in developing markets for its attractive and high-quality products.

Impact on the Local Community

What is amazing about the cooperative is its sustained prioritisation of wider community benefits even before its members can earn a regular income: *“in our meetings, we decide to donate our money to support people living with HIV in the community”*. The cooperative also avails its members to work in food gardens to support people living with HIV and also serves as a source of information on how to access government support for social security and IDs: *“We help the community. This makes me happy”*. Of course, this will be limited by the extent to which the members can sustain community solidarity without getting income. It can also be argued that the cooperative is losing valuable time by not focusing on its core cooperative business activity. But at the same time, the cooperative cannot completely ignore the broader social crisis in its immediate locale.

Lessons and Challenges Facing a Marginal Cooperative

This cooperative shows all the signs of being marginal. Despite its self initiative it has not been able to break into a proper market and develop a sustainable income generation capacity. Many organizational and technical challenges face this cooperative.

The cooperative does not have training in cooperative financial and business management skills. But there is enough natural talent and experience in the cooperative for the effective management of the cooperative. Because of the broader social crisis in the immediate locale and its community activism, the cooperative is tempted to take on social services that could take the focus away from its core activities. The cooperative also mentioned the involvement of some of its members in construction projects. This is a reflection of members continuing to look for means of livelihood.

The cooperative has a clear vision of what it wants to do. It believes that the recycling and processing of waste paper into marketable products is a viable business. It knows that it must develop its business plan on its own. Through the Umsobomvu Youth Fund's voucher programme, it got a consultant who developed an unworkable business plan; it was not realistic or relevant to what the cooperative wanted to do.

The cooperative has no marketing strategy yet there is an available market for its products. The cooperative irregularly sells its products to Border Printing in East London, offices and from its premises. But this is not actively pursued. The readily available supply of raw materials also means that the cooperative's input costs are kept at a minimum. However this is still not enough to provide the required start-up capital.

The cooperative does not have a clear financing strategy. The cooperative does not have adequate capital to acquire the required machinery for mass production of waste paper products and for operational needs.

Many of these technical challenges in the cooperative partly relate to the lack of responsiveness from government institutions in terms of the supply of appropriate training. This is also a function of an undiversified and undynamic support environment for cooperatives. This cooperative has to break out of dependency relationship with government in terms of economic opportunities and training. It has to start deepening and widening its webs of support to enable the shift to a new development path for the cooperative.

The general crime affecting this community has also hit the cooperative. In one instance, the cooperative had its machines stolen. The machines were chopped into scrap steel and sold to a nearby scrap metal collector.

The cooperative is also alive to the importance of information and communication technology as it recognises the importance of internet access for its business which it does not yet have. The cooperative has also identified the promise of 2010 tourism as a unique and once-off marketing opportunity. The cooperative also intends to register itself as a stationery service provide to government departments and municipalities. On its own it may not get very far in pursuing these contracts. It requires the voice and power of a strong cooperative movement and the leveraging role a municipality or business support agency can play.

This is a good example of a cooperative that displays tolerance, the importance of ongoing skills development, the need for members to share the vision and the importance of a common need amongst members. Members of the cooperative have also been very patient and hard-working at the same time.

III. COOPERATIVES IN BUFFALO CITY MUNICIPALITY

SIKHANGELENE COOPERATIVE

Introduction

Located in the Potsdam peri-urban village lying about 8km outside Mdantsane (the second largest township in South Africa), this brick-making cooperative started in 2003 and was registered as such in July 2005. It was started by 12 members but 7 of these have left as the cooperative has struggled to raise the required finance. When it started each member had to pay R100 as a joining fee. The members came together as a group motivated by the need to create self-employment as a means of livelihood. As they were knocking on several doors for support, they decided to become a cooperative after receiving advice from the One Stop Shop Advice Centre for Small Businesses that is being run in Mdantsane by the Buffalo City Municipality.

Initially it was very difficult for the group to operate due to a lack of start-up capital. In these early stages the group acquired a loan of R4,000 from a local business owner but this was not enough. The cooperative obtained a site from which to work from the ward councillor. After its registration, the cooperative requested and received a grant of R250,000 from the Amathole District Municipality and another R10,000 from the Department of Arts and Culture. This was used as start-up capital.

Working with Cooperative Values and Principles

The cooperative operates on the basis of a template constitution which they feel is providing effective guidance for their operations. The cooperative does not have a detailed business plan that helps them to plan, finance, grow and to be used as an assessment tool.

Due to its size, the cooperative is able to function on a consensus basis through its two meetings a month. These meetings are also the forums used to address conflicts when they arise due to different views on how to move forward. However, the cooperative has never received training and guidance on how cooperatives function. The same applies regarding how to run a cooperative as an enterprise including training on financial, enterprise and administration management. The chairperson oversees the day-to-day running of the cooperative, the secretary oversees the administration and the treasurer oversees the financial management of the cooperative. The Sikhangelene cooperative members are very welcoming and willing to share information they have about their cooperative. The cooperative's office serves as a communication and information center for its customers and visitors. The office is staffed by members.

Core Activity

The high-quality bricks that the cooperative produces are sold to the local community. The cooperative does not have a detailed marketing strategy that would target government housing construction programmes and other big buyers.

The cooperative members are on the working site on a daily basis. However, business volumes have not yet secured permanent wages for members. On a few occasions of high business volumes, members have taken home R500 once-off payment. The cooperative does not have its own vehicles for delivering the completed bricks to customers. This forces the cooperative to hire a van at expensive rates.

When the volume of work is beyond the capacity of the 5 members, the cooperative hires labour from the local community at the rate of R50 a day. The cooperative sees this as a contribution to local employment.

The cooperative feels that their possible marketing advantage is diminished by the fact that their bricks have not been tested and approved by the South African Bureau of Standards (SABS). However, the cooperative does everything to ensure that it meets SABS production procedures and standards as far as possible. They are confident of the quality and standard of their bricks.

Financial and Asset Management

The cooperative runs a cheque account with signatories. The cooperative does not have written financial policies and procedures. It operates a transparent financial accounting system whereby every meeting discusses finances wherein all relevant documents (bank statements, receipts, etc.) are available for scrutiny by members. Before every purchase, a decision has to be taken by members approving proposed purchases. Some of the former members left the cooperative because of financial mismanagement.

Out of their funding from the Amathole District Municipality, the cooperative still has a sum of R110,000 in the bank. It is not clear what the expenditure plan is for this money. The estimated value of the cooperative's assets is R150,000.

Lessons and Challenges Facing a Marginal Cooperative

The cooperative feels that the Amathole District Municipality, as the main “funder”, should have played a more active role in order to provide on-site guidance and monitoring. This perception arises out of the relative isolation of the cooperative from information and relevant networks. This perception also has the danger of reinforcing the dependence of the cooperative on outside “funders” in a way that could diminish the autonomy and the development of innovative practices on the part of the cooperative itself. Indeed, the cooperative's perception arises out of the absence of institutions and systems of support and advice in the district.

The fundamental challenge faced by the cooperative is the lack of training in critical areas such as how cooperatives work, cooperative business management, financial management and administrative management. Another challenge is the need for a proper feasibility assessment that would lead to a realistic business plan, adequate start-up and operational capital, and a marketing strategy. To a large extent this reflects a failure of the cooperative to build a web of support relationships that extend beyond government and which can contribute to develop capacities in the cooperative for autonomous development. The state-cooperative relationship is best characterized as one of dependency.

The struggles of this cooperative affirm the importance of start-up and working capital. No cooperative can make progress without these. But these are not sufficient without a clear vision, an effective business plan and a marketing strategy. This would require clarity on how a cooperative would develop and execute these. Without self initiative, without information readily available and without adequate support, this cooperative's vision and plans remain unclear. In short this cooperative is not able to harness its existing resources and strengths for sustainable self development or for commercial viability. It is a marginal cooperative in the context of the local economy and wider market for bricks.

III. COOPERATIVES IN BUFFALO CITY MUNICIPALITY

SPARROW MKHONTO FARMING COOPERATIVE

Introduction

Located in the dusty underdeveloped rural village of Phumlani (made up of a large number of former farm-workers who were evicted from surrounding white commercial farms, thus “Needs Camp” being its other name), some 50km to the south west of East London the Sparrow Mkonto Farmers Trading Cooperative produces vegetables from 38 hectares of communal land over which it has usufruct rights. This 20-member cooperative was started in 1998 by an initial group of 50 members. At the time, the cooperative did not have a single asset in its name. The cooperative has fought a 12-year struggle to acquire the land, develop it and start agricultural production on it.

Origins and Development of the Cooperative

This cooperative was born out of a recognition that many people in the villages that make up the Phumlani area were unemployed but in a context of abundant unused land and plenty of river water for irrigation. The cooperative was started by a dedicated core group of members who wanted a better life through self-reliance. Based on a collective vision to build on existing agricultural knowledge, the group went about recruiting other members, approaching the community to use the available land and thereby leading to the formation of what was regarded as a “project”. It was only in 2002 that the group was advised to register as a cooperative. Members agreed to pay a R100 joining fee which was seen as a contribution to the cooperative's membership share capital. The name of the cooperative is inspired by the late anti-apartheid struggle hero who was brutally murdered in 1985 as part of the Cradock Four. The cooperative saw its struggle for self-reliance as consistent with the struggle for human rights and dignity that Mkonto fought and died for.

Before beginning vegetable production this cooperative faced a difficult challenge with the land. Mimosa thorn trees populated the land and had to be cleared. The members of the cooperative contributed sweat equity to realize this task and ensure the establishment of the cooperative. Following the clearing of the land, the cooperative was confident about approaching the Department of Agriculture to finance the fencing of the land which was eventually done in 2000. The Department followed up the fencing by facilitating the training of the cooperative on vegetable production. This was soon after the land was fenced. After the training, the cooperative did not wait; it started with planting vegetables almost immediately. The initial seedlings were obtained through a combination of government support and member financial contributions to purchase them.

Following the registration of the cooperative in 2002, the Department of Agriculture followed up its earlier support by purchasing a tractor, additional seedlings and fertiliser for the cooperative. The cooperative also received support of R750,000 from the Department of Social Development which was used to install the irrigation system.

Working With Cooperative Values and Principles

Even though the cooperative is isolated from other cooperatives and does not have enough information on how cooperatives work, its instinctive practices have been consistent with the universal values and principles of cooperatives. This lack of information about how cooperatives work is partly due to the limited advice the cooperative received regarding the purpose and function of registering as a cooperative. This advice was partly motivated by the need to get the original group into a legal entity that could enter into relations of support with government. Despite this, the cooperative has evolved democratic practices

that have reinforced joint ownership and democratic control of the enterprise. The very practice of opening up its membership to interested residents in the community distinguishes the cooperative from a private enterprise. The long-term commitment and inspiration to be self-reliant has shaped the cooperative values in this cooperative. This has required dedication and perseverance. This is partly from a recognition by the members of the difficulty of getting employment elsewhere. In this sense, the cooperative realised that through unity, cooperation and perseverance there will be results ultimately. Throughout its history, the cooperative has been characterised by a culture of convivial, inclusive and open discussion in the cooperative.

The principle of member economic contribution is well understood in the cooperative. The payment of R100 joining fee, the clearing of encroaching bush, the production of vegetables and other instances where members provided sweat equity without expectations of immediate income are practical demonstrations of members actively building and contributing to the economic life of their cooperative.

The cooperative has a committee which is elected every year. The committee meets once a week and the members also meet once a week. Members are expected to come to the fields everyday from 08h00 to 16h00. If a member cannot come, s/he is required to report to the chairperson. The cooperative is currently rewriting its constitution as it used a template constitution for its registration back in 2002. This is an opportunity to codify many its practices that it has developed over the years.

Consistent with cooperative principles, the cooperative has received training on agricultural production skills. Members appreciate this ongoing learning and growth. The cooperative has not received training on what a cooperative is, how it works, how to share roles and responsibilities and other aspects of cooperative principles, cultures and practices.

The cooperative has also faced its fair share of disputes and different views amongst members. The first instance of such problems was with the initial group of members who wanted to withdraw from the cooperative. Other disputes have been experienced when production had to be planned and executed. The cooperative has developed a culture of openly discussing matters as a basis for solving disputes and reconciling different views. Central in this is the high level of mutual trust that exists amongst the members of the cooperative.

Having struggled for 12 years and also acquiring clear tangible assets during this period, members of this cooperative are hopeful that they are not far from making a breakthrough in terms of their capacity to run a productive farm. However, access to capital remains the biggest challenge.

Core Activity

Of the available 38 hectares, the cooperative is currently using 6 hectares for vegetable production. The cooperative has been producing vegetables with significant yields since 2002. Its main vegetable products are potatoes and cabbages which have been sold to the local community and informal markets around East London. The cooperative has also begun to test the waters with 2 retail chains (Fruit and Veg and Spar). Both chains promise to contract the cooperative if it can provide a regular supply of vegetables. The cooperative went as far as to reach an agreement with the Mdantsane branch of Fruit and Veg. However, it was not able to meet the minimum yield that the chain demanded. Whilst this market linkage is important for the cooperative, it could also expose the cooperative to a powerful retail chain that also has market power to determine prices and even reject some of the delivered produce. Its best yield was in 2008 when it managed to produce 200 bags of cabbages, 895 bags of 10kg potatoes and 765 bags of butternut. This was produced on the basis of available agricultural production skills that the members have acquired over the years including organic methods of production. However, the organic methods are sustained due to a lack of required capital.

Part of the land has grazing and foraging plants suitable for goat production. The cooperative has not yet started with goat production as the relevant parts of the land have not been fenced to create sufficient camps that would allow for rotational grazing and to keep the goats from destroying the vegetable fields. In 2005, the sub-standard wire used in the fence and the poles were burnt by a wild fire thus leaving the crop fields exposed to grazing animals from the nearby villages. The land was exposed unfenced for another 2 years after this fire. The cooperative had to mobilise support from the Department of Agriculture for the re-fencing of the land.

For most of its life, the cooperative has operated without an enterprise plan. During 2009, the cooperative received support from a consultant appointed by the Department of Agriculture to develop its enterprise plan with a focus on effective marketing of its products. This was also linked to further education and training on agricultural production that is supported by the Agri-SETA. In the absence of effective agricultural extension services from government, the SETA has paid for a live-in consultant to provide on-site agricultural training for the cooperative. This training was delivered in 2009. The cooperative sees the business plan as a tool for accessing more funding. Whilst understandable, the cooperative is failing to appreciate the process of developing its enterprise plan as being an opportunity to carefully decide its goals, plan its targets, and set up a basis for measuring its progress over time. Such a deliberative business planning process is key to the sustained growth and expansion of the cooperative.

The cooperative does not yet have all the required operational capital to fully and profitably utilise the land. Most agricultural economists estimate an initial minimum of R50,000 investment in a hectare of land to profitably produce vegetables. For the cooperative's current six hectares under vegetable production this would mean a minimum of R300,000 that must be available at the beginning of the planting cycle. This is to take care of equipment, land preparation, diesel, wages, seedlings, pest control and other production costs. The financial support the cooperative has received may appear to be more than the minimum R1 million it may require. However, it must be recalled that for effective business planning, production capital must be available at the beginning of and throughout the production cycle. In the case of the cooperative, some of the financial support has significant gaps in terms of when the cooperative had access to it (up to years in some instances). So the cooperative has not had a single production cycle where it had all the required production capital.

The cooperative continues to be unable to pay regular wages to its members. This is due to an inability to plan continuous production and the absence of water during the dry months. It is a question of time before the cooperative is confronted by the income needs of its members. The cooperative has been able to mitigate this challenge by allocating fresh vegetable for home consumption to its members. This is highly appreciated by members who have seen improvements in the health of their families which they attribute to access to fresh produce for most months in the year.

When not in the fields, the heart of the cooperative's operations are the storage shed that also doubles up as an office, meeting room and visitors' centre as it has space to accommodate all these functions.

Building Webs of Support

This cooperative has developed state-cooperative support relationships. This is reflected through the financial support and training received from government. Moreover, the link with community has been crucial in securing land for production purposes. The impulse to succeed as a self-developing cooperative has to be strengthened by other strategic support relationships. For this cooperative to diversify its activities beyond vegetable farming, to engage in organic food production, food processing and to reach wider markets, support relationships that can source in technical advice and resources would make a big difference.

Membership

The original 50 and the current 20 members are residents of the villages that make up the Phumlani area. Women make up 70% of the members. The cooperative has always opened its membership to those in the community who are willing to contribute positively to the life of the cooperative. The cooperative went for many years without income to members. Due to this lack of income, the number of members gradually dropped over the years from the original 50 to the current 20. There were also cases of some members who withdrew because they were not in a position to pay the required joining fee. Some were unable to sustain sweat equity contributions to the cooperative without income and they withdrew on the basis of looking for alternative employment.

During 2009, the cooperative received young post-matric learners from the local community who were seconded to it under the Agri-SETA training programme that the cooperative underwent in 2009. The cooperative is considering extending membership to these enthusiastic young learners.

Financial and Asset Management

Through efforts of many years, the cooperative has acquired a significant body of assets worth between R1 million and R1,5 million: a tractor, fencing, an irrigation system, a shed that also doubles up as a meeting room, and other agricultural equipment. These are highly valued assets which are understood to belong to the cooperative as a whole as opposed to being under the control of one individual. All these assets were acquired with the financial support of various arms of government.

The cooperative has a bank account which has three signatories appointed from the cooperative's elected committee. In some seasons, the cooperative has been able to bank significant amounts of money from sales of fresh produce. The cooperative keeps a detailed and written set of financial records which are open to scrutiny by members. All records of sales and withdrawal are kept. The cooperative uses its meetings to have transparent discussions of its financial affairs. The elected Treasurer plays a central role in financial management. Yet, the Treasurer has not received any financial management training.

The cooperative has not audited its financial statements since it was established. It has also not submitted the required annual reports to the Registrar of Cooperatives. Despite these shortfalls, the transparency in financial management has ensured that the cooperative has not been exposed to fraud and corruption.

Impact on the Local Community

Despite its challenges, the cooperative has also made an impact in the local community. Its members are seen as an inspiration to the community. The community also appreciates the cheap and high quality fresh produce it buys from the cooperative. The cooperative has also donated vegetables to the local crèche. During harvest time, the cooperative has also mobilised additional labour from the community that has been paid in kind (exchanging labour for a bag of fresh produce).

Lessons and Challenges Facing a Self Developing Cooperative

Central to the story of this self developing cooperative is the unreserved commitment of the members who make up this cooperative. Theirs is a lesson common to many cooperatives: in the unfavourable conditions under which many people seek livelihoods through self-reliance, it is not going to be easy to go through the long and unrewarding challenges of mobilising similar-minded members, building a common vision, making mistakes, knocking on various doors for support and eventually succeed with production and income generation. However, cooperatives do not have to suffer this fate. This requires conducive financial support and dynamic links with the market environment. This is most important for cooperatives that require significant capital to begin production. In many instances, the absence of such capital diminishes easily exploitable economic opportunities. In the case of this cooperative, there is a growing

demand for vegetables but the absence of adequate production capital, at the correct moments in the production cycle, which means the cooperative cannot meet the demand for fresh produce sustainably.

Among the challenges facing the development of this cooperative is the lack of transport to take the produce to the markets. In addition, the cooperative does not have access to alternative marketing channels that are not controlled by retail chains. Indeed, the cooperative has sold some of its produce to the community and at informal markets. But the local community is a small market compared to the potential yield of the cooperative and the informal markets are insufficiently organised to provide a sustainable basis for income. The informal markets also dictate prices to the cooperative. Access to functional and favorable markets is a major challenge facing this and other farming cooperatives.

One of the cooperative's potential marketing advantages/premiums is its latent potential for organic fresh produce. With increasingly enlightened consumers, there has been a growth in the market size of consumers looking for healthy and unpolluted organic produce. The cooperative needs to exploit this opportunity. The main challenges are complete knowledge of permaculture methods as well as certification of its produce as organic. There is limited knowledge and support available for cooperatives and other emergent farmers in this regard.

Value-adding is also another possible alternative that the cooperative could consider. In a hostile market environment, value-adding could increase the power and income of the cooperative. In its struggle of many years, the cooperative has not yet considered value-adding. However, value-adding would require additional skills and capital.

While access to land continues to be a serious problem for small scale farmers in the Amathole district, the experiment of Sparrow Mkhonto cooperative shows how one group of small farmers have attained land through communally owned resources. However, this will not work in all instances given that many communal resources are in over-populated and degraded areas. This underlines the importance of wider land and agrarian reform in the Amathole district that would not only redistribute land but also reorient available agricultural resources, institutions and systems in order to support thousands of new small farmers as well as ensure sustainable household-based food production and subsistence. Cooperatives are an important part of such a thorough-going land and agrarian reform.

Clearly, the challenges faced by this cooperative are not only from within, but also have to do with national and global dynamics. In addition to land redistribution and skewed agricultural markets, the other external challenge faced by this cooperative is the impact of climate change which has meant that the cooperative cannot effectively plan its production cycles as rain patterns in the area have varied over the last few years.

Despite all the challenges that this cooperative faces, its story demonstrates what is possible to achieve. This is a story about a group of people who have together, freely and voluntarily, built an enterprise that is helping them get closer to realise their common need. They may not be receiving income yet but together they have achieved a lot of tangible goals. Standing on these achievements, the cooperative remains inspired to strengthen itself until it is a successful enterprise. This hopeful spirit reaffirms the passion of the people in looking for alternative pathways to sustainable and self-reliant worker owner employment.

IV. COOPERATIVES IN GREAT KEI MUNICIPALITY

GWABA WOMEN'S COOPERATIVE

Introduction

This cooperative is located at Gwaba Village under the greater Kwelerha area some 40km to the north of East London. Indeed, the Gwaba village has high levels of unemployment, poverty and under-development. This situation is a strong motivation for residents to consider the cooperative option as they seek to find a better life for themselves. Whilst this basic concern shapes residents' actions, however, the trigger to start and form this particular cooperative was primarily motivated by something else: *“The project was formed due to a call made by the Department of Social Development and the Amathole District Municipality as part of the government's call to alleviate poverty and create employment”*.

Origins and Development of the Cooperative

In early 2006, the Amathole District Municipality (ADM) together with the Department of Social Development held an Imbizo at Jongilanga Community Hall. Amongst the things discussed was the issue of development in the area and how best the area could benefit from the programmes driven by the Municipality and the Department. The Department highlighted that they have funding for women's projects and gave a list of projects that the groupings could choose from. They further advised the community to regroup themselves into 15 member groups and identify a project they will be interested in as a community. The group seized the opportunity and chose brick-making due to, amongst other factors, expensive delivery costs of bricks supplied from East London. An additional factor was the readily available supply of water in the village which is required for brick-making.

Each member was requested to pay R30 as a joining fee which was used to open a bank account. The group also approached the community and the local councillor to negotiate for a site. They then approached a local white retailer who had a shop in the village to assist with the clearing of the site as he had a tractor. Local youth were mobilised to help with the cleaning and clearing of the site. They were paid R400 each from the money that was allocated by the Department of Social Development which also provided a grant for the cooperative's start-up capital. In line with procedures used for using government funds, three quotations were sought for the building of the slab and an outside service provider was selected. The use of an outside service provider did not augur well with the locals and this created tensions with the Department. Consensus was reached that the service provider should use local labour as this would create jobs in the community.

The members are committed to see their initiative succeed. Their 8-hour working day starts at 8am daily. The only time they deviated from this was when they ran out of water and when the concrete mixer broke down.

Working With Cooperative Values and Principles

The Gwaba Women's Cooperative has not received education and training on the universal principles, values, practices and cultures of cooperatives. They understand though that for them to be successful, they need to fully commit, persevere, respect each other and ensure that they work as a team. The functional life of the cooperative is too short for it to have developed an established body of practices. There are a few elements in place: a constitution, regular meetings, and the recording and filing of minutes. The cooperative has not asked members to contribute membership share capital. In any case, the cooperative does not have an understanding of what membership share capital is about.

The members were trained on brick production and brick-laying (Department of Labour) as well as on bookkeeping and how to run a cooperative (by an NGO called Afesis-Corplan). The cooperative has not yet identified the education, information and training needs of its members that would be in line with the vision and objectives of the cooperative.

Despite the lack of a coherent set of cooperative practices, the cooperative has instinctively shown some organic association with cooperative principles. The constitution and the regular meetings are a rudimentary expression of democratic member control. When there is more work, the cooperative employs local people from the village on a part time basis. In addition to providing bricks to the community, the cooperative sees this local employment as a demonstration of its community concern. The cooperative also makes financial donations to the local church "*when the business is doing well*". The cooperative has received support from the community too: the clearing of the working site by local youth.

Another Stumbling Block: Registration

The cooperative came across another problem: the Department of Trade and Industry could not assist as the cooperative was not officially registered despite its use of the word "cooperative" in its name. This raises another problem that the cooperative has not thought about: in terms of the Cooperatives Act of 2005, no one other than a registered cooperative may use a name that includes the words "cooperative", "coop", "cooperative limited", "cooperative ltd.", or "coop ltd". No person or group other than a registered cooperative can indicate that they are carrying on the business of a registered cooperative. It is a crime to break this rule. The Gwaba Women's Cooperative was not aware of this legal provision. The cooperative has now applied to the Registrar of Cooperatives for registration.

The failure of the cooperative to register raises another problem: the importance of information that cooperatives need about what is required to form a cooperative. From the public meeting the ADM and the Department of Social Development held in the village, the cooperative did not get all the required information on what steps to take. After this public meeting, the cooperative did not have access to advice and support for it to be able to walk through the various stages including information about the legal requirements for cooperatives and what to do.

Building Webs of Support

Throughout the period of its existence the Gwaba Women's Cooperative has appreciably received constant support from the Department of Social Development "*the members are relying on the department for everything including the safekeeping of their records*". The Department of Social Development also assisted with the development of the cooperative's business plan and afterwards provided a grant of R500,000. Whilst the Department of Social Development may be concerned with the management of its grant funds by the cooperative, the "*safekeeping of their records*" by the department may ultimately dis-empower the cooperative as it may not develop its own systems to keep records, manage assets, etc. as should be done by autonomous and independent cooperatives that are democratically controlled and managed by their members.

Beyond government support, the cooperative has won community support as members of the community helped with clearing the working site and they have also bought available bricks from the cooperative.

Financial and Asset Management

As stated above, the cooperative's start-up capital was from a grant made by the Department of Social Development. The money was used to buy the brick-making machine (worth R49,000), 4 tanks, wheelbarrows, spades, forks, a concrete mixer (R29,000) and protective clothing for workers. The total movable assets are worth R200,000. The department also pays out a sum of R500 every month to cover groceries "*as it did not want members to take from the main grant*" (an important contribution that gives

members some financial base upon which to focus on building and growing the cooperative - however, this could have negative and unintended consequences if it is not linked to performance and there are no clear rules about when it will come to an end).

The cooperative has two bank accounts. One is managed by the Department of Social Development. For all transactions in this account, the cooperative must first consult and seek the consent of the department, and it must also comply with the department's procurement procedures. This is financially prudent but it could expose the cooperative to the whims of the bureaucratic pen. The cooperative could use this process to set up its own policies and procedures for financial management and procurement of supplies. The file and account is audited by the department. The second bank account is managed by the cooperative itself with its own signatories. Income from sales is deposited into this account. They pay themselves from this account.

In December 2006 to 2007 the cooperative had made “*a profit*” of R87,000. The money was all saved in the bank. This increased to R104,000 in 2007 and each member was paid a once-off R4,500 bonus. The cooperative has not factored in its production costs and surplus margin into its pricing: “*we do not separate the profit from the cost price as we regard the sales as profit*”.

Out of “*rejects*” (poor quality bricks), they have built themselves an office.

Lessons and Challenges Facing a Marginal Cooperative

For various organisational and technical reasons it would seem this cooperative is still a marginal enterprise. It was conceived and developed in a top down way through government support. This has thrown up many problems and challenges.

The assumption of readily available water was tested not soon after the cooperative had started: the Amathole district suffered water shortages due to inadequate rain and the communal water taps were provided for community consumption only. The cooperative had to then apply for an official water supply from the ADM at a cost of R3,000.00. After several months, the municipality informed the cooperative to collect their application fee as it could not provide water in the area. Determined to continue and commence with production, the cooperative then opted to buy water from the municipality at a cost of R1500 per month. This had its own challenges as the delivery was ad hoc. Without water as one of the main inputs of brick-making, the cooperative's very core production process was negatively affected: “*it defeated the purpose of the cooperative*”.

The problems the cooperative experienced with the lack of a sufficient water supply provides a very important lesson. Once the cooperative has a clear purpose, before starting with operations and making commitments, it is imperative that a cooperative must determine if the proposed enterprise idea is feasible. Does it stand a chance to be successful? How will a cooperative know whether it stands a chance to be successful? This is where a feasibility study comes in. The Gwaba Women's Cooperative did not do such a study before it started with operations. On the security of a government grant and access to a free site, the cooperative assumed that everything else will work without having assessed the full set of issues that will affect production, the provision of inputs, the extent of the market, how the cooperative will sell its products and other basic requirements for planning a successful enterprise. A feasibility study simply checks out whether the business idea of the proposed cooperative is likely to be commercially successful. If a feasibility study is properly done, it will form the basis of the cooperative's plan.

Also important are critical steps that each cooperative must go through even before starting with a feasibility study. These are where potential members of a cooperative get an opportunity to discuss their common needs, define goals and a vision, and they start to coordinate organising and business research for the potential cooperative. Did the Gwaba Women's Cooperative agree on their shared common needs and how the proposed enterprise will meet these needs? Did they go through the process of clarifying their

goals and vision? Did they work out how to undertake basic research about the enterprise they wanted to start? The security of a government grant is simply an inadequate basis upon which to start an enterprise. This approach sets up a potential cooperative for failure, disappointment, demotivation and disillusionment with the cooperative option.

It is not a surprise therefore that the on and off supply of water (*“and therefore no production, and therefore no regular income”*) led to 4 members withdrawing from the cooperative in March 2008 leaving behind 11 members. A few months down the line a further 6 members left for the same reasons. Ultimately, the remaining 5 members preoccupied themselves with securing an income for themselves. The cooperative decided to pay R1,500 monthly salaries which was later reduced to R500. This still left the core problem of a lack of a water supply unaddressed.

To make matters worse, from May to September 2009, the municipal water supply in the village literally stopped as there was a drought. This meant that there was no water supply and the cooperative had to buy water from the municipality. Furthermore, in September 2009 the concrete mixer became faulty. It was only fixed in October 2009 and there were no salaries drawn during the period as the business was at a standstill.

During the period of the May-September 2009 drought the cooperative approached the Department of Trade and Industry for financial support. For reasons narrated below, the cooperative could not receive the funds it requested. The Department has not yet closed the door on the cooperative's application. In the meantime, the cooperative acted on a subsequent offer from the Department of Social Development to apply for “top-up” funds. But it is not clear that these additional funds will necessarily address the water supply problem. The problems of this cooperative are not simply access to finance.

The issue of financial dependence in state-cooperative relations loom large in this cooperative's experience. Even though other cooperatives are correct to point to a generalised lack of adequate support and finance, at the same time easy access to government networks (primarily for access to funding) can be undermining. In the case of the Gwaba Women's Cooperative, government support was available but it did not help the cooperative to ensure that it developed organically through the required formation process. For example, the cooperative did not centrally drive the development of its business plan. The business plan was primarily done in order to meet the procedural requirements for government funding. This undermined the possibility of the cooperative using an organically developed business plan as a basis for effective planning of production and sales, as a tool for management, as a tool for monitoring, evaluation, growth and expansion.

In summary this cooperative's experience underlines the importance of a clear vision, common and shared needs between members, testing the feasibility of a proposed enterprise, working out how the cooperative can develop (its business plan, etc.) whilst also accessing external support without being dependent on such support, and the importance of complete information and support as the cooperative goes through the formation process. With all these lessons noted, the initiative of the cooperative is not wasted as it has potential to build on its successes and address mistakes made.

IV. COOPERATIVES IN GREAT KEI MUNICIPALITY

NGXINGXOLO WOMEN CRAFTERS COOPERATIVE

Introduction

Ngxingxolo is a communal village located on the outskirts of the Mooiplaas farming area some 40km to the north of East London. The Kwelerha river is one of the major water sources for Ngxingxolo. This is where the Ngxingxolo Crafters are located. The crafters are the only group at Ngxingxolo that do sewing and sell beadwork.

Origins and Development of the Cooperative

This pre-cooperative goes back to 1987 when it was initiated by Operation Hunger as a beadwork and community sewing project of 10 members called the Masikhuthale Crafters. The members who are all crafters identified the need to do beadwork and sewing in the area to generate income and to create employment as well. Operation Hunger was liquidated in 2000 and the project was left to proceed on its own. It had not registered in any legal form throughout this period as it was under the wing of Operation Hunger.

In 2008, the group was advised by a private individual to register as a cooperative. Each member was requested to pay R250 towards registration and the opening of a Standard Bank account in the name of pre-cooperative. Out of the original 10 members, 3 members left the group. These were replaced by a new 4 members bringing current membership to 11. Although the group forwarded the money for the registration of the envisaged cooperative to this private individual who advised them, the group is not aware if they are really registered as a cooperative. To date, the group has not received correspondence or a registration certificate from the Registrar of Cooperatives. It is for this reason that in this report the group is referred to as a pre-cooperative.

Core Activity

The group has no premises from which to work. Individuals work from their homes and for their own individual account: when a member has produced and sells beaded and sewn products, the money received is hers only. The group prefers to work separately "*because of lack of finances*" to ensure joint production. The commitment given depends on the needs of that particular individual. They only assist each other if one member has requested assistance from another member. Even though they work separately, they still continue working together. This manner of operations is not in line with the cooperative logic of a "jointly owned enterprise" characterised by "member economic contribution" and other features of cooperative practice and culture.

Having said the above, the individualised, home-based production is not necessarily a problem if the role of the cooperative in the value chain was clarified. For example, members in a cooperative can produce individually but agree to cooperate in procuring supplies and joint marketing. This group has not discussed how exactly it will be a cooperative, and what benefits will accrue upon economic cooperation. The need to clarify these issues is absolutely critical to ensure the cooperative succeeds. Even though they work separately, they recognise the need and benefits of working together.

The individuals sell their wares at pension payout points. Mam' Tofu, a famous and popular local crafter and excellent traditional dancer whose home is frequently visited by international tourists, has made her place available for the members to sell their wares from. This has helped to increase the income of the members. In addition to selling its crafts, the group also hires out some of its products for use by

individuals and families at important social occasions. For most of the time, the individual members are not able to sell their wares and earn any income. There is no systematic marketing strategy.

The group is led by a 5-member committee. Its meetings and those of other members are not regular. The group has limited understanding of what a cooperative is about. The group has never received any training and indicated that they need training on all aspects of a cooperative and the best way to run and manage it.

During their period with Operation Hunger, the group received training on self-help principles. The only other training the cooperative has is inter-group assistance and training in craft production.

The group's key needs are finance, premises from which to work and a marketing strategy. Stating these needs assumes that the group endorses the cooperative option, understands the need for building the required consciousness and awareness of being a cooperative, and that it will take the necessary steps to build a genuine cooperative. However, this cannot be taken for granted as the group is not sufficiently cohesive to take the necessary steps.

Building Webs of Support

Beyond the support received from Operation Hunger this group has not endeavored to develop a capacity for overcoming its limits and weaknesses. Other than the arrangement with Mam' Tofu and winning community support, the group has not built any support relationships with external institutions. Most of the customers are from the local community.

This group has not formed any partnership. At some point the Department of Agriculture was approached for funding. The group understands that the Department had allocated a sum of R43,000 to the group but the money was not received. The group has not been able to effectively follow up this matter.

Financial and Asset Management

There are no collective group assets to speak of. For reasons only known to the group the Standard Bank account that was opened at the beginning had to be closed down. The group believes that this was due to inactivity in the account - arising out of poor sales and income on the part of the group.

After a while the members felt that a bank account was necessary and it was decided this time each member must contribute R50,00 towards the opening of the bank account.

Lessons and Challenges Facing a Marginal Cooperative

This group merely self-identifies itself as a cooperative but is not a cooperative formally and in practice. Currently it is marginal and has major organizational and technical challenges that limit its development.

This group has not developed an appropriate cooperative model as a potential producer cooperative. It has not developed a member based structure, an understanding of utilizing collective solidarity to build an advantage. Most importantly there is no education and understanding of the cooperative option and the cooperative does not have proof of legal registration. The technical problems relate to the absence of a feasibility study, a proper cooperative business plan including a financing strategy, marketing strategy and skills plan. The lack of proper premises and internal coordination all point to the existence of a marginal enterprise.

Perhaps, this group is better suited to its current structure and operations. It cannot be assumed from on-high that the group's objectives can be achieved through economic cooperation. Such an objective must be based on a common, shared and real need, a clear vision and a cooperative business idea, an appreciation of the difficult struggle of putting together a cooperative, and building the requisite consciousness and skills.

V. COOPERATIVES IN MNQUMA MUNICIPALITY

BEE DEW COOPERATIVE

Introduction

The Bee Dew Cooperative is situated at the Msobomvu township just outside eGcuwa (Butterworth). It is operating from a rented premises belonging to the Phohlo family-based business.

In 1992, the Phohlo family were troubled by a swarm of bees that had nestled for years in their family shop. Later on, the bees also occupied many spaces in the family's main house, sheds and garage. After many months of anxiety, the family consulted amagqira (traditional diviners) as they could not understand what was going on: almost everything they owned was occupied by the bees. The diviners instructed the family to appease the bees ("the visitors") and the ancestors by brewing homemade umqombothi (traditional soghurm beer) but the bees did not go away.

It was completely coincidental that Mrs. Phohlo came across an article about bees in the *Farmers Weekly* (the main magazine servicing commercial agriculture in South Africa, also the oldest magazine in the country, published since 1911). The family immediately acted on information and advice in the article. The family approached the Department of Agriculture for assistance but did not receive a positive response. Having derived no joy from the then apartheid government, the family then consulted Honey Birch, a Pretoria-based beekeeping company. The company was forthcoming with advice and relevant information. The company was willing to provide training to them but this would cost R25,000. As they could not afford the cost of training they were referred to Sinobusi Bee Keepers in Mthatha. Sinobusi Bee Keepers informed them that to transfer the swarm from where they were to an appropriate beehive it would cost R2,500, a hive would cost them R750 and there would also be costs for transport, accommodation and meals for the employee that Sinobusi would send for the job. Sinobusi offered to lend them protective clothing. On Sinobusi's advice, the family purchased two beehives. Moreover, Sinobusi came and showed them how to transfer the bees and harvest honey from them. Afterwards, the family tried on a part-time basis to harvest honey for its own consumption. This was done without all the required equipment. Instead, the family used home-made tools.

Origins and Development of the Cooperative

Having ultimately decided to explore commercial production of honey, the family went back to the Department of Agriculture to ask for help. In 2007, the Department replied positively. The family bought equipment costing them R7,000. At the same time, Mrs Phohlo joined the government initiated Women in Agriculture and Rural Development (WARD) programme.

In 2008, the family again went knocking on government doors for assistance. The Department of Social Development advised that they must form a Non-governmental Organisation (NGO) which they did and called it Bee Dew. With some honey harvesting experience, the Phohlos realised that the amount of work required demanded more than 2 part time family members. The family decided to invite members from the local community to be part of the NGO. In total 22 people from the local community were invited to join. No joining fee was required as many of the invited people were unemployed and without high levels of household income. This was a reflection of the underdevelopment in the area. Employment in eGcuwa has been limited mainly to four medium-sized supermarkets, several cafeterias and eateries, driving of taxis, street vending, domestic work and government services. The majority of families depend on state social security grants and remittances. The latter only exists for those lucky enough to have relatives working in the country's major urban centres.

The Department of Social Development assisted the cooperative with the development of a Business Plan and with a week-long business skills training program. The Department did not honor its commitment to pay each trainee a sum of R30 for each day of training attended. The number dropped to thirteen as some people believed that the Phohlos took the money that was due to them. Another training intervention followed on Project Management. This was conducted for 5 days and this time the Department paid the training allowance.

Following this training and in line with the Department's step-up approach to social assistance, the NGO received a grant of R500,000 from the Department. The money was used to purchase containers, beehives, boxes, protective clothing and other necessary accessories. With the assistance of the Small Enterprises Development Agency, the NGO changed and became a cooperative that was then legally registered in September 2009.

The cooperative decided that its main objective will be to create jobs for its members and the local community in order to fight local unemployment. They said that they will achieve this objective through the breeding of bees, the building of an apiary (an apiary is a place where beehives are kept and bees are raised for their honey), the planting and growing of winter and summer plants for the feeding of bees, harvesting and processing of honey as well as the manufacturing of products from bees wax.

Half of the members are women and 25% are youth.

Working with Cooperative Values and Principles

This cooperative is remarkable for its rootedness in and commitment to the local community. As part of its social commitment, the cooperative meets all the honey needs of the Cingela Adult Centre. In its business plan, the cooperative identifies and analyses the major health issues in the community and seeks to position itself as a contributor to addressing them. These include low immunity, malnutrition, TB and HIV/AIDS. The cooperative's business plan demonstrates how the cooperative has inserted itself in existing community networks (choirs, traditional parties, churches, youth clubs, women's groups, existing cooperatives).

As stated above, no fees were paid by members when the cooperative was still being formed as an NPO. The cooperative has not yet considered whether members should contribute membership share capital. Following advice from SEDA, the cooperative developed a constitution it feels is its own. At its establishment meeting where the cooperative was agreed upon, the cooperative also elected a 7-member committee which meets once a week. Members' general meetings are held once a month. There have been instances when the cooperative held such general meeting as needs arose.

Given how the cooperative has emerged, training has been an essential feature of its existence. As stated above, the cooperative has received training on honey production, business planning, business and project management, and limited introductory training to cooperatives (from SEDA). The cooperative has not received adequate training on how cooperatives work.

One of the members is a trained horticulturist who gives guidance for the planting of winter and summer plants.

The members firmly believe that unity and cooperation is key.

Core Activity

On a daily basis, the cooperative is actively involved in all the stages of breeding bees and producing honey. The cooperative has not yet started with manufacturing wax-based products as this requires new equipment and additional training.

The cooperative has 12 colonies and produces 30kg of honey a week which is then bottled manually and sold to local shops, the general public, the Ikhala Trust in Port Elizabeth, at public events and at workshops the members of the cooperative attend. Winter and summer plants are also grown to feed the bees in all seasons. When the volume of work is high, the cooperative has employed temporary labour paying each worker R50 a day.

Given limited sales and income, the cooperative has decided to expand to sewing, candle-making and pottery. But the members do not have the required level of skills for these. The cooperative is exploring ways to arrange its training in these new activities.

Building Webs of Support

Since the Eureka! moment revealed by reading the *Farmers Weekly*, the Phohlo family and now the cooperative has managed to build a web of support as they continue to receive advice from Sinobusi. They also consult Bee Badger from time to time as the need arises.

The cooperative has maintained its relationships with the Department of Agriculture and Social Development. The Mquma Municipality has also received a request from the cooperative for a site (which the cooperative has identified as unused land that belongs to the Department of Public Works and which is leased to the municipality). The Department of Public Works has agreed to lease the land to the cooperative for a 20 year period. This long-term lease is favorable for the stability, growth and expansion of the cooperative over the long term. Eskom has also agreed to electrify the place once everything is in place. The cooperative has also asked the municipality to provide its earth removal equipment for the clearing and leveling of the site. The Department of Agriculture has also agreed to fence the land and provide sprinklers once the land has been cleared and Eskom has also agreed to install electricity.

The cooperative believes that to access government support people must be “*committed and dedicated to work together as a collective team*”. The cooperative recognises that cooperatives are the main route through which to access government support.

The cooperative has also built a relationship with the Ikhala Trust/EzamaXhosa in Port Elizabeth for the selling of the cooperative's honey in a distant market (some 420km away). The cooperative also receives support from local retailers in the Butterworth CBD who buy and sell the cooperative's honey.

Financial and Asset Management

The cooperative has two bank accounts. One was for the funds received from the Department of Social Development. In terms of the systems followed by the Department, each and every transaction on the account must be done with the consultation of the Department. The other bank account is directly managed by the cooperative. There are three signatories to the account. Each and every transaction in this second account is discussed and agreed to by all the members first.

All the sales and expenditure are recorded and the profit made in each month determines the salary to be paid that month. The members receive a minimum monthly salary of R500 a month. This may appear minimal but in a context where the majority of the members were destitute without any means of a livelihood, the security of a R500 monthly income is a step forward that has also restored the dignity of the members.

The cooperative's assets include 12 bee colony boxes, a honey extractor, containers, protective clothing and other accessories. The value of these assets is estimated at R20,000. This does not include the money in the bank that is part of the grant received from the Department of Social Development.

Lessons and Challenges Facing a Self Developing Cooperative

This cooperative is an excellent example of a self -developing cooperative. It developed around recognizing its own cooperative business opportunity. It has then evolved and built capacity to become a productive bee farming cooperative. Crucial in this regard has been the development of webs of support with government and within the bee industry. This lead to training and advice on bee-keeping, honey production and value adding. It has also led to financial and institutional development support from government.

This cooperative also has a vision and has developed a strategy to grow into a commercially viable cooperative. Once they have built the apiary, they want to have 200 bee colonies through which they want to start broadening their footprint in the local market and beyond through exports. However, the success of this vision and strategy would depend on capitalization for growth, further training and worker owner development and education on how to utilize the cooperative advantage. Questions regarding share ownership and expansion of membership are challenges facing the cooperative. In the short term the envisaged diversification of core activity into other areas of value adding could undermine the capacity of the cooperative to ensure sustainable honey production. This is a dilemma and challenge the cooperative also faces.

V. COOPERATIVES IN MNQUMA MUNICIPALITY

GREEN HARVEST AGRICULTURAL COOPERATIVE

Introduction

Since 2002, eleven people in the Ngqokweni village have produced increasing yields of fresh vegetables not just for their own consumption but for the local markets in Centane and Butterworth and their surrounds. With available land, commitment, and some start-up capital, this group of eleven people have become the proud story that is the Green Harvest Siyazama Agricultural Cooperative. Falling under the Theko Springs Administrative Area in the bigger Centane area, Ngqokweni village is a typical village in Amathole: poor roads, poverty, unemployment and degraded land. Given these conditions, the Xozza family started to look at available resources it could use to generate income and secure a livelihood.

The process of coming together started in 2002. The family did not have an idea that they will ultimately become a cooperative. They knew of “*projects*”. Initially 6 family members came together to work on a “project”. They agreed to approach their father to use family land to produce cash and field crops. They saw these crops as part of the first phase of what they wanted. Over time they hoped to expand to poultry, livestock and dairy production in successive stages. Each member was requested to pay R50 as a joining fee. Some of the family members were fully employed. The “project” invited another 5 additional individuals as new members bringing the number to 11 people. Out of the 11 members, six are full time members based in the village. In this 11, 7 come from the same family.

Origins and Development of the Cooperative

In 2004, the project focused on looking for funding and did not plant anything. In the same year the Xozza family father granted permission to the “project” to use additional hectares of land. There is no written agreement signed about this use of land between the group and Mr. Xozza as it is seen as a traditional practice of passing on land to one's children. The other non-Xozza members are also related to the family. Members see this as not complicating things.

In 2005, the members approached the Department of Agriculture in Butterworth for assistance. The department came to survey the land, its topography, access to water and other features. The department also took soil samples, made a bill of quantities for fencing and assisted the “project” with the development of a business plan. Around July 2005, the members met an official from Development Bank of Southern Africa (DBSA) and requested financial assistance. The DBSA advised the “project” to register as a cooperative “*because government cannot fund individuals and projects that are not registered for the purpose of monitoring*”. DBSA then facilitated for the cooperative to be visited by a representative from Department of Trade & Industry (DTI) to assist with the registration leading to the birth of the Green Harvest Siyazama Agricultural Cooperative. In October 2005, they presented the business plan to DBSA. On Christmas Eve in 2006, the DBSA approved the request and indicated that they will provide support for infrastructure i.e. fencing, irrigation equipment, inputs (seedlings) and office equipment. In February 2006, the DBSA transferred a sum of R436,000 to the cooperative's bank account. This meant that work to achieve the cooperative's dreams and goals could now start in earnest.

Working with Cooperative Values and Principles

In the beginning and through mobilizing their own financial resources the group was able to purchase seedlings and planted potatoes on 1,5 hectares. Out of this, the group harvested 78 bags of potatoes bringing in sales to the value of R1950. The planting of potatoes was repeated in 2003. It was in 2003 also that the “project” opened an account with Nedbank with two signatories. The members held meetings

which discussed what needed to be bought and done. Records of the meetings were ad hoc and not properly kept. Before the 2003 harvest, the planted potatoes were destroyed by a hailstorm leading to a complete loss for the group. The members decided to put everything on hold and waited for those that were working full time to come back for summer holidays and to discuss the next step to be taken. A meeting was held in December 2003 and it was resolved that the “project” must start looking for external funding.

This cooperative has not received any training on the definition, values and principles of a cooperative. Not only that, they have not even received any training on how to run a cooperative business. For them they are learning by doing what the cooperative is and how it is run. The only understanding the members have is that they must work together as a team. Also that the cooperative needed to be registered before they could receive any assistance from government and any other financial institution.

From when the cooperative had to legally register, the cooperative had to develop a constitution. The rules and guidelines of the constitution are not followed properly. The meetings are held irregularly and records are not kept. However, through their experience in setting up the project, they have learnt that to be successful in running any business they have to ensure commitment, dedication, unity, perseverance and working as a team are all vital values.

Core Activity

The cooperative is currently producing cash crops on 40 hectares of rent free land. During several moments in the production cycle (planting, weeding and harvesting), the cooperative employs local labour at the rate of R30 per day per person. This amount is below the statutory minimum of R65 per day for casual farm work.

Following the DBSA transfer in February 2006, the cooperative started the planting process with the assistance of the Department of Agriculture by using their tractor to plant. In total 15 people from the community were employed. The people were paid from the money left over from DBSA funds.

The cooperative planted 30,000 seedlings of cabbage and 25,000 potatoes. A total of 35 local people were employed at the peak of planting and weeding periods. At harvest time, all the plants were destroyed by yet another hail-storm.

The cooperative decided to replace the destroyed plants with another 35,000 seedlings of cabbage. These replacement plants yielded a good harvest. But the majority of the yield got spoilt because the cooperative lacked the required transport to take the fresh produce to the markets. Yet another example of a business plan that does not address the entire chain of production and marketing activities. A proper business planning process would have challenged the members to ask themselves: “*now that we have produced so much, how do we sell it? How do we take it to the markets?*”. Despite the spoilt yield, the cooperative still made a surplus from which it could buy a second hand bakkie worth R32,000.

For the 2007 planting season, the cooperative project planted mealies, cabbage and butternut. The surplus received was not much. It was R6,000 for mealies, R4,000.00 for cabbages and negligible for butternut as most of it was stolen. From the surplus, the cooperative bought two generators and pipes for irrigation. It is not clear why the 2007 harvest was little.

Towards the end of 2007, the cooperative submitted an application to ESKOM for the installation of electricity. The Department of Agriculture provided a grant of R120,000 to cover the costs of electricity installation. This is good infrastructure support from a government department that any small farming enterprise cannot do without. The cooperative only paid the R4,000 application fee. Towards the end of 2008, electricity was installed on the farm.

To make matters worse, the last quarter of 2008 experienced a severe drought. The river on which the cooperative depended for irrigation ran dry. This continued into 2009 and thus the cooperative did not plant. The cooperative's plans had not included water-harvesting and organic farming measures. Water-harvesting can reduce dependence on a river source. Organic farming has also been proven to use less irrigation water as the soil retains more moisture. The cooperative started planting in October 2009 after rain broke the drought. The cooperative was helped by Mr. Xozza who sold 10 sheep in order for the cooperative to purchase seedlings, fertiliser and diesel.

Financial and Asset Management

The cooperative has a bank account with Nedbank. There are two signatories to the account. Before money is withdrawn, a meeting is held to determine what needs to be bought. Receipts are kept. Government procurement processes are followed to the extent that three (3) quotations are secured before any purchase is made. This is a requirement from the DBSA funding contract. The cooperative has kept this practice.

The cooperative's assets include its fairly old bakkie (which is costing the cooperative a lot in maintenance costs because of its regular breakdowns and repairs), 2 generators, ploughs, office equipment, a tractor and land. The members could not give the actual value of the assets they have but estimated that it could be worth several millions of rands.

The members have not been earning any salaries. The only people that are paid are the casual labourers.

The cooperative has submitted applications for further financial assistance from the former Umsobomvu Youth Fund, the Department of Social Development and Uvimba (the Eastern Cape Rural Finance Corporation) but nothing has come out of that interaction yet. The cooperative has not managed its cash flow in a fruitful way. Working capital can be kept to a minimum through good management. In different contexts this could include credit control, timeous invoicing, stock for sale, building reserve funds, and reinvesting retained surplus. The cooperative has not considered these. Since the initial contributions before the cooperative was funded, the cooperative has not worked out whether membership share capital should come from members. This capital could also go a long way to capitalise the cooperative.

Lessons and Challenges Facing a Self Developing Cooperative

The individuals involved in this cooperative enterprise do not understand what a cooperative is and how to institutionalise what they are doing as a functioning cooperative. This is a function of a lack of education on the cooperative model. This reflects in a membership structure that does not have clear principles. For example membership share capital is not worked out and there are no clear principles to handle surplus distribution. Moreover, some members of the cooperative are not fully involved in the activities of the cooperative as they are working outside the province. However, they are consulted on a regular basis and are supporting the initiative in other respects. Fully-fledged meetings are held in December when everybody is back from the holidays. The existence of some members who are employed elsewhere and are not involved in the daily productive activities of the cooperative makes it difficult to classify this cooperative as a worker cooperative. In a worker cooperative, all members must derive their employment from the cooperative by working in the cooperative's productive activities

The cooperative claims that in 2008 it struggled due to a lack of funds. For ploughing, they had to hire tractors which cost the project a lot of money. For a small portion of the land, the cooperative ploughed the land using animal traction. The reported lack of funds shows a lack of effective planning to ensure effective cash flow during several planting seasons. Of course, the cooperative lost massive yields to hailstorms on two occasions, and lost yet another yield due to poor planning for transport needed for marketing. The latter problem emphasises the need for effective and long-term planning by any cooperative particularly one that requires a regular injection of cash into production costs such as is

required for farming. The cooperative has also not compared the costs of using motorised equipment to those of using animal traction for ploughing and other land preparation purposes. There is emerging evidence about the massive costs savings that accrue from using animal traction on small plots of land. The cooperative does not know whether 40 hectares would be suitable and cost-effective if it used animal traction. This lack of knowledge also shows the lack of pro-active action on the part of the Department of Agriculture which should have sent its extension officers to help the cooperative with long-term planning and cost-effective production measures.

The cooperative's business plan did not anticipate the hail-storm risk and therefore take measures to buy crop insurance. This could be the outcome of a business plan that was developed largely as a procedure in order to apply for funds. A functional business plan that is also used for planning and monitoring purposes involves members of a cooperative in a real process to think deeply about the enterprise they are about to start including possible risks and mitigation measures.

The members believe that they have not succeeded as yet. They also acknowledge the equipment and the land given to them as important success factors. They believe that if it were not for the hailstorms destroying their crops they would have been very successful by now. From a cooperative perspective, this self developing cooperative has a long way to go to understand and develop the absolutely essential values, principles, rules and practices of cooperatives that would be suitable to their situation.

VI. COOPERATIVES IN MBHASHE MUNICIPALITY

KHANYISA NTSIMBI COOPERATIVE

Introduction

Mbewuleni (the village where former President Thabo Mbeki grew up), just to the west of the town of Idutywa, is the home of the Khanyisa Ntsimbi Cooperative. Continuing to undertake community development work in the village, the octogenarian President's mother, Mrs. Epainette Mbeki, motivated and advised the 8 founder members of Khanyisa Ntsimbi to work together in a cooperative in order to generate income. The women were previously unemployed as the village has a high poverty and unemployment rate, without access to adequate infrastructure and social services. The business opportunity that the group identified was the production of traditional beads. There was a demand for these across the Idutywa villages and yet there was no one producing these in the area. Thus the meaning of the name: "*with beads, things will be bright*".

Origins and Development of the Cooperative

The group came together in 2000. Mrs. Mbeki provided elementary training arguing that "*those that she trains were also expected to train others*". She also loaned the group a sewing machine which they used immediately to make imibhaco (traditional Xhosa skirt), iiqhiya (head scarves) and Shweshwe/German Print dresses. The group decided that it must become a cooperative even though they did not take the required steps yet to register it legally. At this point, the women had understood the need to work, produce and sell together even though they did not receive all the basic information on how cooperatives work.

In 2004, 2 members left and went looking for work as they felt that what they were receiving was not enough to cover their family commitments. This problem is common to many cooperatives who are not able to generate sufficient sales in order to pay a living wage. This problem is caused by a number of factors the most important being the unfeasibility of a cooperative's business idea, limited markets in the immediate vicinities of many cooperatives, and the absence of a marketing strategy to reach the desired markets of sufficient size and income at minimal cost. Often people living in poverty form cooperatives and other such initiatives without having due regard to these key basic steps.

The departure of the 2 members did not discourage the other 6 members who remained and continued to build the cooperative. During 2004, the 2 members who had resigned were soon replaced by 4 new members increasing membership to 10. The fortunes of the cooperative changed for the better in 2006 leading to the need for more hands. Thus the cooperative grew to a total of 18 members (adding an extra 12 members). This was after the cooperative acquired sheltered premises, had acquired additional sewing machinery and began to receive regular orders for new product ranges. Before this change of fortune, the cooperative had stopped paying members any amount due to unpredictable sales. This growth also demonstrates the duality of despair (under extreme poverty and under-development) and the persistence of hope and passion on the part of the members of this cooperative. The turning of despair into hope and passion is universal across all successful cooperatives in similar social and economic situations.

Initially, the members did not pay a joining fee as they could not afford to. The joining of the cooperative was seen as a member agreeing to the stated goals and also providing their contribution to meet these goals. In other words, cooperatives do not have to be started by those with money to get it off. To start an income-generating cooperative, the needs, motivation and united action of the members (such as providing sweat equity) can be a strong basis to start if linked to a clear business opportunity. When the cooperative began to make sales and thereby members began to earn some income, each member contributed R5 monthly. This was done for 12 months. This money came to a sum of R480 and provided

the cooperative's start-up capital. This amount may sound small but it was enough to purchase beads. This shows a cooperative that understood that financial commitment is also key in demonstrating and deepening member commitment to a cooperative: *“with my R5 I commit myself to the cooperative. It may appear little but I will want to make sure that I get it back in increased value”*.

Working with Cooperative Values and Principles

The ideas and practices of cooperation are not foreign. They exist in various social activities and forms of cultural organisation, and are transmitted from historical forms of cooperation from long-suppressed social and economic systems. It was therefore logical and natural enough for the members to associate themselves with *“Mrs. Mbeki's suggestion of working together in a cooperative”*. This is demonstrated in how the members conduct their activities. Yes, today as a registered cooperative there is a written constitution. But from the beginning issues were discussed collectively, operations and actions decided and implemented, rules decided, a bank account was opened, money was handled safely and with transparency, and so on. None of this would have been possible had they not cohered as a collective that has common and shared needs, joint ownership and democratic control of the enterprise. Internal training is crucial to deepen the extent of cooperation, as uneven member knowledge can be disruptive and divisive.

The cooperative has a 4-member committee which meets once a week for an hour. Immediately afterwards, a general meeting is held with all the members. This is the main platform for democratic member control and decision-making. The provision of internal vocational training speaks to the premium cooperatives place on the education and training of members: *“Although there has been minimal training, we have persevered and have become professionals in the producing our products”*. Indeed, the cooperative has not received detailed training on how cooperatives work. This training is needed as the initial cooperative instincts and the organic development of cooperative practices needs grounding in universal experiences and accumulated knowledge of the global cooperative movement. This grounding is also important in order to strengthen the unique identity and characteristics of cooperatives. Without this further grounding, there have been cases where capitalist values and practices take over and end up destroying potential cooperatives.

Core Activities

At the beginning, the cooperative's activities were located in Mrs. Mbeki's house. Given space limitations in the house, members would collect beads from the cooperative and then work individually at their homes. The members give each other a period of a week to come back with finished products from the beads received. Every Wednesday members would bring back their finished products. The individual products are then marketed and sold collectively. If sold, each member whose finished products have been bought would get 50% of the sales and 50% would be to buy beads and pay Mrs. Mbeki for the use of her premises, groceries, the use of her telephone and other resources, her loans to the cooperative, and her time in helping the cooperative with access to markets.

When the cooperative started each member was given beads to work with and produce a product and bring back the finished product within a week (every Wednesday). For the new members that joined later, they were trained by the already experienced members. The cooperative also accepts volunteers and young people from the village who are then trained by other experienced members of the cooperative.

In 2004, the cooperative received a grant of R300,000 from the Department of Arts & Culture which was used to purchase 4 sewing machines and material (cloth, beads, buttons, cotton, etc.). With this increased capacity, production and sales increased. The cooperative grew. The members now decided to work together in a common place. The schedule changed and each member was expected to work everyday starting in the morning at 08h00 and finishing at 16h30. Without access to a site and shelter, Mrs. Mbeki opened up her home for the cooperative's increased activities. Meanwhile the cooperative consulted the

local community structures requesting a site.

From the remainder of the grant of R300 000 from the Department of Arts and Culture, the members started paying themselves R400 each per month. This shows that even with the increased production the cooperative was still not earning enough from sales to cover its costs. This underlines the importance of taking the time to work out production volumes, the size of the market and pricing as accurately as possible.

In 2006, the cooperative was allocated a site at the nearby Drayini village. Following a request from the cooperative, the Mbhashe Municipality fenced the site after which the cooperative put up a container to be used as a work station. In 2006, the cooperative also ultimately registered with the Registrar of Cooperatives. With a site of their own, sheltered premises from which to work and legal registration done, members now increased their roles and this demanded more than one day per week. They became active marketers of the cooperative's products. They approached schools to make their school uniforms and tracksuits. The Ngeingwane and Lengcani Secondary Schools were on board and started to order their uniforms from the cooperative. The production of these uniforms demanded more time and additional members leading to an increase from the 6 that remained in 2004 to 15 in 2006.

The members received elementary training in sewing which still needs follow-up and consolidation. The cooperative expanded to other products: traditional jewellery making and leather making. With these new products, the cooperative also organised relevant training for members. With this second expansion to additional products, the number of members increased again from 18 to 25. But the new products did not take off and the number dropped back to 15. This seems to have been a case of rapid expansion that was not effectively planned through a feasibility study and a properly reviewed enterprise plan.

Upon the arrival of new members, the already experienced members provided training and guidance to the new members. This internal training is an important practical demonstration of internal skills transfer in a growing cooperative. The older members felt that this transfer of skills deepened their sense of self-worth. The new members felt that with the newly gained skills they were now part of the cooperative and had value to contribute. This combination of soft and hard elements in skills development can deepen the unity and cohesion of a cooperative.

Building Webs of Support

Mrs. Mbeki's support and guidance has been critical. The support of the local community structures (by donating a site) and two local schools (by ordering their uniforms from the cooperative) made it possible for the cooperative to have a firmer footing. The cooperative has also built a very strong web of support with government departments, the municipalities, government agencies and the private sector. On their part, the state institutions have demonstrated a willingness to work with people on the ground in a sustainable way where disempowering dependency has been minimised.

Financial and Asset Management

As stated above, in 2004 the cooperative had received a grant of R300,000 from the Department of Arts and Culture. Two years later, Old Mutual donated money to add another R400 for the monthly income of each member and also bought 4 over-locking and cutting machines to the cooperative. The Old Mutual donation was immediately followed by the donations of cloth material from the Amathole District Municipality and 8 darning machines from the Department of Labour. Yet another donation worth R250,000 came in 2008: additional cloth material, embroidery machines and 6 bigger over-locking machines from the Department of Social Development. In the same year, the Independent Development Trust (IDT) built the cooperative a centre. However, the centre is not in use yet as there is no electricity.

These new donations (Old Mutual, the ADM, Department of Labour, Department of Social Development and the IDT) were a massive injection of significant capital into the cooperative, amounting to a total capitalisation of R500,000. Yet the cooperative was not ready to absorb and put them to effective productive use immediately. This is shown by the lack of electricity for the centre built by the IDT. As the new centre could not be used, the old container shelter which the cooperative had obtained earlier could also not provide enough physical space for the new machines to stand and be used. These constraints rendered the newly acquired capital stock dead. The death of this capital is confirmed by the fact that for income the cooperative had to rely for some time on the remainder of the grant from the Department of Arts and Culture. Had the newly acquired capital been living through increased production, the cooperative would have generated its own income from produced and sold products.

The cooperative has a bank account with Standard Bank with three signatories who form the Finance Committee. The cooperative also relies on Mrs. Mbeki for guidance on the transactions made from the bank account. Every transaction made is recorded and filed properly.

The cooperative has a total of 22 machines and a fully built centre. These assets are worth more than R13,6 million. This is a significant asset base that has not yet been effectively used.

Impact on the Local Community

The cooperative also works with volunteers and young people from the village who receive training.

The cooperative is an active participant in fashion shows and public events in the area where they exhibit their wares and also help other groups with information and training on bead work and how to start their own cooperatives. The cooperative regularly helps the Mbhashe Municipality to coordinate other small cooperatives in the area where there are activities that need them to showcase their wares. This speaks to the confidence others have in this cooperative.

In short, the cooperative's role in training local volunteers and young people, and its help to other beading groups are practical demonstrations of the principle of cooperatives having community concern in a genuine and sustainable way - something that is different from the private sector's corporate social responsibility that is linked to marketing gimmicks of private companies. In turn, it is easy for the cooperative to get support and endorsement from the community.

Lessons and Challenges Facing a Self Developing Cooperative

This case study tells the story of a self developing cooperative. It has grown through skills acquisition for core activity and has through its webs of support pulled in important injections of capital. Although the members are downplaying their success due to the fact that they are not yet earning regular income. However, the cooperative must still fully exploit its asset base in order to ensure that it generates the volume of products that will earn it the required income to regularise income earnings to members. The cooperative must also learn about how cooperatives work in order to ensure that it has effective, mutual and shared cooperative values, principles, rules and policies as it expands further. Also critical are the need for the cooperative to work out a clear cooperative business strategy: an asset base and passion are simply inadequate. Confronting these challenges could ensure this cooperative becomes commercially viable.

VI. COOPERATIVES IN MBHASHE MUNICIPALITY

THWALISANANI COOPERATIVE

Introduction

The Thwalisanani Cooperative was legally registered as a cooperative in 2005. It has an 18-year history of work as a group (“project”) initiative that predates the 2005 registration. The cooperative is located in the Ngcingwane village just outside the small town of Idutywa. The village's claim to recent history goes back to the time when the late Rivonia trialist and Robben Island political prisoner, Govan Mbeki, grew up in the village and also spent some of his working life there with his wife, Epainnete. Both the Mbeki's were political activists, store keepers and promoters of cooperatives. Their children, including Thabo who became the second President of a democratic South Africa, were born in Ngcingwane before the family moved to the Mbewuleni village where Mrs. Mbeki did not stop to promote cooperatives.

Origins and Development of the Cooperative

The cooperative's history goes back to 1987 when it was still called the Zizamele Project “*trying out on its own*” (as the name means) several income generation “projects”. The members of the Thwalisanani Cooperative are strong women who have fallen so many times only to survive and walk on in the struggle for a better life. Yet these efforts are without the required support that could compliment the self agency of the cooperative. In 1998, the Department of Health donated a stove to the project. The Department followed this with an R8,000 grant in 1999. With this money, the group purchased another stove, baking pans and a few bags of flour. The cooperative used these to start producing and selling bread in the local community and surrounding villages.

The group was sub-contracted by an NGO called Shalom to bake and distribute bread to public schools in the Idutywa area. At this stage the group also used indigenous baking methods such as ground ovens/hearths. Though these technologies were cost-saving, they were cumbersome, time-consuming and unsuitable for mass production. For three months the cooperative baked and distributed the bread ensuring that no school child went hungry but the government did not pay. As a result, the cooperative went under in 2001. Another reason for the collapse was the dubious role played by Shalom which just disappeared from the scene without a trace. The group expended its resources looking for Shalom in an attempt to get their payment.

After the disappearance of Shalom, the Department of Education then contracted the Albany Baking Company which then sub-contracted the group to bake and distribute bread to schools. At this point, the group had stopped baking bread as it did not have the cash flow to ensure regular production. In its relationship with Albany Bakery, the group role was therefore limited to collection of bread from the bakery in the Idutywa town for distribution to three schools (Thornville, Ewing and Mfezeko) that had been allocated to them. This responsibility required the hiring of a bakkie as they did not have one of their own. The high costs of hiring the Bakkie reduced the income that the cooperative received, leaving very little for surplus. The cooperative carried this financial burden for two years. But this could not go on for long. Thus the cooperative collapsed again in 2004.

In 2005, the group was visited by the Funda Education and Training Cooperative which advised them to convert their group initiative into a cooperative “*as government was encouraging and promoting cooperatives as a way of accessing funding*”. At the point of its legal registration in 2005, a new name was adopted. Having carried so many burdens in their previous history, the new name (Thwalisanani: “*help each other share the load and burdens*”) was appropriate. At this point, the cooperative had 23 members who were involved in diverse economic activities: food gardens, sewing, poultry farming and baking. The

cooperative had started the other production activities after the 2004 collapse and due to the fact that the cooperative did not have access to electricity any longer, an important input in bread baking. To start the cooperative, the members each contributed R50.

To keep the cooperative going, they decided to sell their products on credit as the only market they had was the local community. Members were expecting money and as soon as they realised that there was no money coming in, the numbers dropped with 15 members leaving and only 8 members remaining. This was the third collapse. The remaining 8 refused to let go and continued to work individually from their homes.

During this period, the members never received any training. In 2006, the group was visited by an NGO called NASODA (the South African office of the North American School of Decorative Art) to give advice on how to arrange and manage their work. Following this training, the remaining 8 members regrouped and started poultry production with initial capital contributions coming from the member's own pockets. Within a year, the poultry production had not achieved much. Reasons for this failure are not clearly understood by the cooperative itself. The members then decided to switch to sewing. Again, the members contributed R50 each to buy cloth. At that time, they could not even sew. They soon became self-taught sewers. They were inspired when early on in their sewing phase (still in 2006) they were invited by the Mbashe Municipality to exhibit their products at municipal public events.

Working with Cooperative Values and Principles

Having functioned for 18 years prior to being legally registered as a cooperative, the group had clearly discernible natural instincts for being part of an enterprise that was based on the values of cooperation, addressing common needs in a jointly-owned and democratically controlled enterprise, and based on a relationship of mutual support with the community. In addition, the core members of the cooperative have demonstrated the importance of member economic contribution to a cooperative by contributing small amounts from the little that they have towards the cooperative's capital. This is impressive even though the cooperative has not ever discussed what these contributions mean for membership share capital which is the more formal sense of structuring membership share contributions and determining how to share dividends when a cooperative makes a surplus.

The members have never been trained on the principles of a cooperative. Even though the cooperative has emerged from cooperative-type experiences. To them the concept of a cooperative is strongly associated with the first impression they registered in their minds: *“a cooperative must be a big number which can be supported by government and other agencies for funding”*. Despite its long history of cooperative-type experiences, the cooperative has not yet connected the dots between its history and the universal values, principles and practices of the global cooperative movement. As a result, though the cooperative has a committee formed by consensus amongst the 8 core members, meetings are hardly held. The cooperative exists by name as the members now work as individuals unless they undertake a productive activity that requires all of them to pull together which is very rare. The remaining 8 members have learnt to support and respect each other and believe that this is what keeps them going even though they are now working as individuals.

Core Activity

Appreciating the dedication of the cooperative, the Mbashe Municipality gave the cooperative a grant of R50,000 to enable the cooperative to return to their previous bread baking activity. On hearing about this promise, all the members that had left the project came back and they were again 23 members. The municipality did not give the R50,000 cash directly to the cooperative but procured baking equipment on behalf of the cooperative. It seems that the returning members were expecting spoils from the promised municipal grant. They left again once this did not materialize and the cooperative was left with 8 members. The baking has however not started because the area does not have electricity. This barrier

shows the importance of any enterprise undertaking a feasibility assessment as part of enterprise planning. The cooperative is operating from one of the homes of the members as they do not have their own premises.

Building Webs of Support

Many would assume that a cooperative that has a contract under the school feeding programme is in a secure financial position. As the Thwalisanani story shows, this is not always the case. For as long as government treated these cooperatives as junior partners to NGOs and private companies, Thwalisanani was never going to be in a position to optimise its benefits from what should be a favourable contract. Further, if the sub-contracting was motivated by government concerns about the capacity of newly formed cooperatives without capital, skills, and logistics to meet the provincial needs of the school feeding programme, the state should have worked with the cooperatives to develop the required skills, systems, logistics and capital. In this way, there could have been a trajectory of learning by doing and expansion on a steady basis which is more sustainable than short-term contracts and sub-contracts with all the insecurity of a limited life-span and dog-eat-dog mentality that comes with this system.

Indeed, the government's sub-contracting to this cooperative provided important income that would not have otherwise come. The same with the support from the start-up capital given as a grant way back in 1999 by the Department of Health as well as the Mbashe Municipality's grant for additional start-up capital. However, this additional support should have been based on a feasibility assessment which would have shown the absolute need for electricity in bread baking. As a result, R50,000 worth of equipment (drawn from the limited resources of a rather small municipality) is declining in value simply because the municipality did not link its support to the provision of electricity infrastructure.

This cooperative is also remarkable for mobilising and accessing support from the few cooperative supporting networks that are emerging in the province. The Funda Education and Training Cooperative has become a reliable source of advice, training and information for the Thwalisanani Cooperative. Given Funda's own limited resources, its role has also been complemented by NASODA which helped the cooperative with the development of its constitution. The cooperative is also supported by the community which has recommended to the local Tribal Authority that it be allocated a piece of land (two and half hectares) on which they can build their facility when funds are available. The Municipality has further promised to fence the site once it is finally approved.

Financial and Asset Management

The cooperative has a bank account with TEBA Bank which has about R1000.00. They have two signatories on the bank account. They generate the little cash they have from their sewing work. The cooperative is sitting on baking equipment worth R50,000 that it cannot use because of the absence of electricity infrastructure in the village.

Lessons and Challenges Facing a Marginal Cooperative

Like most stories in this collection, this story also shows the dearth of well-established and strong institutions that exist to provide education, training, information and support to cooperatives in a way that helps them to stand on their own feet. Access to funding has not translated into viable economic activity. Without proper planning, including feasibility assessments, accompanying government tenders it is impossible for cooperatives to fund a viable development path. This cooperative was formed because of government finance. It existed as a loose group associated around subsistence activity. It was not institutionalized through reflection on its own struggles and intensive education on the cooperative model. While working with the values of a cooperation this cooperative has not been able to develop institutionalized practices of cooperation.

The Thwalisanani story is about a marginal cooperative. It shows the importance of building cooperatives on the basis of local practices which are inherently associated with cooperative values and principles. But this is not enough. Feasibility assessments, enterprise planning, access to markets, access to finance and capital and keen cooperative consciousness are the absolute critical mix of attributes that are required to create conducive conditions for cooperatives to take off.

VII. COOPERATIVES IN NGQUSHWA MUNICIPALITY

JONGUMSOBOMVU COOPERATIVE

Introduction

The Jongumsobomvu Cooperative has a long history of self-organisation to overcome poverty and unemployment. Its members stay in the Gcina village outside the town of Ngqushwa, some 40km outside eQonce (King William's Town). A history of colonial conquest, land dispossession, forced removals and racially-skewed distribution of agricultural resources has wrecked the livelihoods of the people of Gcina.

In response to these dire conditions, many of the people in the village have always tried various business and other development initiatives. Some embarked on small-scale farming relying on good rains and rivers surrounding the region. The then Ciskei government had assisted these small-scale farmers by developing and subsidising an irrigation scheme and other relevant resources. Following South Africa's transition period, the new administration decided to close down the irrigation schemes and stop necessary support provided by the Ciskei government. This included withdrawing subsidies to the small-scale farmers. .

Origins and Development of the Cooperative

After a few years of hardships experienced by many small farmers who could no longer benefit from the irrigation scheme, the community of Gcina decided to look for other solutions. As a result of these ongoing efforts, the Jongumsobomvu Cooperative started as a “development project” with 22 members in 1999. This was at the initiative of the broader community: a community meeting resolved to start a “development project”. The community wanted to achieve “rural development through taking action collectively” as boldly inscribed on the wall in the cooperative's office. This cooperative also sees itself as being motivated by, and benefiting from the provincial government's much-punted “green revolution”. The objective of this cooperative is to cultivate more than 50 hectares and drive rural development in the area.

The Jongumsobomvu group attended a cooperative workshop in 2008 in East London organised by the Amathole District Municipality. In this meeting the cooperative received training on cooperatives. After the training the cooperative felt the need to register as a cooperative instead of continuing as a “project”: *“we felt that the government put more emphasis on cooperatives”*.

Working with Cooperative Principles and Values

The Jongumsobomvu cooperative operates on the basis of a constitution that was decided by its members. The cooperative elected an executive committee whose term of office is two years. The cooperative has a chairperson who oversees the entire operations and the secretary oversees the administration and the treasurer oversees the entire management finances of the cooperative.

The cooperative employs some of the community members and pays them R10 each per day, tractor driver R30 per day. These are low rates but the cooperatives says this is what it can afford. In addition the cooperative believes that it has helped to create downstream jobs.

The Jongumsobomvu cooperative is a good example of how cooperatives can survive through the organic application of the unique values, principles, and attributes of collectively owned enterprises. In its long hardships, the cooperative has relied on these principles and values as its strength.

The cooperative has gone through many testing times including a period where there were political attempts to destabilise the cooperative. A section of the community was mobilised against the cooperative in a bid to destroy it and take over its assets such as tractors. The then Department of Agriculture and Land Affairs intervened decisively in favour of the cooperative. What is not clear is how the cooperative consciously used cooperative principles and values in meeting its challenges.

Core Activity

This is a vegetable farming cooperative. The cooperative holds meetings regularly to discuss production issues and other business related matters. The cooperative draws on the strengths of members, for example, the matriculated member is most knowledgeable vegetable farmer who provides most of the assistance including his car. The chairperson had worked for the Department of Labor for more than 30 years and is using his skills to enhance the management of the cooperative. The role of external assistance is worth elaborating as the cooperative has benefited immensely from the Department of Agriculture through funding and sponsorship. On a number of occasions, the cooperative has produced more vegetables than the local market required but the cooperative could not take these to other markets. This led to some of the vegetables rotting. This is a clear example of the cooperative not having a clear business plan which would include effective marketing. The cooperative's products are sold to the local community mainly street vendors in the Ngqushwa town centre. Members take home the surplus of their produce and receive R500 as a stipend.

Financial and Asset Management

The cooperative has assets worth about R600,000. Income generation happens through sales to the community and hawkers in town. In managing its finances the cooperative has a finance committee composed of the chairperson, the treasurer and the secretary. They do not have required skills to manage finances such as financial management and administrative management.

Lessons and Challenges Facing a Marginal Cooperative

While this cooperative was initiated by the community, it has not been able to deepen its embedded links with the community such that it is seen and understood as part of the struggle of the community to overcome poverty and underdevelopment. The attempts to destroy the cooperative from within the community attest to this. This cooperative has a great deal of internal leadership capacity and skill but still needs to further develop cooperative based institutional practices and arrangements. It needs to evolve a clearer membership and ownership structure. It also needs to develop financial management skills, planning and marketing skills. In this regard the lack of developed webs of support are extremely telling. This is a marginal cooperative that has not been able to define a sustainable and viable development path.

VIII. COOPERATIVES IN NKONKOBÉ MUNICIPALITY

NOMZAMO CLEANING SERVICES WORKER COOPERATIVE

Introduction

The story of the Nomzamo Cleaning Services Worker Cooperative is a rich story full of lessons for the cooperative movement as a whole in South Africa. It is a story of full of many ups and downs that only strong pioneers such as those who make up this cooperative could withstand, and in fact grow stronger from. It feels like an unending story with so many chapters! Today, this is a 31-member, women-led manufacturing cooperative that produces and sells toilet paper and cleaning chemicals from the small historical university town of Alice. Yet, its story goes back to the financial crisis that faced the University of Fort Hare in the late 1990s. This is a story that also brings in both positive and negative experiences regarding the relationship between the cooperative and trade union movements. In the story are also important lessons regarding the role that universities and other such government and public institutions must play in relation to promoting and supporting cooperatives. Also not to be forgotten in the story is how vulnerable cooperatives are when they are subject to tendering policies that are more favorable to the established capitalist private sector that is at the ready to attack even a cooperative that has been as successful as the quietly confident and inspired pioneers of Nomzamo.

Initially called the Nomzamo Workers Co-operative Limited, it was established in July 1998 specifically to provide cleaning and gardening services to the University of Fort Hare. At its height, the cooperative was cleaning a total floor area of university buildings and other facilities approximating 117,000 square metres. The cooperative was registered with the Office of the Registrar of Co-operatives in Tshwane in May 2000. Nomzamo was initially registered under the Co-operatives Act of 1981. It is now registered under the new Cooperatives Act of 2005. It is also registered as a taxpayer with the South African Revenue Services. Nomzamo is also registered with the Unemployment Insurance Fund, the Workman's Compensation Fund and as a service provider with the Eastern Cape Provincial Government. In compliance with the Occupational Health & Safety Act 1993, the cooperative appointed a health and safety committee to promote, maintain and review measures of ensuring the health and safety of worker-members. These legal registrations and compliance by the cooperative with workplace/labour law add another layer to the rich and powerful story of a cooperative that has a long history of trials, tribulations and triumphs.

How did this cooperative come into being? The financial crisis that the University of Fort Hare faced in the late 1990s nearly closed down the university. It had to act. Under a restrictive fiscal policy environment, action meant that the university had to cut costs including workers' jobs. As university employees, the workers were members of the National Education, Health and Allied Workers Union (NEHAWU). The workers were employed by the university as general labourers who were providing maintenance, catering and cleaning services in the university's gardens, grounds, cleaning and security services. It was their consequent retrenchment in 1997 that sparked the formation of Nomzamo and 2 other worker cooperatives. The 2 other cooperatives were the Harry Gwala Catering Cooperative and the Chris Hani Security Cooperative. The cooperatives were seen by the workers' unions as a way of ensuring that those who were retrenched found alternative employment.

A decision to form the 3 cooperatives was taken by workers with the full support of student leaders in a 1999 workshop that was organised by NEHAWU and conducted by the now defunct National Cooperatives Association of South Africa (NCASA) and the Cooperative and Policy Alternative Centre (COPAC). This workshop could only be held after the trade union had reached an in-principle agreement with the university regarding the contracting of the newly-formed worker cooperatives to run some of the services that would be outsourced as a result of the 1997 cost-cutting measures.

It was not until June 2001 that the Nomzamo Cooperative was ultimately contracted by the university to provide cleaning services for all university buildings including administration blocks, lecture halls and student rooms. At this time, the cooperative also incorporated the gardening and grounds workers who later formed a separate cooperative (also included in this case study booklet). The initial annual contract was worth R2,64 million. The annual contracts enabled the cooperative's members to be active and valued participants in the economy of Nkonkobe Municipality. The cooperative ran with the annual contracts from June 2001 to June 2008 when the university regrettably opted for outsourcing the cleaning services to a private company. This was a hard body blow to the cooperative: it lost secured income, its members lost employment and means of livelihood, the cooperative had to settle claims by members and other debts, and the cooperative had to take hard decisions about its future as it had no other reliable income.

When the cooperative lost the university cleaning contract (in June 2008) it had 137 members, many of whom had been involved with the cooperative since its establishment. About 75 desperate members opted for employment in the new company that took over the cleaning services at the university. The other 62 members were stranded without any option. Of these, 31 members remained committed to the cooperative and decided to explore new enterprise possibilities for the cooperative. The other 31 members were demotivated and demoralised. Some joined the ranks of the permanently unemployed. Some may have looked for work elsewhere.

Origins and Development of the Cooperative

The first stage in the life of Nomzamo starts with its establishment. This first stage was not easy as Fort Hare University took a full 4 years before it could finally award the contract to Nomzamo. These 4 years challenged the members of Nomzamo to be resilient. Even though their situation was desperate and uncertain, they did not lose hope and commitment in a situation where Fort Hare (the single largest employer in the Nkonkobe municipality) was facing a serious financial crisis. Whilst working with the union to win the university contracts the workers also had to shift their mindset completely. Until their retrenchment, they were employed in what was assumed to be standard and secure jobs, working fulltime and earning a regular wage at a workplace where the employer controlled everything, and where the workers did not have to concern themselves with the ins and outs of running an enterprise. At this stage, the union played a central role in keeping the workers united, educating workers on cooperatives and taking up the cooperatives case, and resolving other outstanding worker issues with the university.

The second stage, which started in 2001, is comprised of the period when the cooperative started to service the university as a contracted service provider. During this phase cleaning and gardening services were provided by the one cooperative. The nature of the two services were so different that it soon became evident that this would not work and the tensions which manifested themselves in the cooperative necessitated the separation of gardening and grounds services into a separate cooperative. In retrospect, this separation was a positive step underlining the importance of specialisation even in a cooperative and ensuring that a cooperative's focus, scope and size are manageable. During this second stage, the cooperative was positively motivated and encouraged by the support it received from the highest level of the university authorities. The then Rector of the university, Professor Derrick Swartz, was ideologically committed to cooperatives. He used his position to create space for cooperatives through the renewal of the annual contracts. He had also emphasised the need for the university to employ a support officer who would work to provide a support infrastructure to the cooperatives at their early stages of growth. But this was not realised as Professor Swartz was not available to implement decisions made at his level. He also saw the university as a strategic institution that could contribute to the economic revival of the Alice CBD with cooperatives at the centre. He also envisioned the university as a provincial and national leader in playing a strategic academic, research and training role focusing on cooperatives. The same could however not be said of the key elements in the university management and administration particularly amongst those officers of the university who the cooperatives had to deal with on a daily basis. Ultimately, these officers became the main determinants of the ultimate fate of cooperatives at the university. There were several instances where the then Rector had to personally intervene in order to address

misunderstandings and problems between the cooperatives and the university administration.

During this second stage the worker-members of Nomzamo and their leaders gained confidence in the idea of a cooperative. This showed in their ability to own, manage and administer the cooperative and the services it provided to both worker members and the university. They felt that they could do and achieve things by themselves without instructions from an employer - an immensely empowering experience with mental and cultural shifts away from being a directed worker to one who was directing, doing and achieving tangible goals. Together with the other cooperatives, a General Manager was also employed in order to provide professional services for business management, administration, financial management and contract management. During this second stage, the cooperative maintained a positive relationship with the union. The union even agreed to accept the members of the cooperatives as associate members suggesting ongoing commitment and support.

This cooperative developed sophisticated methods of overtime work, it developed job descriptions, structured departments, instituted health and safety systems, provided cleaning services to a fairly big campus comprising of student halls, lecture halls, administrative blocks. It thus ran a fairly complex operations despite being financially hamstrung (see below). It was out of such strong experience and identity with the cooperative option that Nomzamo provided support to the workers at the University of Zululand who were facing a similar retrenchment and outsourcing crisis. This support led to the formation of similar cooperatives at the University of Zululand providing similar services. The NEHAWU link was also useful here.

The biggest problem the cooperative faced during this period was the financial squeeze it suffered as a result of the university contract awarding far too limited money. Despite the support of Professor Swartz, the cooperative had weak bargaining power in relation to the university. It could not successfully argue for an increase in the value of the contract. It also did not get support from the union in this regard. It had no other contracts so it could not simply walk away from the university contract. In a number of instances, the university also paid the due amounts much later than required further squeezing the coop. From the amounts received, the cooperative could simply not pay a living wage as the contract required it to also purchase cleaning material and equipment from the same pool of money. This was an expensive problem as many of the suppliers were situated outside of Alice in locations as far as East London (130km away), Port Elizabeth (more than 300km away) and other provinces as well. The cooperative also could not work out an efficient way to minimise transport costs incurred in procuring supplies.

Consequently worker owners became unhappy about the low salaries. This introduced mistrust, with the leadership of the cooperative having to constantly explain that financial resources did not allow for an increase in salaries. It is under these conditions that 11 members of the cooperative were involved in misconduct thereby defying decisions taken and violating the constitution of the cooperative. In response, the cooperative applied its very clear rules governing misconduct, discipline and conflict resolution. This did not stop the 11 members from continuing with their misconduct. After a long period of disturbance from these members the cooperative ultimately decided to expel them. The expulsion of these members led to a break in the relationship between the cooperative and the union. The union decided to represent these members against the cooperative and took the cooperative to court. Another route could have been explored whereby the union stood outside of the relationship between the cooperative's members as neutral but interested and facilitating party. This option may have built trust and confidence, and perhaps contributed to an amicable solution. By taking the cooperative to court the union treated the cooperative as a typical employer and did not create a conducive environment for positive engagement. This case also shows the extent to which many members of this cooperative still had a strong mentality of behaving as if the members were external to the cooperative to the extent that they could only pose "demands" to an "employer". What is interesting here is that the union had granted all the members of the cooperative associate membership. By opting to go the court route it was dividing its own associate members. This court action forced the cooperative to defend its autonomy and decisions. The cooperative was forced to hire lawyers. Unlike the union, the cooperative had limited financial resources. To pay for its legal costs

the cooperative had to ask members to loan it their membership share capital. These loans became a source of conflict and tension in the life of the cooperative as they could not be returned for a long time - the cooperative simply could not make a surplus such that it could repay the loans. In any case, the cooperative won the case against the union and the 11 members.

What also held back the cooperative from further growth and expansion was the short-term nature of the university contracts. A period of 12 months for the contracts was simply insufficient to allow the cooperative to accumulate reserves, re-invest, re-skill and plan for the long term. This was compounded by the fact that the cooperative felt that it would not easily secure a loan from a private bank.

The financial squeeze also affected the quality of the service that the cooperative offered as it often lacked adequate resources to replace old equipment: an old and worn-out mop meant that the floors could not be effectively cleaned. The financial squeeze literally forced the cooperative to choose between paying wages every month or buying new equipment. The university treated the cooperative as a second rate service provider whereas its services were not initially second rate. The declining quality of service became a vulnerable point exploited by elements within the university management.

In response to these financial constraints, in 2005, the cooperative facilitated training for its members in producing cleaning chemicals and toilet paper. However, it was only after the cooperative was no longer based at the university that it acquired a machine for producing the cleaning chemicals. Whilst still at the university the cooperative raised funds from the Department of Social Development and acquired a toilet-paper making machine as a means to reduce supply costs: the cooperative had previously bought toilet paper from expensive suppliers. The cooperative's contract with the university required the cooperative to also supply toilet paper, chemicals and other cleaning inputs. The acquisition of the machine was so that the cooperative could provide toilet paper at a cheaper rate to the university and also generate sales revenue from additional toilet paper produced for sale to other customers. The cooperative could now produce toilet-paper for the university's needs, thus minimising its costs. But this ended up being a subsidy to the university as the still low amounts it paid to the cooperative in subsequent contracts did not compensate for the cheaper toilet paper.

The cooperative could not secure contracts elsewhere. This was due to the fact that the cooperative paid its full attention to the university contract. Even its other attempts to acquire additional training and cost-cutting equipment was subordinated to the university contract. In any case, the cooperative did not restructure its labour process to avail members to service other contracts outside the university. Unlike a private company, it could not simply supplement its labour forces "off the shelf" through temporary workers from an exploitative labour broker. This limited the scope of the cooperative as it was exclusively reliant on the university. Even if it could secure external contracts, this option would have been limited by the fact that the economies of the two towns in the Nkonkobe municipality (Alice and Fort Beaufort) are far too small urban economies that do not provide enough scope for private cleaning services. A few unviable commercial contracts became available in other areas. But the cooperative did not pursue them. The Nkonkobe municipality could have played a strategic role by awarding some of its contracts to this cooperative which was a strategic contributor to the economy of Alice.

Forced Out of The University

In June 2008, the university awarded the contract to a private company based in East London at a contract value estimated to be 3 times what the cooperative had received in the previous financial year. The cooperative's tender application had valued its own tender for the 2008/2009 contract at R3,42 million which was still far too low to provide a living wage and an adequate supply of equipment. The cooperative objected to the awarding of the tender to a private company. It appealed to the new Rector, Dr. Mvuyo Tom, by pointing out the implications of the decisions, claiming outstanding payment from the university and laying out a number of other unresolved issues between it and the university. In its written correspondence to the university, the cooperative raised three critical issues:

1. *Disclosure by the university of “all information about how it took the decision to award the tender to Homeguard given that the Nomzamo Cleaning Co-operative's tender was the best and that the co-operative has 7 years of experience and quality service delivery at the University”;*
2. *Demand for the University to “pay the co-operative with immediate effect the amount of R35 223 which is money owed by the University to the co-operative going back to 2001”;* and
3. *That the “University must not proceed with signing a contract with the Homeguard company until the dispute with the Nomzamo Cleaning Co-operative is resolved”.*

It also mobilised support from progressive student organisations and political parties and the provincial NEHAWU structures. Despite this pressure, the university did not review its decision.

The private company that won the tender did not even have its own employees it would bring in to service the contract. Instead it employed 75 unemployed members from Nomzamo. All the leaders of Nomzamo opted not to take employment with the company even though some of them were offered supervisory positions.

The loss of the tender was preceded by further uncertainty as the university had been renewing the contract on a monthly basis from December 2007. For 6 months, the cooperative could not be certain of its future. This generated further internal pressures as members wanted clarity on the future of the cooperative. Some members were also beginning to look for alternative employment as rumours were widespread at the university that the cooperative was on its way out.

Even after the cooperative's contract with the university was terminated, the university still owed the cooperative money and only paid about 6 months after the termination of the contract. The amount paid was less than the amount claimed by the cooperative but the cooperative could not challenge this in court as it did not have the money to do so. The cooperative tried to access pro bono legal services from the Legal Aid Board and the Legal Resources Centre but it did not meet the qualification requirements for such assistance. It also requested the national office of NEHAWU to consider financing its legal challenge but this was not supported.

Whilst the acquisition of the toilet-paper making machine was forced by the financial squeeze the cooperative faced, it opened a new business opportunity for the cooperative. The cooperative could now look at a market for toilet paper beyond its immediate contract with the university. In fact, had the cooperative lost its tender with the university without having acquired the machine it is not far-fetched to suggest that it would have been forced to close down. This happened to the Harry Gwala Catering Workers Cooperative when the university ended the contract it had with this cooperative in 2000. Without the existing capital that the toilet-paper making machine represented, the cooperative would have found it extremely hard to pick itself up from the hard blow of losing the university cleaning contract.

After the cooperative lost the tender, it was able to secure premises for the security of its assets. This was a monthly cost even though there was no income. The cooperative also had to settle loans to members leaving the cooperative. Some of these members referred their claims to lawyers but the cooperative was able to deal with the threatened legal action within its own rules and procedures set out in its constitution. These outgoing members had sought to attach the property and assets of the cooperative but the cooperative had not closed down and thus they were unsuccessful as all that was due to them was their member share capital which, in terms of its rules, the cooperative was only obliged to pay to members when it was in a financial position to do so.

The remaining members tried to sell toilet paper in the informal market and some supermarkets in Alice. The supermarket owners stopped buying the toilet paper from the cooperative because they wanted to be sole sellers of toilet paper in Alice without competition from the cooperative. The toilet paper machine broke down and the input paper also ran out. The cooperative did not have the money to repair the machine and buy the paper. This forced the cooperative to suspend its operations for more than 8 months forcing the

remaining members to stay at home. The cooperative did not sit down on its laurels. It tried to open several doors of support. It approached the Amathole District Municipality, the provincial government and the Department of Trade and Industry looking for support. Ultimately the cooperative was able to repair the toilet paper making machine and with the support of the Amathole municipality, the cooperative was able to start toilet roll and detergent production in October 2009. The cooperative went back to operation immediately. The cooperative is now finding its feet exploring new markets and cheaper suppliers. The workers who remain at the private cleaning company at Fort Hare report unfair working conditions and remain unionised.

The cleaning products produced by the cooperative include air fresheners, all purpose cleaners, bleach, toilet bowl cleaner, floor stripper and liquid soap. The toilet-paper machine has capacity to produce 30,000 toilet rolls per month.

The Role of The Union

As stated at the beginning, NEHAWU was instrumental in establishing the cooperative. Although the cooperatives is and should remain autonomous, initially the union continued to provide a degree of political support. This was an exception as the majority of trade unions do not provide any effective support to cooperatives or take action to promote new cooperatives.

The decision of the Fort Hare branch of NEHAWU to represent the 11 members who were expelled from the cooperative amounted to interfering in the internal matters of the cooperative. As argued above, the union could have approached this matter differently. The subsequent court action worsened the matter. The union role in the case of the 11 members shows the need for unions that work with cooperatives to have a full understanding of, and full respect for cooperatives, their principles, practices and decisions reached democratically in proper structures of cooperatives. This is similar to the respect that political parties and others must have for the autonomy and independence of trade unions. Take the question of discipline. An ill-disciplined union member is normally disciplined by the union without outside interference. From this well-known and generally accepted practice, trade unions should understand that the difficulties of managing a cooperative are no different from the difficulties of managing a trade union.

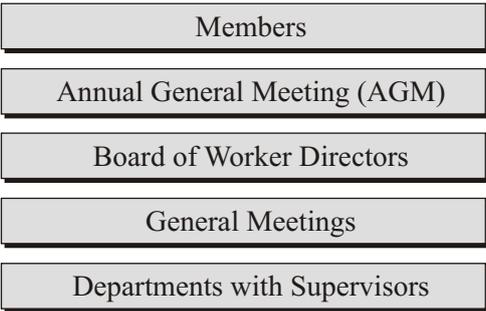
NEHAWU has become a powerful player in the affairs of the university, the same with the students in their representative organisations. Both the union and the students sat in the powerful tender committee that ultimately decided against Nomzamo. The failure of the union to defend the cooperative at the tender must be understood against the long history of acrimony between the union's local leaders and the cooperative. It also affected the relationships between the cooperative and union leaders some of whom were based at the university's Community Business Development Centre which, amongst other things, works to support cooperatives. Interestingly, the provincial leadership of the union belatedly supported the cooperative's protest action against the June 2008 tender decision. Despite the negative history between the union and the cooperative, could the union not use its role in the tender committee in favour of the cooperative? Both the union and the students could have used their positions strategically to address the problems the cooperative faced whilst also ensuring that the cooperative retained its contract under more favourable terms. For its part, the student body did not have the organisational memory to motivate such a position.

For a trade union, working with cooperatives must be seen as different from organising workers in standard jobs. In standard jobs, there is a 'wage culture', in which employment for a wage has a privileged status, especially for men, as opposed to self-employment or survival through some form of entrepreneurial activity. The significance of cooperatives is that they represent a higher form of worker organisation shifting away from a 'wage culture' to worker ownership and control of the means of production. This opportunity will not be realised without unions playing an appropriate role. This requires information and political will on the part of unions.

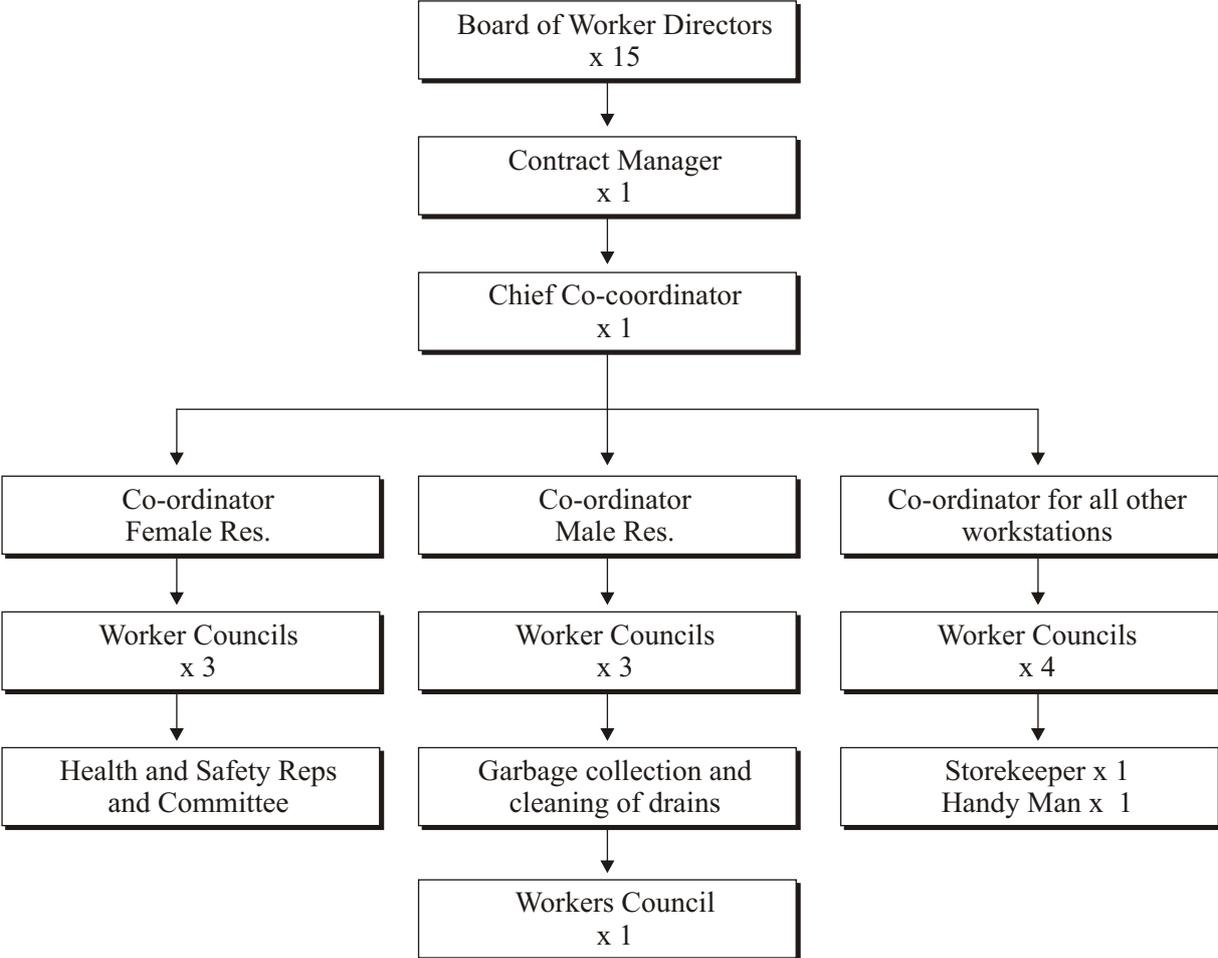
Working With Cooperative Principles and Values

Today, the cooperative mainly operates two machines: a toilet paper making machine and another for manufacturing cleaning detergents. The work of producing the toilet paper and the detergents, sales and administration is shared between the cooperative's 31 members. Each of these members have many years of cleaning experience. In addition, they have all been trained in toilet paper and detergent production. The cooperative continues to look for short-term cleaning contracts. However, this leg of their business is limited by the small demand for private cleaning services generated by the stunted economy of Alice and the entire Nkonkobe Local Municipality.

Today, the cooperative is structured as follows:



When still at the university, the structure was as follows:



On the basis of the above structure, for a significant period of time the cooperative rendered high quality cleaning services to the university. It was responsible for the daily cleaning of the majority of university buildings including the administration blocks, offices, toilets, lecture halls and student residences. The current structure has not changed significantly from when the cooperative was still located at the university. The major difference being that there are now far fewer than the 137 members that the cooperative had when it was structured in terms of its university cleaning contract. In this structure, the members have the ultimate power and control. The AGM is the highest decision-making structure where members exercise their power and fully express their free opinions about the state and future of the cooperative. Nomzamo has not been able to hold an AGM since 2006. This was due to the failure of the cooperative to secure an auditor who was expensive and could not understand how cooperatives work. As such, the cooperative could not hold an AGM as it could not present audited financial statements as required by its constitution. The closest suitable auditor it could find was based some 300km in Port Elizabeth.

By losing its university cleaning contract, the cooperative was objectively forced to shift away from being a worker cooperative providing a service on the basis of receiving a contract with an identified customer. The shift means that the cooperative is now developing in the direction of being a manufacturing cooperative: i.e. a worker cooperative that is involved in industrial manufacturing of finished tangible products using raw materials. To reiterate a point made earlier, this shift in the focus of the cooperative would not have been possible without the foundation of production capital and relevant production skills.

The above structure gives full expression to the notion of a jointly owned and democratically controlled enterprise. The ups and downs of the cooperative have also been testing grounds for the versatility of the structure. By understanding and applying the universal principles and values of cooperatives, the leaders and members of the cooperative have emerged stronger and more committed to the cooperative option. This was also enriched by the participation of many of the cooperative's members in other democratic formations such as civics, burial societies, stokvels, ward committees and political parties. This broader exposure was brought back into the life of the cooperative. Another cooperative could have cowed down to such powerful institutions as a trade union and a university. But not Nomzamo. Its leaders and members understood very well the importance of their autonomy and independence.

The living expression of other cooperative principles in Nomzamo can be seen in the following practices:

Principle	Nomzamo Practices
Voluntary and open membership	All members joined voluntarily at the beginning. No members were unfairly forced out. The 11 expelled members had violated the constitution. The 75 members who opted for new employment left voluntarily. The remaining 31 members remained out of their own commitment knowing that there is no promise of easy pickings.
Autonomy and independence	The cooperative takes its own decisions without undue influence from outside. The cooperative does not forsake strong relationships with, and support from political entities and the state. It has been partially effective in mobilising external support when needed. Yet it jealousy guards its autonomy.
Democratic member control	Each member has one vote. There are regular meetings and AGMs where members receive information and take decisions. The Workers' Council that operated when the cooperative was still at the university ensured that proper plans for day to day cleaning activities of their workstations were made and implemented fully. They also resolved minor disputes within the member workers of their workplaces. Workers elected these councils as well as health and safety committees.

Principle	Nomzamo Practices
Member economic participation	At its founding, members contributed R1,000 from their retrenchment and pension packages to the share capital of the cooperative. When needed, members also provided loans to the cooperative. Later on, when the cooperative had lost its university contract, members contributed sweat equity as they were willing to keep the cooperative going without getting payment.
Education, training and information	The cooperative organised training for its members on new production skills: chemical and toilet-paper manufacturing. However, the cooperative did not pay sufficient attention to education focusing on how cooperatives work.
Cooperation amongst cooperatives	Nomzamo has been an active and strong player in efforts to unite cooperatives in the province and nationally.
Community concern	Nomzamo was part of setting up the Amandla SACCO as a step towards forming a community bank. The majority of its members have always been women and from Alice thereby making it a contributor to the Alice economy. However, its community support was limited by its dire financial situation.

Members and leaders of Nomzamo have strong ideological and political commitment to the cooperative option. This can be seen in its February 2008 tender document to the university where the cooperative said:

“Nomzamo Worker Co-op's missions is to build a strong, viable, member controlled and sustainable co-operative entity in an endeavour to alter the private sector dominated economy for the benefit of the co-operative members, a situation which will help bring about a poverty free society where all people, particularly the historically disadvantaged, irrespective of their gender, race, cultural background and all political affiliation have equitable access to and fully benefit from the economy”.

“Despite the fact that a business owned and run by many persons has obstacles and challenges, the leadership never ceased to motivate the cooperative members to forge forward and keep their business alive. As the cooperative was set up to create jobs for the co-operative members, about 150 jobs were created since June 2001 up to February 2008”.

“Our other achievement was the establishment of a village bank (Amandla SACCO in April 2002: a cooperative financial institution that provides a wide range of services to its members”.

The strong and unyielding women of Nomzamo have also ensured that the cooperative advances women as leaders and activists. However, this has been limited by the insufficient education and consciousness building on cooperative issues and business related matters.

When the cooperative was still at the university, it had employed a general manager (who was a former high school principal who had a university degree but strongly committed to the cooperative option). The General Manager was the contract manager with the university, amongst other responsibilities. Even with the General Manager, the leadership of the cooperative always exercised its powers and met its obligations and duties to members. However, there were significant workers who were lazy and not playing their full part. This affected the productivity of the cooperative.

The business management aspects remain the weakest point of the cooperative. For example, in its planning the cooperative should have recognised that the cleaning business is viable and sustainable if it

did not rely on a single short term tender. Nomzamo was awarded a cleaning service contract valued at R18,000 by the Victoria Hospital in December 2007. But this was once-off. To address its business management weaknesses the cooperative did not have external support.

Financial and Asset Management

As stated above, the initial capital for the cooperative was from a R1,000 purchase of a membership share by each member giving the cooperative an initial capital amount of R137,000. The certainty of a university contract contributed to the further capitalisation of the cooperative. However, this could not be effectively used in the long term as the nature of a 12-month contract limited the scope and horizon of the cooperative's further capital expansion and reinvestment. In its life, the cooperative has never applied for loans. It was able to effectively utilize the various supports provided by government to acquire new equipment. At times, the cooperative also displayed an astute management of its resources such as when it could cover training costs for its members, pay rent and secure its assets after it was ejected out of the university, and cover transport costs as it was looking for new business opportunities.

The assets the cooperative controls are close to R1 million in value. They include the toilet-paper making machine, vehicles, the machine for manufacturing chemicals, cleaning equipment, a computer and office stationery. The cooperative has also run a bank account with signatories from when it was established. Bank statements are printed and analysed monthly. The cooperative has never lost money to fraud, theft, corruption or mismanagement.

Building Webs of Support

Given the weak state of the cooperative movement and the absence of cooperative support institutions, the Fort Hare cooperatives were strategic in show-casing the cooperative model in a positive light. But this understanding and requisite support were lacking.

Despite the absence of a clear system of cooperative movement support, this cooperative was able to access webs of support from the state and the union. By financing the acquisition of the toilet paper making and the cleaning chemicals machines, the state contributed to the capital of the cooperative. In both instances, the state relied on the history and performance of the cooperative without assessing the ongoing business viability of the cooperative. The state has failed the cooperative in one instance: the cooperative is still waiting for a response from the Department of Trade and Industry for a decision on its application for support from the department's incentive scheme for cooperatives. The lack of a strategic response by the Nkonkobe municipality in support of the cooperative can also be considered a failure on the part of the state given the importance of this cooperative to Nkonkobe.

Another key institution that the cooperative could have received support from is the university in particular through its CBDC but for reasons discussed above this support was not forthcoming. On its part, the union had sufficient resources to provide extensive support and to facilitate access to other relevant support.

The Lessons and Challenges Facing A Self Developing Cooperative

As can be seen above, there are many lessons that cooperatives can learn and adapt from the story of Nomzamo. Despite the many failures, Nomzamo remains a cooperative that holds the flag of cooperatives aloft. There is no pre-determined outcome regarding its future. Now that it is back in production, the cooperative is still faced with difficult challenges at every stage of its life as an enterprise. On the production side, it must ensure that all its members are efficiently involved in production and that there are adequate supplies all of the time. On the sales side, it must ensure that it has markets to which it can sell its products at favourable prices. It must also secure its assets. It must maintain its bank accounts and ensure effective financial management. All this requires effective administration and strong leadership.

Once it has stabilised, the cooperative must review its structure and policies to ensure that these are suitable to its changed circumstances. It must also review its wages and benefits that accrue to members. These are important for strengthening the cooperative and ensuring that members are motivated. This cooperative has the capacity to rise to these challenges.

VIII. COOPERATIVES IN NKONKOBÉ MUNICIPALITY

NOMZAMO GARDENING AND GROUNDS COOPERATIVE

Introduction

One of the handful of qualified and expert black cricket groundsman in South Africa is a proud member of the Nomzamo Gardening and Grounds Cooperative. He passed a groundsman certificate course provided by the Border Cricket Board. In the summer, he prepares perfect pitches for regular matches of the Border Cricket League played at the University of Fort Hare (in Alice) where this cooperative is located. Inspired by the name of his cooperative, he lives out its meaning in practice: undertaking earnest effort to provide a good service and thereby earn a living.

This cooperative shares a common history, initially a joint structure and name with the Nomzamo Cleaning Services Worker Cooperative (in this booklet). It is a compact cooperative wisely guided and motivated by an innovative and enterprising former mining trade union shop-steward. It tends to the gardens and grounds at Fort Hare. It has done so since it was awarded the original contract by the university in 2002.

Origins and Development of the Cooperative

It is doubtful whether this cooperative would have been formed had the university not taken the decision to outsource its gardening and ground services. Previously, workers tending to the university gardens and grounds were directly employed by the university. When it faced a severe financial crisis in the late 1990s, the university opted to retrench its so-called “non-core” workers and outsource the services that they provided. Having failed to stop the retrenchments and the outsourcing, the workers' trade union, the National Education, Health and Allied Workers Union (NEHAWU)'s fallback position was that the services must be outsourced to the very workers who were retrenched but now coming back as worker cooperatives. After long and difficult negotiations and struggles, the university ultimately agreed to this union proposal. Now the ball was in the court of the workers. The union immediately organised support from outside to get the workers to form the envisaged cooperative. At the beginning, a big cooperative was formed that brought together the gardening and grounds workers together with those who were involved in cleaning the university buildings. This was the birth of the Nomzamo Worker Cooperative Limited. This process also received important support from the student leadership and the then Rector of the university, Professor Derrick Swartz, who was committed to promoting cooperatives within and without the university. Having been formed in July 1998, it still took another 4 years before the cooperative won the tender for grounds and gardens in 2002.

Proud Association with The University

The cooperative is proud of its location at the university. It is fully aware of the history and prestige of the university. It also relates this to the natural features of what it called the “*beautiful rural hinterlands of Nkonkobe Mountains and Tyume River*” in its February 2008 tender proposal to the university. It locates its grounds and garden service within these attributes and believes that the university's “*grounds and landscape should retain and be reflective [of] such a prestigious institution*”. The association with the university is deepened by the fact that most of the cooperative's members were workers for many years at the institution.

To demonstrate this proud association, the cooperative put forward a proposal for a Fort Hare Park to the university when it tendered for a new contract in 2008. The cooperative saw this park as “*creating conducive life for both staff and students outside of the classroom environment*” to serve as “*a*

constructive social spot for both our students and staff ... [to] mingle together and socialize ... used for camping; braai utensils, [with] nice trees, green grass and sitting benches". Through this proposal, the cooperative made it clear that it was *"not only a service provider but part of the University"*. The university has not yet responded to this proposal.

Core Activity

The cooperative's main business goal is *"to provide quality grounds and garden services in premises of educational; commercial, and industrial health institutions... [and] residential homes and streets"*. However, up to now the cooperative has not secured other contracts outside the university. The cooperative provides a wide scope of services to the university. It is responsible for the beautification of the campus (and other properties of the university in Alice) by maintaining green weed free grass areas according to appropriate lengths and in consideration of types of grass, periods of watering and seasons. It is also responsible for the maintenance of flower gardens (planting, pruning, weeding, watering and pest control), landscaping, maintenance of trees and shrubs (planting, pruning, controlling encroachment and removal of dead/damaged wood), cleaning and sweeping of hard elements (i.e. sweeping of pavements, tar roads, gravel areas; and removal of refuse and weeds), maintenance of irrigation systems, cleaning and maintenance of dust bins, and the maintenance of sports fields for cricket, rugby, soccer and tennis (cutting and irrigation done according to individual sporting requirements).

The cooperative prides itself on the fact that it has improved the condition of the university's gardens and grounds from the state they were in when it took over in 2002. In its February 2008 tender proposal to the university, the cooperative stated that it was *"awarded a tender by the University in 2002 ... at the time when the University's grounds were in a serious bad state, needing major rehabilitation, maintenance and re-designing. To date the University's grounds are in a much healthier state due to the skills, expertise and commitments of the co-operative to the University"*.

Since winning the tender in June 2008, the cooperative negotiated with the university for the employment of a horticulturalist in order to improve the horticultural skills and expertise of the cooperative. This was a requirement of the contract as demanded by the university. The university pays for the salary of the horticulturalist who started work in the middle of 2009 and is on a 12-month contract. At the time of field work, the cooperative was concerned with whether there will be an effective training and skills transfer programme from the horticulturalist. In the first three years of its contract with the university, the cooperative had also engaged a similar expert with the aim of skills transfer to members. The cooperative attributes the improvement of the conditions of the university gardens and grounds to the skills gained with the assistance of this expert. For its part, the cooperative pays for a General Manager, who started work in 2009, and he is responsible for the overall management of the business, financial, administrative and contractual affairs of the cooperative.

Another important objective of the cooperative is *"to promote the economic interests of its members, whether in production, transport, marketing or consumption of products and skills enhancement"*. This is a cooperative that aims beyond providing employment to its members but to also use the cooperative model to meet its members' other needs. As part of this objective, the cooperative mobilised its members to join the Amandla Savings and Credit Cooperative which was also joined by members of other cooperatives located at the university. However, to date the cooperative has not built the reserves required to undertake other ventures to meet this broader objective.

Membership

Nomzamo Grounds and Gardens Co-operative has fifty three (53) members all whom come from the Nkonkobe catchment areas. 45 % of the members are women and 55% are youth.

The cooperative is in the process of developing policies to address the retirement of older members qualifying for retirement. The cooperative hopes to provide them with a pension and the option of transferring their membership to a family member of their choice. This policy also seeks to deal with the admission of new members. Whilst keeping membership within members' families may be questioned, this goal needs to be seen from the perspective of ensuring that family livelihoods are sustained. This is an important attribute as it would not necessarily be the case in a private company. The cooperative has also decided to have a pension fund for its members. It hopes that the improved contract fee from June 2008 will make it possible for the cooperative and the members to afford the monthly pension fund contributions.

Institutional Arrangements

Given its compact size, the depth of leadership skills it has and support it has received from the university's Community Business Development Support Centre (CBDC), the cooperative is an optimal example of a smoothly operating worker cooperative. Its management structures is set up as follows:

Human Resources	Roles & Responsibilities
General Manager's Office	This office coordinates all the official administrative duties and responsibilities between the co-op and the client.
Coordinators	
Grass Cutting & Flower decorations	Managing all matters relating to grass cutting and flower decoration at strategic points of the university.
Refuse Management	Ensuring that all refuse and waste is managed according to all the regulatory requirements.
Irrigation	Managing and maintaining the University's irrigation systems to ensure efficient use of water resources.
Sports Fields and Grounds	Making sure that the sports fields and grounds are kept in immaculate conditions at all times.
General Workers	The workers are deployed according to the teams under the leadership of coordinators and team leader.

The horticultural expert services the cooperative as a part-time consultant who spends 2 to 3 days with the cooperative.

The cooperative puts a premium on effective and timeous organisational communication. It put the above structure in place because it saw it as *“a solid management operational structure that will serve as a nerve centre for service delivery and a link [between] the university and co-operative”*. In addition, the cooperative proposed that the university must establish a University Gardening and Grounds Committee that would be comprised of different university stakeholders chaired by either the Chief Operations Officer or the Contracts Manager. This committee was set up and its work is to oversee and advise on the maintenance of the gardening and ground of the University. This has improved the communication channels between the cooperative and the university as it allows for pro-active approaches to problems and challenges. The committee was also seen as a complaints handling mechanism, a quality assurance system, and for the provision of advice on landscaping and preservation of natural resources within the institution as required by environmental laws.

Similar to effective communication, the cooperative also holds member education and training in high regard. The cooperative is conscious that this is in line with the universal principles of cooperatives. It has

committed itself to continue with the skills development of the membership through job rotation, provision of Adult Basic Education and Training and computer literacy. It sees such skills development in line with service delivery commitments as well as a way of ensuring that members keep up to date with “any new developments in this sector”. However, this commitment has been limited by the cooperative's own limited resources. Within its financial constraints it previously procured the services of a horticultural expert, it also procured free advice on composting and permaculture and managed to get one of its members trained as an expert grounds-man. The increased budget for the June 2008 tender should allow for such training but the budget did not allow for this as there were other needs. It was for this reason that the cooperative appealed to the university to consider facilitating the cooperative's access to education and training. The new horticulturalist employed in 2009 must be seen in this light.

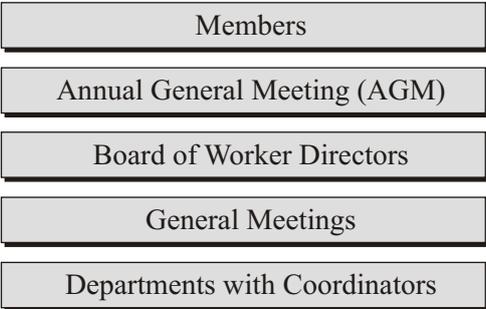
The cooperative has also been able to rely on the advice and short-term training provided by the CBDC for ongoing operational challenges. However, this has not included extensive and ongoing education and training on how cooperatives work, and how to consolidate cooperative identity, cultures and practices within the cooperative.

Between 2003 to 2005 the cooperative was taken over by a rogue committee that had overstayed its mandate, that was fraudulent and was embezzling cooperative money. The cooperative estimates its loss at R200,000 as a result of these transactions. After the cooperative separated from the cleaning cooperative, it employed its own General Manager and also elected its own Board of Worker Directors. It was this board that became the rogue committee. The General Manager colluded with this rogue committee. Elected signatories were removed by the rogue committee in order to gain full access to the cooperative's bank account. During this period, the general members of the cooperative felt as if they were living under a terror where they were intimidated into having no voice and power. Some were forced to condone these criminal activities. This group developed into a serious crime syndicate as it began to also use its base at the cooperative's office in the university to steal university property (copper and other metal) for resale in the black market. Ultimately, the crimes caught up with this group as they were arrested, tried and convicted. This provided an opportunity to the members of the cooperative to finally convene a proper AGM, elect a new Board and start to put the affairs of the cooperative in order. Only in August 2009 did the cooperative succeed in laying charges of fraud against these criminal elements.

The cooperative's reliance on one contract is a danger to its long-term sustainability given the small urban economies of Alice and Fort Beaufort even though it did very well to negotiate a three-term contract with the university and undertook measures to improve its skills.

Working with Cooperative Principles and Values

The internal structure of the cooperative is as follows:



This structure allows internal democratic control of the cooperative by its members. The AGM is the highest decision-making structure where members exercise their power and fully express their free opinions about the state and future of the cooperative. Other ways in which the cooperatives gives meaningful life to the universal principles of cooperatives can be summarised as follows:

Principle	Nomzamo Practices
Voluntary and open membership	All members joined voluntarily at the beginning. No members were unfairly forced out.
Autonomy and independence	The cooperative takes its own decisions without undue influence from outside. The cooperative does not forsake strong relationships with, and support from the university without compromising its autonomy.
Democratic member control	Each member has one vote. There are regular meetings and AGMs where members receive information and take decisions.
Member economic participation	At its founding, members contributed R1,000 from their retrenchment and pension packages to the share capital of the cooperative.
Education, training and information	The cooperative is committed to providing education and training for its members. However, this has limited by a lack of money. Where possible the cooperative has obtained free training related to solving day-to-day challenges, arranged for the training of its grounds-man as this was seen as key, and also procured the services of a horticultural expert to serve the cooperative and its client whilst there is also a skills transfer programme. However, the cooperative did not pay sufficient attention to education focusing on how cooperatives work.
Cooperation amongst cooperatives	Nomzamo has been an active and strong player in efforts to unite cooperatives in the province and nationally.
Community concern	Nomzamo was part of setting up the Amandla SACCO as a step towards forming a community bank. The majority of its members have always been women from Alice thereby making it a contributor to the local economy. However, its community support was limited by its dire financial situation.

The cooperative is also characterised by a strong identity and commitment to the cooperative model. The experience of some of the cooperative leaders as shop stewards in various unions has come in handy in deepening democratic practices. About 10 of the current members of the cooperative were supervisors during the period when the workers were directly employed by the university. These members have brought these supervisory skills into the democratic environment provided by the cooperative.

The leadership is largely men with some women also involved in the leadership. The leadership is dynamic, active and committed and with a vision.

Financial and Asset management

Before the 3-year contract that started in June 2008, the highest contract fee the cooperative had negotiated with the university was an annual sum of R1,06 million. This meant average salaries ranging between R1,000 and R1,500 per month. Given that there is no profit margin going to private shareholders, clearly the contract fee was way too little to provide a living wage. The cooperative also pointed out the inadequacy of the fee when it came to meeting the acquisition of supplies on an ongoing basis. It was for

these reasons that the cooperative's February 2008 tender proposal budgeted an annual sum of R2,16 million for the 2008/9 financial year increasing to R2,280 million for the 2009/10 financial year and to R2,509 million for the 2010/11 financial year coming to a three-year total of R6,949 million. This meant a monthly salary of R2,366 in the first year, R2,638 in the second year and R2,862 in the third year. This would be an immediate improvement in the wages workers received linked to clear wage progression that is slightly above the average inflation rate for these years. Ultimately, the university agreed to a higher contract fee that went some distance in improving the cooperative's income.

In line with its services, the cooperative has a wide range of machinery and equipment that includes 4 tractors, a Bakkie, a refuse truck, and other specific equipment for each of the functions it undertakes. The cooperative used the increased contract fee to recapitalise by buying additional equipment that was worn out and needed replacement.

From the 2003/4 to the 2006/7 financial years (inclusive), the cooperative achieved a surplus. As a result the workers, in addition to being paid their wages received substantial bonuses for these financial years. With the increased contract fee, this feat was repeated in the 2008/9 financial year.

During the period of the rogue committee, the cooperative was not able to undertake annual audits of its finances and submit annual reports to the Registrar of Cooperatives as required by law. This remained a challenge. With the new university contract the cooperative is now in a position to address this.

Lessons and Challenging Facing a Commerically Viable Cooperative

This is a smart and informed cooperative. It seeks to position itself as one of the beneficiaries of the provincial government's decision to locate a provincial cooperatives' institute at the university. This challenges other cooperatives to consider ways in which they can optimise benefits to themselves given the environments they are located in. Undoubtedly the relative success of the gardening cooperative is attributable to the willingness of the University administration to support such a venture. The CBDC has played some role in supporting this cooperative. The cooperative has not really had the need to seek support from external parties. It has not sought or received government support or applied for external funds. But this is not to suggest that it does not need networks of support. It has not yet had to face serious challenges where such support could become handy. The cooperative's relationship with the NEHAWU branch at Fort Hare is confused with the location of key NEHAWU leadership at the CBDC. This results in the inability to clearly distinguish NEHAWU's own role in supporting a cooperative that it helped form. The cooperative has also not clarified what support it would need from various external sources.

The biggest shortfall of this cooperative concerns its methods that depend on high-cost external inputs for pest control, fertilisation and waste management. It is not clear why the composting and organic produce training was stopped. But the cooperative does not use composting and organic methods in its services. There is enough evidence to show how these lower input costs and in-house manufacture of useful cleaning products can be fed back into the maintenance cycle. Given that the university waste system does not separate different types of waste, the cooperative's own methods are forced to deal with waste in environmentally unsustainable ways. If waste was separated at source, the cooperative could develop further skills and income streams with, for example, the recycling of different waste streams such as tin, paper and plastic with wet waste providing inputs for composting.

Having said the above, this is a successful, viable and sustainable cooperative given the skills and the assets it has. But its reliance on the university contract and the limited private market for gardening and grounds services in Alice and Fort Beaufort can be a real threat. It has to look for new opportunities in the hospital sector, amongst municipalities, other state institutions and even households requiring gardening services beyond it's immediate location. Diversification of its client base will be crucial for the future growth and sustainability of this commercially viable cooperative.

VIII. COOPERATIVES IN NKONKOBE MUNICIPALITY

SIYAGAYA MAKHOSIKAZI SEWING COOPERATIVE

Introduction

Before they came together, members of this cooperative used to work as individual street vendors in the Alice Central Business District (CBD). In 1998 they were organised by the wife of the Reverend of Bantu Church of Christ into a women's group made up of eight women. They were already working with the idea of forming a women's cooperative. When the cooperative was eventually started it had 12 members. The number of members remains at 12 even though some of the original members passed on and others left the cooperative. These are women whose average age is in the 50s with one young woman member. The cooperative was registered in April 2005. Its related objectives are to generate income, to produce quality goods to meet the fashion and clothing needs of the local market, and to mobilise members to save money (to pay for holidays, school fees and buying of school uniform).

The cooperative's members are drawn from the villages surrounding Alice (Ntselamanzi, Gaga, Ncera, and Njwaxa). What brings the women together is their eagerness for improved and sustainable incomes given the grinding poverty and unemployment in the villages they come from.

Working with Cooperative Values and Principles

Other than its constitution, the cooperative does not have written documents on how it should work and govern its affairs. The cooperative has an elected committee. The cooperative has not received training on what cooperatives are and how they function. Despite this, the cooperative is able to function without major problems. This is attributed to their small size and the commitment of the members to make their cooperative work.

The cooperative has not held any AGM since it was established. Members are also not able to pay the required annual subscription of R100. The cooperative is also not clear on which members have paid the joining fee of R50. There is no business plan. All members are workers in the cooperative and they contribute to the life of the cooperative through their labor power.

Core Activity

The cooperative rents premises from the University of Fort Hare's main campus in Alice. The cooperative produces a wide range of clothing including Xhosa traditional beaded clothing, church uniform, uniforms for schools and choral music groups, and tracksuits for schools and the university. The cooperative also provides tailoring services for students.

One of the major marketing opportunities for the cooperative's products is the weeklong annual National Arts Festival held every July in Grahamstown (some 120km away from Alice). The cooperative also markets its services and products in churches, schools and traditional ceremonies. The University of Fort Hare also assists the cooperative in promoting its products.

The cooperative lacks adequate machinery for mass production of its clothing. As a result, the cooperative has not been able to meet the market demand for its products. Local consumers are aware of their products and many seek them out to buy school uniforms, tracksuits and church blouses.

The cooperative has only received once off training on basic organisational skills. This was arranged through the Department of Labour. The cooperative also received technical production skills training that

focused on the making of dresses, trousers, tracksuits and church top-dresses.

Financial and Asset Management

The treasurer informs every active member of the cooperative about how much money is generated everyday. The treasurer banks the money made through sales every week. Sales are their only source of income. The cooperative has not depended on grants from outside.

There are no written financial policies. The cooperative has not produced financial statements and has not received financial management training.

The cooperative's assets includes 3 sewing machines (worth a total of R5,000), a cloth-cutting table and chairs.

Lessons and Challenges Facing a Marginal Cooperative

Despite its lack of adequate machinery, over the course of its existence the cooperative has consistently produced a wide range of clothing and has successfully sold these products through innovative marketing. The cooperative has optimally used its location at the university to gain a regular market for tailoring services. It has also generated goodwill on the part of university management such that its rent is low and sometimes receives marketing assistance from the university. This relationship is a crucial part of its web of support together with the Church that spawned the cooperative. However, this cooperative has not expanded its web of support to source in technical advice and cooperative training to build its capacities. Members are worker owners of the cooperative and thus earn income even though it is minimal and irregular. The cooperative does not have a constant cash flow.

Despite the massive odds facing it, this cooperative has opted for a low-cost input strategy and the acquisition of basic skills as a basis for producing goods for the market. In this way, the cooperative has proved that production and sales are possible. However, the cooperative has not been able to make a surplus, generate regular income and save enough from its irregular sales to build capital and reserves. The cooperative's limited equipment does not produce enough volumes to meet proven market demand. This is a vicious cycle that may ultimately collapse the cooperative if it does not secure capital as well as develop and implement a realistic business plan and marketing strategy. In short these are the lessons and challenges facing this marginal cooperative.

VIII. CONCLUSION

All the cooperatives in this case study booklet are classified as either:

- Marginal; or
- Self-Developing; or
- Commercially Viable.

At the end of each case study in this booklet there are specific lessons drawn out for each cooperative. This is central to this research exercise in order to provoke cooperatives to think about where they are and how they can improve their capacities.

Moreover, what follows are general recommendations for the three types of development pathways found amongst cooperatives in this study, as well as, specific strategic recommendations for the Amathole Municipality to consider. There is no one size fits all approach to the cooperatives in this study. Each development orientation requires specific interventions from the Amathole Municipality to provide strategic support to the cooperatives. This of course does not take away from the independent initiative required by cooperatives to improve their situation.

All recommended interventions from below and above are preceded by general observations on the development orientations of the cooperatives found in this study. This provides a set of broad reasons for the subsequent general recommendations.

General Observations on Marginal Cooperatives (See Annexure 1):

- Most marginal cooperatives have been in existence for 5 years or less. This is a crucial stage of development in any enterprise. Most enterprises in the South African economy do not survive within the 5 year horizon. The case studies do however point to specific organisational, technical, financial and contextual barriers that limit the development of marginal cooperatives.
- There is a high level of informality in the operations of these cooperatives, which also makes type and form classification extremely difficult. This challenge is also exacerbated by the lack of education on cooperative identities, legal characteristics and formal responsibilities. Nonetheless type and form classification was attempted which shows that most marginal cooperatives as being worker cooperatives, followed by producer cooperatives. Each of these types have defining characteristics and practices but inside the cooperatives this is not understood. Hence institutional arrangements are very adhoc and not organised around taking advantage of the cooperative model.
- In membership terms these are not very big cooperatives with most not exceeding 25 members and with the majority having 15 or less members, with one exception having 250 members. At least one falls below the minimum legal requirement of 5 members. In general these are small cooperatives in terms of member densities. The membership size dimension in a cooperative can either be advantageous or can be a constraint depending on the objectives and level of development of the cooperative. For example the 250 member base of the Injinga Timber Cooperative has not been mobilised to build up member based equity in the cooperative as a source of capital. On the other hand, the Jongomsobomvu Cooperative with an asset base of R600 000 and only 22 members is far from reaching its productive potential as a viable farming cooperative.

- Most marginal cooperatives have received financial support from government mainly through grants. This financial stream has been crucial for start-up and asset formation, however, this has not been done in a manner informed by the feasibility of the particular cooperative concept and the viability of the cooperative business plan. Hence cooperatives have assets but no electricity to run operations or nowater sources in some cases. Moreover, financing has also not been done in a manner that plans start-up finance and working capital. As result dependencies are encouraged through providing stipends o 'wages' as part of start-up finance. Whereas assisting cooperatives to source and utilise working capital, as loans, could challenge them to enter an income generating stream more effectively. Instead funding streams have not been well conceived beyond surveillance and control mechanisms, as part of start-up capital, which have undermined cooperative autonomy and have also not assisted in engendering viable development paths for cooperatives.

Recommendations for Marginal Cooperatives:

- The lack of cooperative education inside these cooperatives necessitates the need to institutionalise cooperative education inside these institutions. General members meetings, board meetings and member study circles need to be established to discuss the research report and various other available research and training resources (particularly online - see www.copac.org.za for example) to build the capacities of these cooperatives to understand the cooperative model, its different forms and different types.
- All these cooperatives need to understand the legal framework governing their operations, namely, the 2005 Cooperatives Act. In particular these cooperatives have to extract from the Act the relevant legal requirements they have to adhere to, how this relates to the constitution of their specific cooperative and how their operations need to be governed by adherence to legal rules.
- Proper organisational decision-making processes have to be developed in these cooperatives for policy, operational and strategic decisions.
- Cooperative policies or bye laws have to be written up for vitally important issues that have to be routinised in the cooperative. For example, wages policy, asset management policy, discipline policy and so on. These need to be developed in a participatory way with input from all members before the adoption of such policies by general members meetings.
- Financial management capacities have to be developed around managing bank accounts, income and expenditure practices, the importance of financial statements, reading financial statements (income/expenditure and balance sheets), managing cash flow, managing petty cash, the importance of financial reporting in a cooperative, the importance of specific accounting requirements for worker cooperatives and the importance of audits;
- Building core organising capacity inside the cooperative has to be given priority. This can be done through employing a manager or having a member work full time for coordination, and who receives a collectively decided salary or per diem. The roles and tasks of such a person to be clearly defined by the general members of the cooperative to ensure cooperative activities are effectively coordinated. Such a person to have an implementation function not a decision-making function.
- The development of strategic planning capacities is absolutely crucial in these cooperatives to enable income generation and institutional capacity building. A planning cycle has to be nurtured to assess performance and achievements annually and this has to be linked to capitalisation and income generation. In other words planning the development of the cooperative as part of planning the use of surplus or various sources of finance (internal/external) has to come to the fore. An annual planning meeting must produce an annual cooperative business plan (with targets and strategies for organisational, technical, financial and contextual issues). If this becomes regular for at least three years then the cooperative has to move to a five year planning cycle supported by annual plans.

- All marginal cooperatives need to develop ways of building and deepening webs of support. The cooperative needs to be honest about its limitations and where it needs technical advice or support to overcome these limitations. This might require paying for experts to advise on a specific decision or providing training on a particular function or building capacity for a certain functionality inside the cooperative. In most instances inviting institutions or individuals to play a mentoring role may not require payment. Such institutions and individuals could be invited to participate in a cooperative solidarity committee whose function would be to advise the cooperative.
- Finally such cooperatives have to appreciate that resources might have to be channelled away from immediate consumption towards overcoming organisational, technical, financial and contextual obstacles. This might mean building a culture and patience beyond immediate financial gain. Strategic planning is crucial in this regard.

Recommendations for Amathole District Municipality to Assist Marginal Cooperatives:

- Consideration has to be given to developing a pre-registration tool (a checklist) of crucial tasks for aspirant cooperators and cooperatives. Such a tool to assist with feasibility assessment and business planning of a cooperative concept. Such a tool to encourage self organising but also to advise the cooperative on where and how to get advice even before registration. In short, with a basic feasibility assessment and pre-registration cooperative business plan the cooperative would be in a better position to go forward more productively after registration such that various negative possibilities can be mitigated.
- Education about the importance of registration and making registration accessible in the municipality needs to be seriously considered. This might mean asking the registrar of cooperatives to devolve registration powers, under the 2005 Act, down to the district municipality to assist the registration process.
- Government funding streams like grants need to build in exit strategies. There are various government departments and government linked institutions, as well as, local government actors that have streamed finance into cooperatives. This has been managed in a top down way and most importantly without a clear exit strategy being agreed to with the cooperatives. This has tended to blur state-cooperative relationships, in some instances.
- The municipality needs to revisit procurement practices for cooperatives to encourage capacity building and diversification. Without such thrusts the cooperatives easily get locked into dependency relationships.
- It would be useful for the municipality to develop a training assessment tool and support network for cooperatives. The assessment tool should take the form of an annual survey to assess training needs of cooperatives. This assessment to be linked to a supply side training network made up of government and non-governmental agencies in the Eastern Cape. A training fund could be established by the municipality to pay for on-site and customised training. All training to be assessed by cooperatives and provision to be made for this assessment to be shared with the municipality.
- Cooperatives need to be given training in three crucial areas as a matter of urgency: first, how to ensure reporting (organisational and financial) on activities to members and to the registrar of cooperatives, as required by the Act. Second, financial management training and thirdly strategic planning as it relates to linking income generation, working capital and development of the cooperative.

- Encourage learning through using this research report and other available resources.
- Many cooperatives can be empowered to be more effective if public spaces and infrastructure can be provided by the municipality for office use and cooperative meetings. Office use can be pooled for cooperatives in a particular municipality and even tied to a limited period to assist the cooperatives get up and running. Moreover, libraries, local schools, community halls etc can also be encouraged by the municipality to assist the cooperatives for general members meetings.
- The municipality should consider developing a directory of cooperative support organisations/mentors/trainers in the Eastern Cape and online training resources available for cooperative self training. Such a directory to be shared with the cooperatives and can be linked to a possible training fund. Moreover, cooperatives themselves can be empowered with this information to strengthen their webs of support.

General Observations on Self-Developing Cooperatives (See Annexure 2):

- The majority of self-developing cooperatives are five or more years old. Most of these cooperatives have laid their groundwork evolved a cooperative concept, have legal arrangements in place, have leveraged resources and have or are building asset bases. Many have also confronted technical, organisational, financial and contextual challenges as part of evolving start-up operations. These experiences and practices have assisted these cooperatives build important institutional capacities, albeit unevenly. However, many challenges still remain.
- While these cooperatives have more distinctive identities, this has not translated into effective institutional arrangements to advance the strengths of such types and forms. The majority of self-developing cooperatives in this study are worker cooperatives followed by producer cooperatives. The majority are also primary cooperatives with one exception being a secondary cooperative. The level of self awareness of the cooperative model is very uneven. While there are strong instinctive orientations to work collectively and advance cooperative practices there is a lot of room for more cooperative education and institutional capacity building for specific types of self-developing cooperatives. For example, the worker cooperative model can be innovated on in terms of building internal capital pools through worker ownership, building skills through rotating jobs and embedding these institutions in local communities through dedicating surpluses to local development and through supporting local markets and beyond.
- In terms of member densities these cooperatives are not very high with the majority having 20 members or less, with two exceptions. One having 32 members another 31 members. The numbers in these cooperatives enable an effective division of labour for core operations.
- The self-developing cooperatives have been able to leverage a mix of external sources of finance, in some cases loans and grants. These resources have capitalised these cooperatives but like the marginal cooperatives, there has been a lack of feasibility assessments, as well as, a lack of cooperative business and strategic planning to use these resources effectively. Moreover, the failure to plan in working capital has not assisted most of these cooperatives enter a sustainable income generation path. Hence these cooperatives are subsistence based with commercial strategies not sufficiently developed and exploited to advance the objectives of these cooperatives.

Recommendations for Self-Developing Cooperatives:

- Member based education on the basics of cooperatives (values, principles, forms, types) should happen. There should be consideration given to institutionalising education and training inside the cooperative for such an education and training culture to be established in every forum of the cooperative. Efforts should be made to establish structured study circles to engage in collective learning about cooperatives.
- Education on the Cooperatives Act should also take place to ensure legal requirements are adhered to. A clear list of legal requirements need to be extracted from the Act and Constitution of the cooperative and these to be built into the operations of the cooperative.
- Like the marginal cooperatives, self developing cooperatives also have to develop strategic planning tools and capacities to ensure income generation, working capital and institutional development are linked. In short, such planning to enhance the organisational, technical, financial and broader role of the cooperative.
- Building up internal reserves through saving surpluses are crucial. At least a minimum of 40% of surplus needs to be saved for the purposes of capitalising the growth and expansion of the cooperative. This needs to be linked with planning and having clear annual targets.
- Finally, it would be important to widen webs of support to source in advice, support and know-how to assist the cooperative improve its operations. Such support relationships could even be institutionalised through a cooperative support committee if possible. Alternatively, such relationships can be managed one on one.

Recommendations for Amathole District Municipality to Assist Self Developing Cooperatives:

- Education and training are also crucial needs in such cooperatives. Some of the recommendations made already for marginal cooperatives regarding education and training are relevant to also assist these cooperatives.
- Consideration needs to be given to providing preferential municipal rates for services like water and electricity for cooperatives. This would assist would bringing down operating costs and creating a conducive enabling environment for self developing cooperatives.
- A dedicated mechanism for operating capital needs to be developed linked with proper cooperative business and strategic planning.
- Encourage all local municipalities to create consumer cooperatives that can host bi-weekly town/city cooperative markets in a central public space with potential to capture passing trade. Such markets to be open to all cooperatives to bring in their products and services for sale. The municipalities to market such markets and to actively encourage community support.

General Observation on Commercially Viable Cooperatives (See Annexure 3):

- This is a category with only one cooperative, the Nomzamo Garden and Grounds Cooperative. This cooperative is a primary worker cooperative that evolved in the context of trade union engagements with retrenchments. The cooperative emerged as a defensive option to protect jobs. However, in practice the cooperative has evolved into a commercially viable cooperative with the capacity to sustain worker owner jobs.

- This cooperative has been in existence for about 7 years and evolved out of the Nomzamo Cleaning Services Worker Cooperative. As a worker cooperative it has been able to develop internal worker control structures, has institutionalised worker owner decision-making rights and has built effective webs of support. However, during its life it has also evolved with organisational challenges. These challenges and experiences did not bring down the cooperative. This is largely because the cooperative practice inside the cooperative was consistent, was willing to learn from mistakes and was determined to find a constructive way forward. In short, this has been a cooperative willing to learn from experience.
- A commercially viable cooperative should never consider its economic situation as fixed. Both internal and external dynamics have to be constantly assessed. A commercially viable cooperative that loses its dynamism can easily slide back and degenerate. Moreover, self-developing cooperatives in the Amathole District need to use the example of the Nomzamo Garden and Grounds Cooperative as an important learning model.

Recommendations to the Amathole District Municipality to Assist Commercially Viable Cooperatives:

- Diversification into commercial markets and into the public sector market needs to be encouraged through tender agreements with such cooperatives. Put differently, such cooperatives need to be given tenders with 'sunset clauses' placing a compulsion on the cooperative to organise beyond the immediate tender opportunity.
- Building and strengthening strategic planning capacity in commercially viable cooperatives. Such cooperatives need to develop the tools for a planning cycle for annual and medium term plans which are directly linked to planning capitalisation.

Recommendations to Commercially Viable Cooperatives:

- Ongoing strategic planning through annual and medium term cooperative business plans. These plans have to be implemented and constantly evaluated to assess progress.
- Diversification through different strategies for different markets (household, community, commercial, commodity and public) to ensure viability;
- Institutionalise ongoing education and training to empower member driven decision-making.

Towards a Cooperative Economy for Amathole District

The Amathole District is a seedbed for cooperative development in the Eastern Cape. The past decade has seen phenomenal growth in cooperatives. However, this wave of cooperatives needs to be strategically supported to grow in a manner that reinforces the shift to commercial viability, genuine member driven cooperatives, with values and principle based practice and with clearly defined cooperative identities.

Cooperatives in the Amathole district have a great deal of potential to lead structural change and to build a cooperative economy based on democratic relations of production, consumption and financing. However this process should not be rushed and there is a great need to also rectify mistakes made thus far. The key going forward is to build on what's there to enable **cooperating for transformation**.

To achieve a cooperative economy there are two strategic phases recommended, each requiring a great deal of effort and patience.

Phase one: Enhancing Strategic Support To Cooperatives

This means channelling resources and government effort beyond general support for cooperatives. Instead two key tasks should be considered in the short to medium term (next 3 years):

- (1) Based on the detailed recommendations made above the municipality needs to ensure strategic interventions to create an enabling environment around training, finance and markets. Put differently, the most important role the Municipality can play is provide a web of concrete support for the cooperatives to find an effective development orientation. Not every cooperative is going to move on to a commercially viable development path. However, the conditions need to be created for this possibility to exist. This is not the case at present.
- (2) The municipality must continue with a social science based approach to understanding the dynamics within the emerging cooperative sector and economy. It needs to track through research the impact of its interventions, the dynamism of cooperatives, their needs and the general pattern of cooperative development. Such a research based approach will assist the municipality play an effective developmental and strategic support role that re-inforces the autonomous development of cooperatives within the district.

Phase two: Strengthening the Institutional Basis of a Cooperative Economy

Complimenting and building on the achievements of enhancing strategic support to cooperatives requires three crucial tasks:

- (1) Encourage second tier institutional development among cooperatives. This should not be forced or be mechanical to achieve some kind of apex structure. Instead it should be encouraged based on functional benefits that are achieved by cooperating at the second tier level. For example, worker cooperatives can easily start with a forum to start learning from each other and even developing a funding mechanism to assist with capital needs. Farming cooperatives can do the same but in some geographic areas it might be necessary to form secondary farming cooperatives to assist with procuring inputs, pooling and sharing farming equipment, developing a funding mechanism and providing a marketing channel for output.
- (2) Community based cooperative financing mechanisms need to be encouraged. This could take the form of village/community based cooperative banks or cooperative development funds. Such mechanisms have a crucial role to play in building local capital resources and channelling this as productive capital to assist with cooperative growth and solidarity based local economic development. The more movement and localised financing mechanisms there are for cooperatives the better. This is the case with the most successful international experiences and such forms of financial decentralisation also assists with ending dependency on the state.
- (3) Continue action and learning based research to understand cooperative economy dynamics and how this relates to wider patterns of solidarity. Over time it might be necessary to start measuring more seriously the size, economic contribution, value chain linkages, solidarity patterns and impacts of the cooperative economy in Amathole.

ANNEXURE 1 - Marginal Cooperatives Table

No	Name Of Coop	Area	Type & Form	Date Of Registration	Members	Financials
1	Injinga Timber Cooperative	Keiskammahoek CBD Amahlathi Municipality	Producer cooperative involved in harvesting and processing of invader wattle trees into timber-ready material	2005	250	Assets: Less than R20,000 Income: Less than R20,000 per annum Loans: 0 Grants: 0
2	Izandla Zethu Farming Cooperative	Farm 280 Fort Jackson, Nxarhuni Buffalo City Municipality	Multi-purpose worker cooperative-Vegetable farming, producing pigs, poultry and bricks Form: Primary cooperative	2007	15	Assets: R1,66 million Income: Less than R5,000 p.a Loans: None Grants: R1,66 million
3	Mamande Chemical Cooperative	Fort Jackson Industrial Area Buffalo City Municipality	Worker cooperative providing a laundry services to institutions and also producing household and industrial cleaning chemicals	2006	4	Assets: +/- R500,000 Income: Not clear from available information Loans: 0 Grants: Received from Amathole District Municipality but not clear from available information
4	Ncera Women Cooperative	Village1, Ncera villages Buffalo City Municipality	Vegetable farming producer cooperative (also producing poultry) Form: Primary cooperative	N/A	6	Assets: R500,000 Income: 0 Loans: 0 Grants: R283,000
5	Rising Sun Paper Cooperative	Zone 1, Mdantsane Buffalo City Municipality	Worker cooperative producing paper products from waste paper Form: Primary cooperative	2008	9	Assets: R1 million Income: Less than R10,000 per annum Loans: 0 Grants: 0
6	Sikhangelene Cooperative	Potsdam village Buffalo City Municipality	Worker cooperative producing bricks Form: Primary cooperative	2005	5	Assets: R150,000 Income: Less than R20,000 per annum Loans: R4000 Grants: R260,000 Grants: 0
7	Gwaba Women's Cooperative	Gwaba Location, Kwelerha, Great Kei Municipality	Brickmaking	Not registered as a cooperative.	15	Assets: R200 000 Income: Loans: Grants: Department of Social Development – R500 000
8	Ngxingxolo Women's Cooperative	Ngxingxolo Village, Mooiplaas Great Kei Municipality	Beadmaking and sewing	Not Sure	11	Assets: Not clear from available information Income: Not clear from available information Loans: 0 Grants: 0
9	Thwalisanani Cooperative	Idutywa Mquma Municipality	Multi-purpose including bakery Form: Primary Cooperative	2005	8	Assets: R50,000 Income: Not clear from available information Loans: 0 Grants: R8000 Department of Health, R50 000 Mbhashe Municipality
10	Jongumsobomvu Cooperative	Gcinisa village, Peddie South Ngqushwa Municipality	Farming cooperative Form: Primary Cooperative	2008	22	Assets: +/- R600 000 Income: Not clear from available information Loans: Not clear from available information Grants: Department of Agriculture, but not clear about actual financial support
11	Siyagaya Makhosikazi Sewing Cooperative	University of Fort Hare, Alice Nkonkobe Municipality	Worker cooperative producing Xhosa traditional dress, uniforms, tracksuits and tailoring services Form: Primary cooperative	2005	12	Assets: +/- R6000 Income: less than R20,000 per annum Loans: 0 Grants: 0

ANNEXURE 2 - Self-developing Cooperatives Table

No	Name Of Coop	Area	Type & Form	Date Of Registration	Members	Financials
1	Seven Stars Dairy Cooperative (Old Keiskammahoek Dairy Scheme)	Keiskammahoek Amahlathi Municipality	Milk Farmers' producer cooperative Form: Secondary coop of Fort Hare Form: Primary Cooperative	2003	32 individual members in 6 primary cooperatives	Assets: R10 million Income: Not clear from available information Loans: Land Bank and Uvimba - Grants: R2,5 million
2	Sisonke Bakery Cooperative	Keiskammahoek CBD Amahlathi Municipality	Worker cooperative baking and selling bread to the school feeding programme Form: Primary coop	2003	11	Assets: R206 000 Income: Not clear from available information Loans: 0 Grants: R34 000 European Donor R200 000 Provincial Dept. of Social Development & R136 000 National Dept.
3	Sparrow Mkhonto Farming Cooperative	Phumlani Location, Needs Camp Buffalo City Municipality	Vegetable farming worker cooperative also planning goat farming Form: Primary cooperative	2002	20	Assets: R1.5million Income: Less than R30,000 per annum Loans: Grants: R2 million
4	Bee Dew Cooperative	Butterworth Mnquma Municipality	Worker cooperative involved in honey production Form: Primary cooperative	2009	N/A	Assets: +/- R20 000 Income: Not clear from available information Loans: 0 Grants: R500 000 from Department of Social Development
5	Green Harvest Agricultural Cooperative	Ngqamakhwe Mnquma Municipality	Agricultural farming cooperative Form: Primary agricultural cooperative	2005	11	Assets: +/- R500,000 Income: Not clear from available information Loans: Not clear from available information Grants: DBSA R436 000
6	Khanyisa Ntsimbi Cooperative	Ngcingwane village, Idutywa Mnquma Municipality	Bead-making producer cooperative Form: Primary Coop	2006	15	Assets: R 13.6 Million Income: Loans: from Mrs. Mbeki, amount not clear from available information Grants: R300 000 from Department of Arts and Culture. Old Mutual, ADM, Department of Labour and IDT
7	Nomzamo Cleaning Services Worker Cooperative	Alice CBD Nkonkobe Municipality	Worker cooperative producing toilet rolls and household cleaning chemicals. Previously	2000	31 (had 137 members)	Assets: R1 million Income (up to June 2008): R2,64 million Income (after June 2008): Less than R10,000 per annum Loans: 0 Grants: R600,000 from various government departments and Amathole District Municipality before June 2008)
8	Khazimla Farmers' Cooperative	Berlin Buffalo City Municipality	Poultry producing worker cooperative	2003	5	Assets: R 600 000 Income: Loans: 0 Grants: R20 000 Dep Arts & Culture; R400 000 Dep of Land Affairs & R100 000 Amathole District Municipality

ANNEXURE 3 - Commercially Viable Cooperatives Table

No	Name Of Coop	Area	Type & Form	Date Of Registration	Members	Financials
1	Nomzamo Gardening and Grounds Cooperative	University of Fort Hare, Alice Nkonkobe Municipality	Worker cooperative providing gardening and grounds maintenance services to the University	2002/2003	53	Assets: R500,000 Income (up to June 2008): R1,060 million Income (after June 2008): R2,5 million Loans: 0 Grants: 0

ANNEXURE 4 - Cooperatives Contact List

Cooperative	Name	Cell	Fax
1. Bee Dew Cooperative Address: P/Bag 6089 Butterworth, Mnquma Municipality	Mrs. G.M Phohlo Mrs. N Mjindi	082 303 4160 076 552 3062	047 491 0021
2. Gwaba Women's Cooperative Address: Gwaba Location, Kwelerha, Great Kei Municipality	Mrs. Nomama Makhala	083 997 2828	
3. Injinga Timber Cooperative Address: Rabula, Keiskammahoek	Mr. Mhleli Hejana	073 278 3921	040 658 0028
4. Izandla Zethu Farming Cooperative Address: Farm 280 Fort Jackson, Nxarhuni, Buffalo City Municipality	Mr. Mlungisi Mbilase Mrs. Kholeka Luzi Mr. Kholekile Diko	083 720 1944 082 505 4238 073 087 6761	040 658 0788
5. Jongumsobomvu Cooperative Address: Gcinisa, Peddie South, Ngqushwa Municipality	Mr. K.C Nkohla	073 572 8338	
6. Rising Sun Paper Cooperative NU1 Mdantsane Industrial Area, Mdantsane	Mrs. Xola Toba	078 750 9013	043 760 0098
7. Khanyisa Ntsimbi Cooperative Address: Ngcingwane Area Idutywa, Mnquma Municipality	Ms. Phelisa Mdyogolo	078 601 9214	
8. Khazimla Farmers' Cooperative Address: Buffalo Municipality, Berlin	Mrs. NM Kokwe	072 6835 444	
9. Mamande Cooperative Address: Fort Jackson Industrial Area, Buffalo City Municipality	Mr. Manentsa	083 683 5418	043 763 7999
10. Green Harvest Agricultural Cooperative Address: Ngqamakhwe, Mnquma	Mr. Z May	083 5481 000	
11. Nomzamo Cleaning Services Worker Cooperative Address: Alice CBD	Ms. Noluvuyo Mnguni	073 960 9761	
12. Nomzamo Gardening and Grounds Cooperative Address: Alice (Fort Hare)	Mr. Malusi Mlumbi	084 251 9458	
13. Ncera Women's Cooperative Address: Village 1 Ncera	Mrs. Nosiseko Jongilanga Mrs. Nozuko Adam	083 668 1543 083 671 9706	
14. 7 Stars Dairy Cooperative Address: Keiskammahoek Irrigation Scheme Eskimini, Keiskammahoek	Mr. M Mcasi	073 561 6371	043 741 1110
15. Siyagaya Makhosikazi Cooperative Address: Alice (Fort Hare)	Mrs. M.S Ntlahleni	072 922 1320	
16. Sparrow Mkhonto Cooperative Address: Buffalo Municipality, Phumlani Location, Needs Camp	Mr. Monde Bhuti	072 3196 909	
17. Thwalisanani Cooperative Address: P.O.Box 2086, Dutywa, Mnquma Municipality	Mrs. S.N.Thuthu Mrs. N.P.Zokufa	073 731 8924 083 772 2505	
18. Sisonke Bakery Cooperative Address: Small Business Centre, Main Street, Qoboqobo	Mrs. Nomelumzi Dyantyi	078 484 5947	
19. Sikhangelene Cooperative	Ms. Cebisa Dokolwana	0840 222 953	
20. Ngxingxolo Women Cooperative Address: Ngxingxolo Village, Great Kei	Mrs. Nolast Ziyokwana	073 0826 254	



AMATHOLE DISTRICT MUNICIPALITY (ADM)

P.O. Box 320, East London, 5200

Municipal Manager: Tel: (043) 701 4000 • Fax: (043) 742 0337