

**CO-OPERATIVE IDENTITY AND GROWTH IN AGRICULTURAL
MARKETING CO-OPERATIVES IN TANZANIA**

By

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1. Introduction

Tanzania, joined the co-operative industry in the 1930s through agricultural marketing co-operatives. But this long journey of co-operative organization, started with a bias of selected commodities which were not consumed locally, but demanded by European industrial production and consumption. As demand for such commodities increased in Europe, there was increased growth of agricultural marketing co-operative promotion, starting with coffee, cotton, tobacco, pyrethrum and later, cashew nuts. The positive growth of co-operatives in the export sector was positive because the operational effects of the enterprise was demonstrative of a distinguished identity.

There is a positive relationship between identity and growth. While identity is evidenced by image and how people perceive the organization, such a perception can be positive or negative. The way society perceives the organization, will determine its growth and sustainability.

The major theme of this conference is Co-operative Identity and Growth. We are looking at how the identity as the independent variable, determines the growth of co-operatives in Tanzania in this presentation, I will address the relationship of the two variables with respect to agricultural marketing co-operatives in Tanzania, for three important reasons; First, agricultural marketing co-operatives were the first co-operative enterprise in the country. They have existed to date. Second, they are potentially the engine of poverty alleviation because they are inclusive of the greatest proportion of the Tanzanian population and third, as we commit ourselves to the industrialization of Tanzania, agricultural marketing co-operatives will be the engine of the Green Industrial Revolution in Tanzania.

The presentation, will cover the following landscape; First, I will look at the conceptual relationship between the co-operative identity and growth in Tanzania and the problem which manifest itself as the identity crisis. Second, I will make a brief survey of the theoretical framework, which can be used to explain the underpinnings of the identity crisis in co-operatives. Third, I will provide the evidence of the identity crisis in Tanzania and fourth, I will show how the agricultural co-operative movement can jump out of the

identity crisis. Lastly, I will provide a few recommendations for achieving positive change out of the identity crisis and conclude.

2. Co-operative Identity and Growth in Agricultural Co-operatives

2.1 Introduction

Co-operatives, are autonomous associations of persons united voluntarily, to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Group ownership, aimed at meeting common needs and aspirations using a democratically controlled enterprise, puts co-operatives in a fluid situation. This is because while achieving democratic control is complex, the complex and requires solid membership and leadership of the co-operative organization (Munkner. 1998).

The central argument of my presentation is therefore answering the question as to how do we get solid membership and leadership in order to improve its identity so that people build the right confidence and create more co-operatives in Tanzania.

2.2 Co-operative Identity and Growth: A Conceptual Framework

2.2.1 Co-operative identity

A co-operative organization, is distinguished from other types of businesses in three major ways: First. is the freedom, voluntariness and openness to join the organization. All people from different walks of life are able to join the organization. In this way, the co-operative organization, is a real business opportunity, with flexibility and possibility. Second, the business is run democratically through the practice of one member one vote, irrespective of the number of shares held by an individual (Munkner, 1998). In this way, the co-operative organization is able to sustain the organizational values of self help, equality. equity, solidarity and democracy. On top of such organizational values, cooperators believe in the following ethical values of honesty, openness, social responsibility and caring for others. But in order to implement those values, the cooperators are guided by the co-operative principles of open and voluntary membership, democratic control, member economic participation, autonomy and independence, cooperative education, training and information, co-operation among co-operatives and concern for the community. Fourth, the co-operative organization is group- based rather than individuality and the original co-operators came from the working class who wanted

an organization to escape capitalist exploitation. Therefore, group ownership does not emphasize profit maximization but rather deal with the co-operative effect transmitted at the individual members including service at cost, access to inputs, access to finance and access to economies of scale and scope.

Co-operatives are universally accepted as autonomous organizations and part of the private sector. They are self help organizations where the owners, are decision makers and users of the organization. This congruence and the definition of the co-operative enterprise, values and principles, constitute the co-operative identity.

2.2.2 Growth

Growth, is a concept underlying anything on an increasing trend. It constitutes the concept of addition or multiplication through widening or vertical increase of objects. In organizational theory, growth is denoted by increased number of establishments, involving institutions and numbers of people involved in the process. Growth, is a process of positive change from lower levels to advanced stages of development. Co-operative growth therefore, is an indicator of increased established and registered cooperatives in terms of numbers of co-operatives in the country and increased number of memberships. Since agricultural marketing co-operatives were established in Tanzania, they have experienced both situations of expanded growth as well as declining trends. One of the reasons explaining the growth and declining trends of the co-operative enterprise in Tanzania, is its identity.

2.2.3 Relationship Between Co-operative Identity and Growth

As pointed out earlier, the identity of the organization or its social and economic image as demonstrated by its identity statement and business practice experienced by society will determine its expansion or decline.

The Tanzanian economy depends on agriculture where 70% of employment is generated. But the contribution of the agriculture to the Gross Domestic Product is barely 34%. Cooperatives were first organized in agricultural marketing, expected to benefit agricultural producers, who are small holder farmers. If agricultural co-operatives had all-

time positive image, the co-operative movement would have grown in all sectors of the Tanzanian economy, and agriculture, would continue to be a leading sector.

The Problem

The expected contribution of agricultural marketing co-operatives to the Tanzanian economy is quite high. There have been a number of efforts to improve the performance of co-operatives through policy and legislation. There have been efforts by co-operative support institutions providing member and management training, training in marketing and business development as carried out by the university with its network of regional centres. There are efforts provided for external governance as demonstrated by COASCO and the Co-operative Commission. Despite of all those efforts, the agricultural marketing co-operative identity is still dented affecting the growth of agricultural marketing in Tanzania

3.0 Theoretical Framework: Punctuated Organizational Equilibrium

According to organizational theorists, Khandwala et al (1973), organizations evolve through long periods of stability (equilibrium periods) in their basic long term objectives and business activities. But along the road of their development, the process is not always continuous and linear (Meyer, Gaba and Colwell,2005). Rather, the organization is met with short periods of bursts of requiring fundamental change (revolutionary periods) Khandwala, et al (1973) During such fundamental change, the organization faces three important and strategic moves as follows; First, the organization must establish a new order and align itself with external and internal variables. Second, the organization must reconstruct itself, to ensure its own alignment with structural variables within the industry, especially with its external partners. Thirdly, the organization must go deep in its own structures and search for the formation of new structures, create alignment within those structures with mutuality, but also conform to external forces of competition, regulation and fast changing technological development.

But when change does not burst into major turbulence, it may have lower accumulation effect of the change process that may not demand restructuring. However, even smaller changes can have effect on the co-operative identity.

Although punctuated equilibrium has always been associated with major changes taking place originating from the external environment, deliberate punctuated equilibrium may

start from internal forces when the organization struggles to re position itself in competitive markets. It is however important to recognize that whether punctuation is external or internally generated, the respective organization need to reconstruct itself from within, but connect itself with the external environment. If the organization does not reconstruct itself and reflect on the installation of new structures, it will risk becoming reactive, decline and lose its own identity.

History and Evidence of the Crisis of Identity and Growth

The history of agricultural marketing co-operatives in Tanzania has experienced two major instances of punctuated equilibrium conditions. First, was the smooth evolutionary growth of the co-operative movement observed by the growing co-operative societies between the 1 960 to 1967 as seen in the table below.

Table I: Co-operative Development Between 1949 to 1961

Year	Number of Societies
1949	79
1957	474
1958	546
1959	617
1960	691
1961	760

Source: Kimario, A. Marketing Co-operatives in Tanzania: Problems and Prospects, Dar es Salaam University Press

The growth of the co-operative movement grew by 2.8% between 1957 and 1961, a period of four years. While total membership of co-operatives increased from 45,000 in 1945, to 350,000 in 1961(Kimario,1992). The slow growth of co-operatives was conditioned by three important inputs which strengthened the identity of co-operatives in the country. First the law was explicit that co-operatives were formed on the basis of economic viability. Second, cooperatives were based on purposeful action of the members and orderly according to strict adherence to the universal co-operative principles. Third, while promotion was carried out by government co-operative staff, member education and training started before the formation of the organization. This identity however, went with export crops. In this way, although growth strengthened the co-operative identity, the alignment of co-operatives with export crops. already dented

the co-operative identity because, the co-operative enterprise was already associated with coffee, cotton, tobacco and cashew nuts. It stands out today that in the areas where such crops are produced. it is the crops which give the identity of the co-operative enterprise. On the membership side, they also think that co-operative business is confined to those crops. In areas where those crops are not popular, ordinary farmers think their own co-operatives cannot be organized through co-operatives.

Co-operative Growth and Identity After Independence

Immediately after independence, the government, cherished the past political support it received during the struggle for independence. The first action of the government, was to encourage the formation of co-operatives in food growing areas. In Rufiji District for example, the government promoted rice growing co-operative societies (Kimario, *ibid*). In many other parts of Tanzania, such as Iringa, Rukwa and Dodoma, maize marketing co-operatives were formed. The promotion was directed by the government and was done without much a do with economic viability , education, training and purposeful engagement with small holder farmers. Table 2 below indicates the fast growth of co-operatives after independence in 1961.

Table 2: Co-operative Development between 1961 to 1967

Year	Number of Societies
1961	760
1957	974
1966	1518
1967	1649

Source: Kimario. *A Marketing Co-operatives in Tanzania: Problems and Prospects*, Dar es Salaam University Press

The rapid expansion between 1961 and 1967, a period of six years was 8.8 per cent. This was the period after independence. During this period, the co-operative movement was defined and directed by the government and not by careful consideration by the members. As pointed out above, such rapid expansion, enhanced the growth of co-operatives in the country. It also expanded the meaning of the co-operative enterprise to include food crops.

During the same period, the government established support structures for the co-operative movement including the Co-operative College (1963), the Co-operative Bank (1964), the Co-operative Education Centre (1964) and the Co-operative Union of Tanganyika (1961). While these were positive structures building the image of the co-operative enterprise, the methodological approaches for the promotion of primary co-operatives were against universal co-operative principles and defected the co-operative identity. People saw the promotion of co-operatives to be government driven and therefore risky and that the government could promote co-operatives without education and training action. The co-operative movement found itself facing financial and management problems, inefficiency, corruption, nepotism embezzlement of co-operative funds. The farmers saw the co-operative business becoming more exploitative than emancipative. Such outcomes, had negative image on the co-operative enterprise. A Committee of enquiry that was formed by the government to look into the matter, listed the following defects of the cooperative movement as uninformed members, shortage of appropriate management, lack of democracy at union level and suspected government interference.

Village and Ujamaa Village Act and Economic Liberalization Policy

Between 1967 to 1976, the government established a new orientation of managing the economy through central planning. The co-operatives were seen as promoting capitalism and capitalists against the basic economic orientation to build socialism. The socialist orientation was achieved by enacting a new Village and Ujamaa Villages Act., which made villages equivalent to cooperative societies, served by marketing boards, because the co-operative unions were disbanded in 1976. The Co-operative bank was also disbanded in 1968. Membership of primary society was compulsory and automatic at 18 years of age. The effects of the socialist orientation, ended up creating a large number of village-based institutions which were no longer co-operatives. Table 3 below, indicates the village-based cooperatives.

Table 3: Village Based Co-operatives Between 1967 to 1975

Year	Registered Villages	Registered Co-ops
1967	48	
1968	180	
1969	650	7
1970	1200	9
1971	4484	
1972	4846	79
1973	5628	328
1974	5008	
1975	6944	

Source: Kimario, A

The period between 1967 to 1975, was a period of coexistence between market driven single purpose co-operatives and the drive to register villages as multipurpose co-operatives. It was a period of tension between the market-based co-operatives and those established under the socialist orientation. It was a period of major punctuation of the co-operative enterprise registered under internationally approved co-operative principles. It was externally driven and finally the market driven co-operatives had to give way the village based multipurpose cooperative.

History indicates how the new co-operative system could not operate as expected. The village-based co-operatives were engulfed with all sorts of operational problems including inefficient management -inability to control losses, inefficient board members and low support from members. The ICA, struck of the Tanzanian membership from its register because the village-based co-operatives were not following the universal co-operative principles. Externally, the cooperative movement was turned into a party mass movement required to fulfill party policies and not for the members. As pointed out, the tension between the government and the co-operative movement. ended with the dissolution of all co-operative unions and the Co-operative Bank .The Co-operative College remained and had to argue their case for existence. The college and the Co-operative Education Centre, defined themselves into the provision of general business education certificates and Diplomas. This was the period when the college established the Certificate in Management and Accounting and Diploma in Management and Accounting.

The overall commodity marketing system was not working any more and crops from villages would not move. Crop Authorities buying commodities from the village co-

operatives were not paying farmers and where they were paid, the crops would not be transported promptly. During this time, it can be argued that the co-operative movement in Tanzania, lost its identity. Most farmers believed that a co-operative organization belongs to the government and not to the members. It was a punctuation which could not be reconstructed by the members because the whole organizational system, was not in the hands of the members. Return to the Co-operative Identity and Market Liberalization Policies

Questioned Co-operative Identity

The complexity and apathy of the marketing system, made the government to re think on revision of the co-operative enterprise. A Commission was formed to see how the co-operative movement could be re established again. The Commission recommended a return to Rochdale Co-operative principles culminating to the 1984 Co-operative Act. Although the Act carried some aspects of the socialist orientation, the government agreed with the basic principles of the need for autonomy and independence of the co-operative movement. Co-operatives were re-registered from the primary societies to the unions and carried the 1984 registration identity. The law specified a three-tier system of primary societies forming regional or district unions. The Unions were now linked to the Co-operative Union of Tanzania.

Normal marketing operations started but the crop authorities still controlled market outlets and pricing policy. Although the unions came into life, the marketing system was still constrained by state marketing agents. As a result, small farmers continued to be demoralized as demonstrated by low levels of production between 1995/96 to 1999/2000 crop statistics on Table 4 below.

Table 4: cash crop Production Trends 1995/96 to 1999/2000 (in 000 tons)

Crop	1995/96	1996/97	1997/98	1998/99	1999/2000
Coffee	52.0	42.4	38.0	46.6	47.9
Cotton	84.2	84.5	69.9	39.0	35.0
Cashewnuts	82.0	63.0	93.2	103.3	121.2
Tobacco	28.0	35.4	52.0	38.0	31.8

Source: Sizya, M, The Role of Co-operatives in Poverty Alleviation in Tanzania, Paper presented to the United Nations Department of Social Development, 2005

The reaction of farmers against the risky future of co-operatives was demonstrated by lower levels of output farmers disposed in the market. The socialist punctuation of the late 1970s and later part of 1980s was still seen as a reaction against the declined co-operative identity as observed by the members. The continued constraints in the market as caused by state authorities, was a clear increase to farmers that may be the co-operatives were not yet in their own hands. But not only that the small holder farmers questioned the co-operative identity, they also faced a number of constraints at the household level. Some of the constraints, included low technical conditions of production, low organizational ability to network with other farmer organizations (Sizya, 2005). Even with a newly re-established co-operative movement, farmers could not access important business information about prices and markets, they lacked education and training. In most cases, education and training was available to board members and finally, farmers remained under subsistence conditions without the dynamism of new ideas and entrepreneurship. Such conditions, can explain the lack of incentive to increase output, but also indicate their low perception of the image and identity of the co-operative enterprise.

Market Liberalization and the Co-operative Identity

Early in the 1990s, the government under the advice of international financial institutions adopted liberalization policies, making government dislodge itself from doing business directly. The government was required to lay enabling policy and legislation for supporting performance of competitive business by different private players including the co-operative movement.

Liberalization came at a time when members of the co-operative movement were still carrying attitude of questioned identity of the co-operative enterprise. Members were still in dialogue how, the government was going to assist them, now that it is re-establishing the co-operative movement appealing to the universal co-operative identity. Liberalization and competition, was also interpreted as a second major external punctuation to the co-operative movement. It was a major punctuation because of three major reasons; First, the co-operative movement was still learning how to install autonomy and independence of the co-operative movement through effective dialogue with the government. Second, the co-operatives were still learning how to do business with state authorities controlling market outlets and thirdly, they had not yet built a strong leadership capacity to navigate co-operative business for the benefit of the members.

The government, came with the 1991, Co-operative Act promising assurance of member ownership and participation in the affairs of the co-operative movement. At the political level, liberalization went into multiparty democracy. The thinking of the co-operators was that as long as there was going to be a new political situation of many parties, government interference was going to be minimal. This was not the case. Liberalization set in private competitors inside the crop business of co-operatives and the effects were far reaching. First, most crop apex organizations were wiped out of the market. Crop unions for food crops in Iringa, Mbeya, Rukwa and Dodoma never rose up again after liberalization. Coffee co-operative unions are still surviving but in a limping way. Cotton co-operatives are in a deep crisis of growth and identity. Tobacco unions are still sustained at a very high exploitative relationship with international tobacco multinationals. The cashew nut co-operatives have unions which are running under tension with member primary societies. The Warehouse Receipt Authority though an important intervention by the government to see just business relations between farmers and large buyers, is under pressure of financial oligarchy and risks liquidation.

Tables five and six below, are indicative of the status of agricultural marketing co-operatives after liberalization.

Table 4: Cash Crop Production Trends 1995/96 to 1999/2000 (in 000 tons)

Year	Number of Co-operatives		Membership	
	Agriculture	SACCOS	Agriculture	SACCOS
1999	2640	921		
2004	2598	1719		
2014	2819	5314	845,700	1,552,242

Source: The Co-operative Reform and Modernization Programme 2005-2015, Ministry of Co-operatives and Marketing, URT, Dodoma and Sizya, M, The Role of Co-operatives in Poverty Alleviation, 2005, United Nations.

Analysing the share of co-operative business of agricultural marketing co-operatives, Mruma, 2011, observed that over a period of ten years of recent liberalization, the performance of cooperative business had occupied the shares of the cash crop business as indicated in table five below.

Table 5: Share of Cash crop Business Carried out Through Co-operatives Between 2001 to 2010

Commodity	Crop Business through Co-operatives%
Coffee	20
Cotton	20
Tobacco	100
Cashewnuts	35

Source: Mruma, A, Fifty Years of Co-operatives and Economic Development in Tanzania (1961-2011), European Journal of Business and Management, Vol 6, No 13, 2014

The data presented in Tables 4 and 5, clearly indicate that while agricultural marketing cooperatives are increasing, the growth is slower when compared to the growth of Savings and Credit Co-operatives. Table five, demonstrates the decline of the share of crop business carried out through the co-operative enterprise. Coffee and cotton where co-operatives have the longest history in Tanzania, co-operative business occupied 20%

only. Tobacco was 100% carried out through co-operatives because it is a scheduled crop channelled through international companies more vertically because its production is linked to advanced credit arrangements by the international tobacco companies. For cashew nuts, the co-operative share of business is relatively higher than the others because the main buying destination is India.

5.0 Emerging Features of Organizational Transformation in Agricultural Marketing Co-operatives in Tanzania

5.1 Organizational Stability

The historical analysis above, indicate how agricultural co-operatives enjoyed periods organizational stability. The years before independence, co-operatives performed very well because they followed the law and dealt with commodities with scheduled markets and buyers outside the country. During this period, members were committed to their organization and cooperatives guided their role in collective decision making in addressing exploitation, because they were all aware that co-operatives were formed to remove run away from exploitation of middlemen. Third. while farmers could produce their own food, they could at the same time produce coffee for the market and fourth was honest leadership and management.

An important stability factor that emerged during the period of stability, was the institutionalization of exploitation of commodity value chains in agricultural marketing cooperatives. Bukoba Co-operative Union invested in coffee processing factory at BUCOP. NYANZA Co-operative Union invested in cotton processing to produce edible oil and animal feeds from cotton cake and KNCU, had the Coffee Curing Company, operating to date. The decline of co-operative unions in Tanzania, is a lost opportunity because, they were going to take a leading role in the implementation of the green Industrial revolution in Tanzania. During the period of stability, the co-operative identity was respected and growth of co-operatives across the country was a sure event.

5.2 Punctuated Organizational Modeling in Tanzania

The period after independence to date, can be characterized as a period of punctuated cooperative movement challenged by organizational transformation. There have been short bursts of fundamental change during the socialist orientation when co-operative

unions were completely closed and primaries associated to villages without share membership. This was a fundamental change on the co-operative activity and model. The co-operators responded to the situation not by organizational transformation, but by apathy of production. The second major disruption of orderly co-operative activity was the setting up of trade liberalization and competition without organizational preparation. Liberalization caused disruptions of normal cooperative business as it exposed them to stiff market competition. The market competition disruption was a major fundamental change, in which, co-operatives needed to install major organizational transformation processes. In the whole co-operative sector, it is the Co-operative College which was able to respond to major disruptions by carrying out major organizational transformation into a university institution.

The historical analysis in section four above, is a clear demonstration that the major causes of fundamental change in the co-operative movement, has mostly been changes in government policy. Changes in government policy have always influenced the identity of co-operatives resulting to minimal growth of co-operative enterprises in Tanzania. The later years of the development of agricultural marketing co-operatives are more coloured by an attitude of questioned identity in that people look at co-operatives as organizations where government or politicians can enter and exit at any time. Business is seen as insecure and members control is suspected to be minimal. The ordinary members of co-operatives lack information, education and training. The external policy and legislative environment are still questioned by lack of member participation. According to Munkner, (1998), a good co-operative legislation and policy, will promote the co-operative identity and growth. A bad co-operative policy, will impede cooperative development. Current co-operative legislation has removed the main section demanding full control of the affair of the co-operative and put them back to the Registrar of cooperatives. The co-operative policy is almost ten years old and may miss current context.

