



Primary Agricultural Cooperatives in Malawi

Structure, Conduct, and Performance

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ACRONYMS

ACE	Agricultural Commodity Exchange for Africa
FODS	Farmer Organization Development Strategy
IHS5	Fifth Integrated Household Survey (2019/20)
KII	Key informant interview
MAFECO	Malawi Federation of Cooperatives
MBS	Malawi Bureau of Standards
MWK	Malawian Kwacha
NASFAM	National Smallholder Farmers' Association of Malawi
NGO	Non-governmental organization

EXECUTIVE SUMMARY

Primary agricultural cooperatives in Malawi, in contrast to other farmer-level organizations, have legal status and can own assets, borrow money for their operations, and sign contracts, making it easier for them to do business for the profit of their members. Conceptually, such cooperatives enable their member-farmers to achieve economies of scale for their commercial activities. By joining together in a cooperative, members can obtain commercial inputs at lower prices closer to wholesale prices than if they purchased the inputs as individuals. In selling their output, by aggregating their crops and other products into larger lots that the cooperative then negotiates to sell on their behalf, buyers can achieve greater efficiency in buying from them and can be expected to offer a premium over the prices that they would offer farmers selling those products individually. Cooperatives can also serve farmers in providing an important channel for obtaining information and advice to increase their productivity and the profitability of their farming. Moreover, by joining together to achieve common objectives in primary agricultural cooperatives, member-farmers can exercise greater influence on local and national policy issues of concern to them, while also building social cohesion, solidarity, and trust within their communities.

The development of agricultural cooperatives is an important component of the agricultural and rural development vision of the government of Malawi, featuring prominently in key development policies. Such cooperatives are viewed as an important vehicle for achieving the goals on agricultural productivity and commercialization set out in the first pillar of the development vision for the country, Malawi 2063. Correspondingly, many of the strategy statements and investment plans of the government's development partners involved with agricultural development include commitments for increased engagement in strengthening primary agricultural cooperatives. However, despite their prominence in agricultural development policy discussions, there is a relatively poor understanding of the number of such cooperatives nationally, how well they are performing, and what public investments would enable them to maximize the benefits they provide their member-farmers.

Recognizing this knowledge gap, the research described in this report was conducted in early 2022 to provide a more detailed evidence base on primary agricultural cooperatives in Malawi. Data for analysis were collected from multiple sources, including published and unpublished documents on agricultural cooperatives, both from Malawi and elsewhere; an existing household survey dataset; interviews with key informants involved with agricultural cooperatives in Malawi, and focus groups discussions at the primary agricultural cooperative level with member-farmers and with cooperative leadership, separately.

Overall, there is a low level of penetration of primary agricultural cooperatives in farming communities in Malawi. Nationally, the government has registered about 950 such cooperatives, although the accuracy of the register of cooperatives is problematic. Under 10 percent of communities report having a primary cooperative. In terms of their development into professional commercial organizations, most agricultural cooperatives in Malawi are at an infant stage, with most being dependent on external financial and technical support, often having low management capacity and weak governance, and many providing through their commercial activities no clear or reliable benefits for their member-farmers.

While cooperatives can contribute to mindset change among their members to foster increased farm productivity and greater commercialization, key informants highlighted that primary agricultural cooperatives often fall into a trap of dependency on external resources and leadership. Financial and technical aid can be a powerful external motivator and, therefore, comes with the danger of undermining any internal motivations for the formation of a cooperative. To ensure their sustainability, it is important to guard the authenticity of cooperatives as farmer-formed and farmer-led organizations. Cooperative support programs should be designed specifically to incentivize cooperatives with internally motivated members.

Cooperative membership in Malawi in general is quite inclusive, at least in so far as membership of most includes both women and youth. This is at least in part driven by requirements from funders. However, leadership positions in cooperatives are less well-balanced, and it remains unclear how inclusive cooperatives are with respect to socioeconomic factors beyond age and gender.

However, there are some remarkable success stories among agricultural cooperatives in Malawi. Examples are presented in the report of agricultural cooperatives that have built strong management teams and professionalized their operations; have successfully identified, entered, and operated within new, more remunerative markets; have implemented significant innovations in how their members farm; have moved beyond farming and primary production to value-addition and trading; and through all these advances and improvements have generated significant income for their members. While these examples of highly successful primary agricultural cooperatives may be relatively unique and difficult to replicate in their entirety, newer cooperatives can use the successful ones as models, adapting for their own situation some elements of the approaches that were important to the success of those older cooperatives. The government and its development partners can play an enabling role in this process. Recommendations for policies and investments are made and motivated throughout the report and summarized in Section 5.

The government of Malawi has placed primary agricultural cooperatives near the center of its strategic vision for how to accelerate agricultural development and to transform the economies of rural communities across the country. It is important to recognize, however, that cooperatives cannot simply leapfrog existing barriers to agricultural development. Just like other actors in this sector, their success will, to a large extent, depend on solving other well-known constraints to growth: weak markets; the unpredictability of government interventions in the sector; poor transportation, communication, and marketing infrastructure; and unreliable supplies of staple foods in local markets forcing farmers to continue to engage in maize production for subsistence, to name a few. Continuing to make public investments in rural infrastructure more generally and strengthening the institutions that support farming households, including those in agricultural extension, research, and rural finance, are crucial forms of support that the government needs to provide primary agricultural cooperatives if they are to thrive alongside other actors. Without improved agricultural policies, most new cooperatives will be unable to surmount the many hurdles they face and, so, will fail. The right policy environment combined with professional cooperatives will ensure that these farmer organizations perform well for their diverse membership, helping farming household to significantly commercialize their production and to expand the contributions they make to Malawi's economy.

1. INTRODUCTION AND RATIONALE FOR THE STUDY

Agriculture is critical to Malawi's economy, with the sector contributing 23 percent to total GDP in 2020. Farming is central to the welfare of most households—agriculture is a principal livelihood for over 80 percent of the population (World Bank 2022). Most of this population is made up of smallholder farming households. Individual farming households operate at a small scale, farming, on average, only 0.65 hectares of land—75 percent of farmers have access to less than one hectare of cropland. Thus, cooperatives and other types of farmer organizations are one way to achieve economies of scale and greater efficiency in the production and marketing of agricultural commodities in Malawi. Participating farmers should see greater returns to their farming through their joint efforts.

Because of agriculture's importance to Malawi, many government policies, interventions, and programs focus on agriculture and rural development. Among the strategies advocated for accelerating such development is sharply increasing the share of farming households that are members of primary agricultural cooperatives. Such farmer-based organizations are expected to benefit their members in several ways:

- Improved bargaining power in agricultural markets for producers (Bernard et al. 2010; Franc et al. 2015; Navarra and Francini 2015; Penrose-Buckley 2007; Wiggins and Keats 2020).
- Improved market access and reduced product transportation costs through aggregation of farm produce into larger lots (Ministry of Agriculture 2020; Penrose-Buckley 2007).
- Reduced transactions costs through economies of scale that are possible when market transactions involve larger quantities (Bernard 2010; Francesconi et al. 2015; Wiggins and Keats 2020).
- Improved access to services for member-farmers, including to agricultural extension and advisory services and other training opportunities, to credit providers, and to contract mediation to resolve any commercial disputes (Ministry of Agriculture 2020; Penrose- Buckley 2007; Vicari and Borda-Rodriguez 2014).
- Greater political representation and influence (Ministry of Agriculture 2020; Penrose-Buckley 2007; Wiggins and Keats 2020); and
- Strengthened social cohesion, solidarity, and trust (Ministry of Agriculture 2020).

At the same time, there are potential drawbacks to agricultural cooperatives. Incentive problems inherent to cooperatives include free-riding, in which individuals are able to benefit from investments without bearing any of their costs. Free-riding on the commercial benefits that cooperatives generate weakens incentives for individuals to become or to continue to be vested dues-paying members of cooperatives (Valentinov 2007). The horizon problem, a second incentive problem, is a result of the time period needed to generate the maximum returns on any investments a cooperative may make possibly being longer than the investment time horizon of its individual members. Members may seek an earlier economic return on their membership in the cooperative, so will advocate for the cooperative to undertake shorter, sub-optimal investments, resulting in opportunity costs for the cooperative as a whole (Olesen 2007). Cooperatives also must be able to raise sufficient capital for their business ventures, which is a challenge in the context of Malawi where access to formal agricultural credit is poor (Lwanda 2013). Moreover, agricultural cooperatives in Malawi are not exempt from tax, which could substantially increase operating costs for the cooperative, resulting in higher membership fees (Gondwe 2018).¹

¹ However, few primary cooperatives interviewed for this study reported that they remit taxes, in part because enforcement of their tax obligations is weak.

Cooperatives and other farmer-based organizations are increasingly seen as a potentially important engagement channel between government and non-governmental organizations (NGOs) engaged in agricultural and rural development, on one side, and farmers on the other. For example, government's strategic vision for how smallholder farmers are to access extension services, inputs, and markets is progressively via primary agricultural cooperatives and other farmer groups, even if few report now doing so.

Moreover, government promotes inclusiveness and participation of all social and age groups as one of the principles of the Farmer Organization Development Strategy (FODS) (Ministry of Agriculture 2020). Cooperatives and other farmer-based organizations are expected to be designed and to operate in a manner that will allow them to include in their membership all types of smallholder farming households. Building increasingly diverse membership across agricultural cooperatives will extend the benefits of public investments in agriculture and broader economic growth to generate increased incomes for all those involved in farming so that they are better able to meet the needs of their household members.

For this report we focus on primary agricultural cooperatives, rather than the full range of farmer organizations, many of which may have no commercial motivation. This restriction to cooperatives is done, first, to set boundaries to and to focus the study. Second, the government of Malawi has placed primary agricultural cooperatives near the center of its strategic vision for how to accelerate agricultural development and transform the economies of rural communities across the country. Cooperatives are to increasingly be the institutions through which farming households in Malawi sell their farm output, while also serving as the channel through which smallholders obtain farm inputs. These farmer-level organizations are to support farming households in shifting their production strategies from a focus on subsistence and meeting their household needs directly through their own farming to increasingly engaging in market-oriented production and using their improved farm income to meet their consumption needs by purchasing what they require.

A cooperative is defined as an “autonomous body of individuals with common economic, social, or cultural goals through a jointly-owned, democratically-controlled enterprise (Ministry of Agriculture 2020, xv).” (See Annex A for definitions of key terms related to cooperatives and other farmer organizations in Malawi.) There are three levels in the organization of cooperatives nationally—primary cooperative societies, comprised of individuals (Text Box 1.1); unions or secondary societies, comprised of primary cooperatives; and a national apex organization, comprised of cooperative unions (Ministry of Agriculture 2020, 7). In Malawi, the apex organization is the Malawi Federation of Cooperatives (MAFECO).

The importance of cooperatives and other farmer organizations is recognized both in the National Agricultural Policy for Malawi (MAIWD 2016) and in the National Agricultural Investment Plan (NAIP) (MAIWD 2018), which lays out how the priorities established in the Policy are to be achieved. The NAIP sets the strengthening of such organizations as the second of its 16 intervention areas. The overall outcome for this intervention area is “Performance and outreach of farmer organizations strengthened at all levels.” During the implementation period of the NAIP, 2017 to 2023, work will be done to achieve two intermediate outcomes necessary to achieving the overall outcome:

- “IO 2.1: Legal framework and institutional support for farmer organizations strengthened.
- “IO 2.2: Strong, well-organised and inclusive farmer organizations conduct business and provide services to their members.”

Text Box 1.1. How do primary agricultural cooperatives operate in Malawi?

Primary cooperatives are formed in Malawi to undertake collective marketing and obtain services. They:

- use capital obtained from membership dues and past profits to purchase members' produce at a mutually agreed upon price;
- aggregate produce from the individual members; and
- market the produce based on the size and quality of the lot to potential buyers who typically will pay a premium price to obtain good quality produce in a large amount in order to obtain economies of scale.

Typically, a proportion of the revenue from the sale of the produce is retained by the cooperative to fund future commercial activities and to cover management costs. At the end of the financial year, remaining revenue is then distributed as income to the members of the cooperative in proportion to their relative share of ownership in the cooperative. Some cooperatives purchase from nonmembers, but those nonmembers do not receive dividends from profits, nor do they benefit from member pricing—members have lower warehouse storage fees, for instance.

In addition, cooperatives offer members:

- access to agricultural advisory and extension services;
- management and financial training and technical training; and
- loan facilitation.

Increasingly, cooperatives also are being encouraged to add value to their agricultural produce.

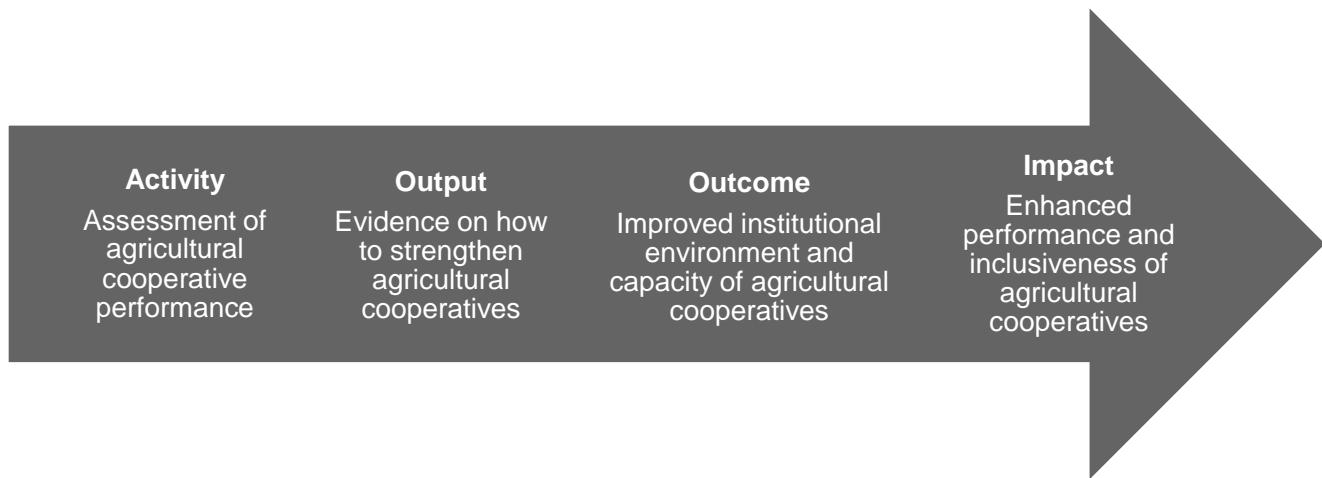
As legal entities, cooperatives can own capital, machinery, and land; sign contracts; and access special funding schemes or borrow money for their operations. This makes it easier for them to do business than is the case for farmer organizations not registered as cooperatives.

Source: Authors.

However, despite the prominence of farmer cooperatives in these two central policy statements guiding actions to develop Malawi's agricultural sector, information concerning farmer organizations in Malawi in general, and agricultural cooperatives in particular, is incomplete, outdated, and fragmented. In consequence, the current performance of agricultural cooperatives in Malawi is not well understood by agricultural policy researchers or by program implementers. The potential benefits that such institutions might offer individual farmers in terms of access to production and marketing information, to crop and other agricultural inputs, and to output markets that offer higher prices than farmers might obtain on their own need to be examined more closely. Information on how inclusive agricultural cooperatives are would also be valuable, but is not readily available.

The context for this research includes the current productivity and commercialization challenges facing smallholders in Malawi and the focus of government and its development partners on expanding and strengthening agricultural cooperatives to attain the agricultural development vision for the country. The goal of our research is to provide information that can be used to enhance the performance and inclusiveness of agricultural cooperatives so that they can more effectively and profitably conduct business on behalf of their small-scale member-farmers and provide the services needed by those members (Figure 1.1). For the purposes of this paper, we define performance as the actual outputs of an organization—here, primary agricultural cooperatives—as measured against its intended outputs or goals. Our research on the performance of primary agricultural cooperatives in Malawi was done through an extensive literature review, key informant interviews, focus group discussions, and site visits.

Figure 1.1 Theory of change for how study contributes to impact on the performance and inclusiveness of agricultural cooperatives in Malawi



Source: Authors

This report on the research on primarily agricultural cooperatives in Malawi will give stakeholders a better understanding of the current performance of these cooperatives—why and how they work or do not work—and what investments are needed or institutions strengthened to sustainably improve their performance. We provide policy recommendations and other messages to an audience that includes government agencies, primary agricultural cooperatives and their umbrella organizations, development partners and other donors of funds to efforts to strengthen cooperatives, private sector partners who are keen to engage commercially with cooperatives, and NGOs and other development program implementers that work closely with cooperatives. Our findings will provide evidence to this audience and other stakeholders as they work to develop strategies and mechanisms to build the capacity and inclusivity of cooperatives, as well as guidance on the institutional support system and legal frameworks needed to enable them to operate most effectively on behalf of their members. In this way, the vision of such cooperatives making substantial contributions to agricultural sector growth and to improved welfare for farming households is more likely to be realized.

2. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORKS

2.1. The research literature on primary agricultural cooperatives

Through increased economies of scale, cooperatives help farmers achieve several agricultural production or marketing objectives more efficiently or profitably than individual farmers would be able to achieve on their own (Wiggins & Keats 2013). However, cooperatives must have good performance and be commercially successful to provide benefits to their members. We examine here the theoretical literature on cooperatives and their performance to develop conceptual frameworks to guide the design of our study.

To understand how cooperatives can be successful, the cost-benefit framework of Johnston and Clark (1982) provides insights—the benefits a farmer receives from participating in cooperative activities must outweigh the benefits a farmer could achieve alone (Curtis 1991; Wiggins & Keats 2013). Many factors contribute to the success, performance, or “health” (Cook & Burress 2009) of cooperatives. Sexton and Iskow (1988) identified several organizational, financial, and operational factors as correlates of successful agricultural cooperatives in the United States. These included open membership and full-time management. In Poland, success was associated with leadership strength, group size, business relationships among members, and member selection processes (Banaszak 2008).

The “structure-conduct-performance” paradigm is useful for this study: market structure, which is an external factor, affects the organization and conduct of a firm, of which cooperatives are a type. The conduct of the firm in turn affects its performance (Tan 2016). With regards to primary agricultural cooperatives, the types of conduct of interest are the actions of the cooperative regarding price taking or collusion. For farmer cooperatives, as for most firms, performance can be measured by profitability and by efficiency indicators, among others (Tan 2014). Similarly, Richard et al. (2009) state that organizational performance is based on three outcomes: financial, such as profits; product market, such as sales or market share; and shareholder return.

Shiferaw, Hellin, and Muricho (2011) used profitability as an indicator of the success of agricultural cooperatives across Africa, alongside their degree of autonomy and level of member participation. In Ethiopia, Bernard et al. (2010), examining how successful cooperatives were in staple crop marketing, used as success indicators marketing performance, which included the value of produce sold by each cooperative studied, knowledge of prices in cities by cooperative leaders, and the degree to which intermediaries were used for commercial transactions.

Also in Africa, Francesconi and Wouterse (2017), in a study aimed at optimizing and scaling up the impact of cooperative development interventions, note several principles that contribute to the success of primary agricultural cooperatives. The authors link these to the universal cooperative principles of the International Cooperative Alliance (2015). The principles the authors highlighted include regulated entry of new members in the cooperative, exit bonuses² to prevent side selling, a democratic cooperative governance structure, voluntary tradable investments, visionary leadership, and socioeconomic balance in the membership.

In Zambia, Siame (2020) presented a theoretical framework for a “social venturing and cooperative entrepreneurship business model.” Such a cooperative enterprise business model is one comprised of both social and technical systems. Siame asserts that the performance of cooperatives that are organized and operate according to the model results from factors within the cooperative itself, including in-

² Compensation offered to exiting members that is proportional to their previous contributions (Francesconi et al. 2015)

ternal governance forms; the institutional, legal and policy environment in which the cooperative operates; and incentive structures (Siame 2020, 235). Moreover, although the focus of our research is on cooperatives in Malawi that focus on commodity production, Siame emphasizes that primary agricultural cooperatives can be located anywhere along agrifood value chains—they can be positioned to facilitate input supply, commodity production, value addition, wholesale sales, or retail (Siame 2020).

Nkhoma (2011), in a thesis on cooperatives in Malawi, examined the international research literature on the factors affecting the success or the failure of cooperatives. The author divides these into external and internal factors:

- External and contextual factors
 - External assistance
 - Government policies
 - Regulatory framework
 - Marketing system and infrastructure
- Internal factors
 - Governance structure (member participation and commitment)
 - Leadership (communication)
 - Managerial skills (business volume, type of product and quality, competitive strategy, risk management)

Lwanda (2013) similarly studied cooperative business performance in Malawi, confirming Nkhoma's findings that both internal factors, including managerial skills, business structure, and capacity, and external factors, including the policy and market environments, affect cooperative performance.

In a case study analysis of a specific cooperative in Malawi, the Phata Sugarcane Outgrowers Cooperative, carried out by Landesa Rural Development Institute (Text Box 2.1), the “building blocks” necessary for sustaining success in a commercial cooperative outgrower scheme were found to include (Landesa 2019, 5):

- Community demand
- Management, money, and market—the “Three M’s”
- Access to land and water
- Participatory governance bolstered by strong leadership
- Dividend practices that were transparent
- Diversified benefits
- Gender equity
- Grievance and feedback mechanisms.

These insights were echoed by AgDevCo (2018), who listed the reasons for the success of Phata as including: demand-led activities; expert management; reliable markets; prudent financial management, including sufficient levels of reinvestment; community-created constitution; independent board members; and continuous capacity building.

Specific to the Malawi context, stakeholders have identified many of the key challenges adversely affecting the performance of farmer organizations across the country. The national strategy for farmer organizations, FODS, highlights insufficient human resource capacity; weak leadership and governance structures; insufficient financing; low production and productivity; unreliable output markets; a weak policy environment; and insufficient coordination as important challenges facing all farmer organizations, including cooperatives (Ministry of Agriculture 2020, 14).

Text Box 2.1. What leads to success? The Phata Cooperative example

Gammelgaard and colleagues (2021) examined how national policies of global value chain integration were experienced at local level in Malawi. The Phata Sugarcane Outgrowers Cooperative provides one example of how livelihood upgrading occurred through the integration of farmers into global value chains. Phata is a 1,000-member cooperative in Chikwawa district (Landesa 2019).

This case provides an example of success through participatory approaches, collectivism, governance structures, and management. Its members switched their production from being primarily subsistence oriented to being much more commercially oriented by growing sugarcane in a joint manner by pooling their land. This innovation in how they farmed came from the smallholders themselves.

Management also has played a key role in Phata's profitability and, hence, its success. The cooperative members agreed to hire a management company to maximize its financial performance. A private company runs the operation in return for 5 percent of production revenues. Furthermore, emphasis is placed on reinvestment and loan repayment, with 40 percent of profits going back into the cooperative to cover costs and to repay loans, with the remainder being paid out to members as dividends. This organizational and management structure is set up transparently, with clear decision-making mechanisms and regulations.

However, access to sufficient financial resources also has played a role in Phata's success. The cooperative was able to obtain loans from the European Union to expand its operations under the new production system and management structure.

Source: Gammelgaard et al. 2021; Landesa 2019.

In addition to the quality of cooperative performance based on profitability and efficiency indicators, inclusion is an important measure of success, given the government's promotion of participation by all social groups in farmer organizations (Ministry of Agriculture 2020). Much of the theoretical literature talks about the importance of "homogenous interests" (Cook and Burress 2009; Ortmann and King 2007) among the members of a cooperative. Heterogeneity among the members of a cooperative—in terms of age, sex, socioeconomic group, and the like—may make identification of common interests among cooperative members difficult. It is quite likely that the more homogeneous a primary cooperative is, the more effectively it will operate, due to the members having a larger set of shared interests and objectives, values, and expected patterns of group conduct.

However, having homogeneous primary cooperatives does not necessarily work against inclusiveness within primary agricultural cooperatives as a whole. Heterogeneous interests can be served through a diversity of primary agricultural cooperatives locally. This requires that all types of farming households, particularly female-headed and youth-headed, can find in their communities or immediate surrounding areas primary cooperatives to join that are aligned with their own interests and can support them to be as effective as possible in meeting their own needs through their farming. Any single primary agricultural cooperative may not be suited for all households that farm in an area. However, with sufficient choice locally in the cooperatives a farming household might join, the household will be able to receive the benefits cooperatives can offer.

An important additional component contributing to cooperative performance is the ability to change or to innovate (Bernard et al. 2010; Penrose-Buckley 2007). Institutional innovation is defined by Rafaelli and Glynn (2015, 2) as "novel, useful and legitimate change that disrupts, to varying degrees, the cognitive, normative, or regulative mainstays of an organizational field." For instance, the sugarcane outgrower cooperative Phata (Text Box 2.1) innovated through pooling individual land to form an outgrower

scheme, through their reinvestment and dividend payment policies, and by hiring external management professionals.

Finally, Porritt (2007) highlighted “five capitals” necessary for sustainable performance by a firm that operates on capitalist principles. Most primary agricultural cooperatives are among these types of firms. The elements required for a firm to deliver products or services consistently and profitably include possessing adequate and appropriate natural capital, human capital, social capital, manufactured (physical) capital, and financial capital.

2.2. Conceptual frameworks

We drew upon the research literature, both theoretical and empirical, to develop a conceptual framework on the factors which affect the performance of primary agricultural cooperatives and their performance (Table 2.1). Following Nkhoma (2011), we organize these into external and internal sub-sets, but also include the five capitals noted by Porritt (2007) and additional factors or indicators noted by other researchers.

Table 2.1. Factors affecting the performance of primary agricultural cooperatives—a conceptual overview

	Factors and indicators	References
External factors	<u>Policy environment</u> <ul style="list-style-type: none"> ▪ Institutional frameworks and support ▪ Laws, policies, and regulations 	Nkhoma 2011; Siame 2016; Vicari & Borda-Rodriguez 2014
	<u>Natural capital</u> <ul style="list-style-type: none"> ▪ Access to land and water; quality of soils; livestock; trees 	AgDevCo 2018; DFID 1999; Landesa 2019
	<u>Financial capital and market systems</u> <ul style="list-style-type: none"> ▪ Access to credit, loans, grants ▪ Proximity and access to markets, off-takers, mills 	Gammelgaard et al. 2021; Landesa 2019; Lwanda 2013
	<u>Manufactured (physical) capital</u> <ul style="list-style-type: none"> ▪ Access to and use of appropriate production and processing tools; irrigation equipment 	Landesa 2019
Internal factors	<u>Social capital</u> <ul style="list-style-type: none"> ▪ Common purpose, solidarity, trust, motivation, ownership, initiative, dedication, commitment, grassroots demand-led ▪ Membership—homogeneity; gender, age, and socioeconomic balance; female inclusion; gender equity norms 	AgDevCo 2018; Landesa 2019; Nkhoma 2011; Penrose-Buckley 2007; Bernard et al. 2010; Francesconi et al. 2015; Landesa 2019; Vicari & Borda-Rodriguez 2014
	<u>Human capital</u> <ul style="list-style-type: none"> ▪ Capacities, competence, motivation, and creativity of leaders ▪ Administrative and management capacity and skill sets ▪ Motivation and abilities of members ▪ Innovation, ability to deal with change by modifying scale or nature of production 	AgDevCo 2018; Bingen & Simpson 2015; Lwanda 2013; Wiggins & Keats 2013; Bernard et al. 2010; Penrose-Buckley 2007
	<u>Governance and structure</u> <ul style="list-style-type: none"> ▪ Autonomy, participation, democracy, and well-defined rules and rights. ▪ Specific components include regulated entry, incentivized exit, constitution and legal documents, leadership structure, term limits, transparency and communication, and independent board members. 	AgDevCo 2018; Bernard et al. 2010; Francesconi & Wouterse 2017; Landesa 2019; Nkhoma 2011; Penrose-Buckley 2007
	<u>Management</u> <ul style="list-style-type: none"> ▪ Profitability, business orientation, professionalism, prudence, quality of business planning, turnover and profit, reinvestment and dividend payment practices, economic incentives 	AgDevCo 2018; Francesconi & Wouterse 2017; Landesa 2019; Nkhoma 2011; Siame 2016

Source: Authors, with insights from Nkhoma (2011) and Porritt (2007).

These factors were then used as the basis for the content of the questionnaires and interview guides used in the key informant interviews and focus group discussions for the research. We also used these

factors in structuring the analysis of the data we obtained, in organizing the presentation of the research results here, and in formulating policy recommendations.

Additionally, a three-category typology of agricultural cooperatives in Malawi was formulated to further inform the study. This typology categorizes primary cooperatives by their stage of development—infant, professionalizing, or professional—based on ten criteria (Table 2.2). Most Malawian primary agricultural cooperatives are in the infant stage (Nyondo and Nankhuni 2018).

Table 2.2. Three-category typology of primary agricultural cooperatives in Malawi

Characteristic	Infant	Professionalizing	Professional
Higher prevalence in these value chains	Honey, cereals	Milk, horticulture	Sugar, tobacco, tea, coffee, macadamia
Activities and levels of activities	Focused on member coordination; mainly inactive	Focused on marketing; active, but mainly at time of acquiring inputs or marketing	Focused on value addition and market integration; active
Membership and size	Small (<100 members)	Variable (~100 members)	Large (100+ members)
Governance	Weak; need training and support	Moderate; can govern with little support	Strong; govern well
Management model	Volunteers, with members handling management tasks; no financial audits	May have one or two professional staff; occasional audits	Procure external management; annual audits
Capacity (members and cooperative)	Low	Medium, with spotty coverage across topics	High
External support	Reliant on external support for most functions	Reliant on external support for certain functions, such as financial or physical capital	Independent—seek support themselves
Marketing	Sell informally, often to market intermediaries	Usually have one regular buyer or off-taker	Formal contracts with buyers with regular sales to them, Malawi Bureau of Standards certificate for produce
Capital and financial turnover	In debt	Low	High; can purchase from members, pay staff, and purchase equipment out of cash flow
Typical farmer mindset	Join cooperative to obtain inputs, services for subsistence, and a bit more	Start to see farming as a business	Complete business mindset

Source: Authors with inputs from Harris et al. (1996), with thanks to respondents in KII 6 for key terms

This typology emerged as we gained knowledge of the varied operations of primary agricultural cooperatives in Malawi, the quality of their management, issues of professionalization within them, and consideration of the internal and external factors affecting their performance. An early form of the typology was used to guide the design of the fieldwork and the selection of primary cooperatives for the qualitative case studies. It then was further detailed, refined, and confirmed by drawing on the perspectives offered by key informants and cooperative members during the fieldwork, before finally being used to structure aspects of our analyses.

3. METHODS

3.1. Study approach

Using a mixed-methods approach to implement the study and triangulate the findings, the study was conducted in early 2022. Data was collected from multiple sources, including published and unpublished documents, household survey datasets, interviews with key informants, and discussions with focus groups at the primary agricultural cooperative level. Several methods were used to collect and analyze these data, including document review, personal interviews, site visits, and quantitative and qualitative data analysis. Rather than setting out all the research questions *a priori*, we used an inductive approach, using insights gained earlier in the research process to help determine, to some extent, the relevant questions upon which to focus as the research proceeded.

Broadly speaking, our research objectives were to:

- Understand the factors contributing to the performance of successful cooperatives; and
- Understand the factors contributing to whether a cooperative has an inclusive and diverse membership.

3.2. Selection of primary agricultural cooperatives for case studies

Because the study was designed primarily to obtain information of a qualitative nature on the performance and inclusiveness of primary agricultural cooperatives, the informants for the study needed to be familiar with such cooperatives. Consequently, we used purposive sampling to select those informants. Such a sampling approach is also called criterion-based selection (Merriam and Tisdell 2016). Since we selected respondents purposively, our specific study results cannot be generalized to the larger population.

We developed from the research literature and our own personal contacts a list of potential informants for an initial set of key informant interviews. The number of informants we interviewed was not set beforehand. Rather, the saturation principle was used—we ended our program of key informant interviews when we were certain that we had received sufficient information to answer the research questions or as much information as we could expect to obtain from any key informant.

Based on the findings from the literature review and the initial key informant interviews, and combining that information with the three-category typology of primary agricultural cooperatives by their stage of development, we developed a set of criteria to select primary agricultural cooperatives as case studies. Criteria were used to provide us the most learning possible through innovations or success, while still choosing somewhat typical primary agricultural cooperatives. These criteria included that the primary cooperatives selected:

- Demonstrate one or more internal institutional innovations that are scalable or replicable. Relevant innovations were identified using the sets of performance factors drawn from the conceptual literature on cooperatives presented in Table 2.1.
- Demonstrate innovations in their operations that address current challenges affecting agriculture and the development of the economies of rural communities across Malawi. These include restricted access to foreign exchange, dependence for financial and technical support on donors and government agencies, diminishing agricultural land size for farming households, and environmental degradation. Cooperative-specific challenges were also considered, such as capacity building within primary cooperatives (DCAFS 2020).
- Show a level of success or performance as judged by the study leaders or key informants.

- Be of average size in terms of membership and operations—neither very large nor very small.
- Have been in operation or more than five years (established pre-2017), so that there is some history in the operations of the cooperative to draw upon and a record of bookkeeping against which to assess its financial performance.
- Demonstrate diversity in the membership of the primary cooperative in terms of gender, age, or physical abilities of members.
- Demonstrate diversity in the primary cooperatives making up the membership of the cooperative union (second-tier cooperative institution) of which the primary cooperative is a member.

In addition, attention was paid to ensuring that there was sufficient diversity across the cooperatives selected in terms of the position of each in the agricultural value chains of which they were a part, whether producers, processors, or other sorts of enterprises and whether they operated in a traditional or a more innovative manner (Siame 2020).

Using these criteria, initially 22 primary agricultural cooperatives were selected to be studied. They were selected by combing the lists of registered cooperatives provided by the Ministry of Trade and Industry and by asking key informants to recommend ones that fit the selection criteria. However, we were not able to interview all of the cooperatives selected due to being unable to contact some groups to arrange to meet or because funerals or other community events disrupted arrangements made. In the end, we successfully conducted case studies with 11 cooperatives in six districts in the Central and Northern regions of Malawi (Table 3.1). Their locations are mapped in Figure 3.1.

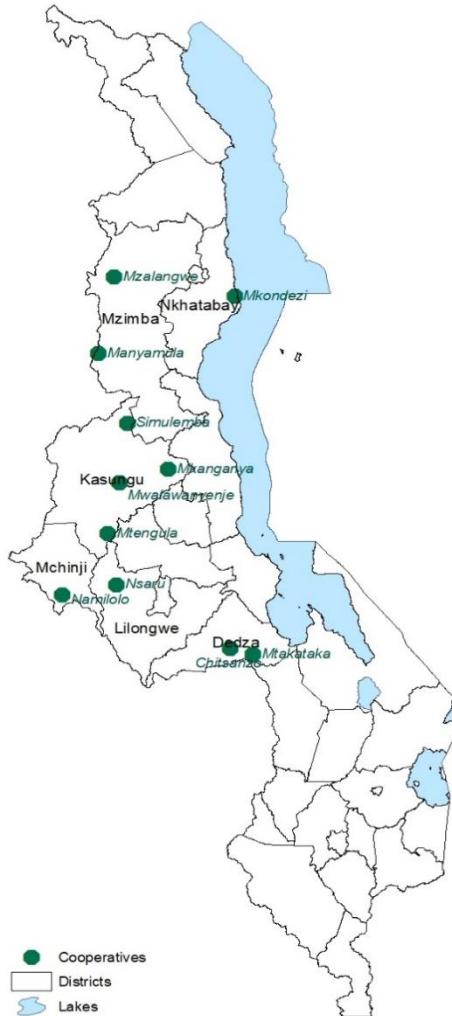
Table 3.1. Cooperatives interviewed for the study

Name	Focus	District	Year started	Members
Chitsanzo	Dairy	Dedza	2010	296
Manyamula	Maize & legumes	Mzimba	2008	63
Mkanganya	Soya, maize & groundnuts	Kasungu	2011	809 (67 active)
Mkondezi Rice Producers & Marketing	Rice	Nkhata Bay	2008	400
Mtakataka	Honey	Dedza	2017	215
Mtengula	Groundnut seed	Kasungu	2019	17
Mwalamwanenje	Maize & beans, recently hemp	Kasungu	2012	214
Mzalangwe	Soya	Mzimba	2017	55
Namilolo	Horticulture	Mchinji	2006	53
Nsarw Dairy Bulking	Dairy	Lilongwe	2001	~200
Simulemba	Soya, maize & groundnuts	Kasungu	2007	250

Source: Authors

Note: Order of cooperatives in this table is unrelated to numbering of focus group discussions when quoting respondents in the text.

Figure 3.1: Locations of cooperatives studied, on a base map of the districts of Malawi



Source: Authors

Note that our sampling of cooperatives was purposive but was also constrained by time and budget. Thus, the cooperatives selected tend to be located more in the center of the country, which poses some limitations on the study. The Southern region is considerably more densely populated and poorer than the Central region. The Shire valley and the Southern highlands are quite distinct agroecological zones and probably have the most developed estate sectors nationally. Thus, what works for cooperatives in the Central and Northern regions, where fieldwork for our study was conducted, may not necessarily be true in the Southern region. Smaller landholdings on average might make participation in cooperatives more attractive to farming households in the Southern region, or conversely, pervasive poverty among farming households might make it harder to establish cooperatives there. Estates in the South might be conducive to cooperative establishment by serving as examples of economies of scale and by providing demand for produce. However, on the other hand, these same estates might outcompete cooperatives in both local produce and local labor markets, adversely affecting cooperative performance.

3.3. Data collection and analysis

We started our multiple case study approach to the research (Yin 2003) by undertaking a content analysis of published literature, administrative documents, and any unpublished documentation on agricultural cooperatives in Malawi that we could obtain. This was done to gain a historical understanding of

cooperative development in the country and deeper understanding of the recent conduct and performance of primary agricultural cooperatives. We also examined the agricultural policies and strategies relevant to expanding and strengthening agricultural cooperatives across the country. The history and current structure and operations of the national three-tier network of cooperatives in Malawi was also examined—primary cooperatives, unions of primary cooperatives, and the apex national cooperative coordination body, MAFECO.

Secondary data on agricultural cooperatives and on the participation of farming households in such cooperatives were analyzed from administrative documents and the nationally representative fifth Malawi Integrated Household Survey (IHS5) of 2019/20.

Qualitative primary data were obtained through key informant interviews and focus group discussions. Interview guides were developed to structure the conversations with interviewees and focus group discussion participants (Annex B). The key informant interviews were conducted in English, while the focus group discussions were done in Chichewa. With permission from the participants, photos were taken of some of the data collection processes and settings. We did not collect any personal information from respondents. The questions asked of them focused on institutions and organizations rather than on individuals. Information on the identities of the respondents was not included in the analytical datasets developed from this field research. The design of the research conducted with these respondents, including the interview guides used, was approved by IFPRI's Institutional Review Board.

Thirteen key informant interviews were conducted with government officials, with the leadership of agricultural cooperatives, and with donors, NGOs, and service providers working with agricultural cooperatives. In some cases, these interviews were conducted with more than one individual. Generally, two-person teams of researchers managed the interviews, with one researcher focused on asking questions and the other on taking notes. In addition, researchers used online meetings to interview some key informants when in-person interviews could not be held.

Focus group discussions with farmers and agricultural cooperative leaders took place in the communities in which the cooperatives are located in Dedza, Lilongwe, Kasungu, Mchinji, Mzimba, and Nkhata Bay districts. All COVID-19 public health protocols were observed in these interactions.

With the individual cooperatives studied, separate focus group discussions were held with the leadership and with selected cooperative members to obtain a better understanding and more balanced picture on the key research issues pertinent to the particular cooperative. We attempted to collect information from both male and female key informants, but it was not always possible to ensure equal representation of both sexes.

The interviewer teams that managed the focus group discussions included three types: mixed gender, all male, and all female (Annex C). Due to timing and the expertise available, it was not possible to have all mixed teams. All interviewers were trained on gender-sensitive data collection methods.

All online interviews were recorded using the record and transcribe function of Microsoft Teams or, in one case, the record function on the computer used. A handheld recorder was used to record all face-to-face meetings. In the case of the focus group discussions, which were carried out in Chichewa, the responses were translated into English as the recordings were transcribed. One of the two lead researchers cleaned the transcriptions, while the lead researchers worked together to deal with any ambiguity or unknown terms in the transcriptions.

The English version transcriptions of the interviews and focus group discussions were entered into the NVivo qualitative data analysis software package as Microsoft Word files. Photos from the research processes and some recordings were also entered into NVivo as data sources. We coded the data by nodes using factors derived from the review of the literature on agricultural cooperatives, as well as through identifying new nodes or merging or splitting some topics. The nodes used in the data analysis

are summarized in Annex D. Using NVivo, we conducted content analysis on all textual data and word frequencies and word searches within nodes or cases for a set of key terms relevant to the purpose and objectives of the study.

3.4. Reliability and validity of the data

Independent experts on agricultural cooperatives in Malawi reviewed the research interview guides and other instruments to assess the validity of their content. The focus group discussion interview guides were translated into Chichewa in advance and back-translated into English by Chichewa experts not involved with the research to check for any possible miscommunication arising from the translation. The interview guides were also pre-tested to ensure good understanding of their content by both the enumerators and the key informants to whom they would be administered.

The principal researchers are all experienced in data collection using key informant interviews, focus group discussions, and document analysis. For the focus group discussions, several other facilitators joined the principal researchers to conduct the discussion and to collect the data generated. The facilitators were trained in how to conduct focus group discussions and together undertook a pilot test of the focus group discussion guide. Following the piloting, several of the questions in the guide were slightly modified. Thereafter, two research teams were formed to collect data from the cooperatives selected for the case studies. All transcripts from the focus group discussions were reviewed by the lead researchers and any questions arising from a particular focus group discussion were clarified with the facilitators responsible for conducting that discussion.

As part of the effort to ensure the reliability and validity of the data and the interpretations drawn, a stakeholder validation meeting was held on 31 August 2022 in Lilongwe. Fifty-four individuals attended the validation meeting in-person, while 14 attended online. Farmers who were members of three of the interviewed agricultural cooperatives participated, as did stakeholders from MAFECO, cooperative unions, government, the private sector, donor organizations, universities, and NGOs.

The first draft of this report was shared with all key informants interviewed in the research and with the cooperatives whose leadership and members participated in the focus group discussions.

4. FINDINGS

To better situate the findings from the research, we first present background information on agricultural cooperatives in Malawi and the types of services they provide their members. We then examine the factors that potentially may affect their performance.

4.1. Cooperatives and other farmer organizations in Malawi

There are three recognized types of primary farmer organizations in Malawi:

- **Farmer clubs** are informal groups typically of 10 to 15 farmers who come together to obtain services, such as extension, financing, or inputs (Ministry of Agriculture 2020, xv).
- **Agricultural associations** are legal *non-profit* organizations that provide services to their members, often farmer clubs (Ministry of Agriculture 2020, xv). Associations are registered under the Trustees Incorporation Act which regulates charities, and not as cooperatives. Charities include associations of persons that come together “for any purpose which [...] is for the benefit or welfare of the inhabitants of Malawi (Malawi Government 2015a).” Two of the most prominent national agricultural organizations in Malawi are formally established as agricultural associations—the National Smallholder Farmers’ Association of Malawi (NASFAM), which is described in Text Box 4.1, and the Farmers’ Union of Malawi, which is described later in this section.
- **Agricultural cooperatives** are autonomous *for-profit* bodies registered under the Cooperative Societies Act and comprised of individuals with common economic, social, or cultural goals, operated through a jointly owned, democratically controlled enterprise. Members own the cooperative through acquiring shares. They control the enterprise and are direct beneficiaries of services provided by the cooperative and of any surpluses generated through its commercial operations. Similarly, the members are jointly responsible for any commercial losses incurred by the cooperative (Ministry of Agriculture 2020, xv).

Some confusion arises as to the difference between agricultural cooperatives and agricultural associations due to inconsistent usage of the labels. According to one participant at the stakeholder validation meeting for this research, even some frontline staff who are sensitizing farmers about farmer organizations may not know the difference. However, they are mainly differentiated by the fact that in the cooperative model, members own the cooperative through acquiring shares (Nyondo and Nankhuni 2018), and that cooperatives, including agricultural ones, are for-profit businesses.

A primary agricultural cooperative is registered under the Cooperative Societies Act of 1998, in which a cooperative is defined as an “autonomous association of persons united voluntarily to meet their common economic and social needs in accordance with cooperative principles through a jointly owned and democratically controlled enterprise (Malawi Government 2015b).” The cooperative principles are then listed:

- (i.) “membership of a society is voluntary and open;
- (ii.) “the management of the society is carried out democratically whereby each member has one vote and there is no voting by proxy;
- (iii.) “the distribution of surplus is done justly in proportion to the amount of the business contribution of each member;
- (iv.) “there is payment of limited return on capital;
- (v.) “there is self-reliance;
- (vi.) “race, creed, ethnic origins, language or political beliefs are no bar to voluntary membership and membership is open to all who can use the services of the society.”

Text Box 4.1. National Smallholder Farmers' Association of Malawi (NASFAM)

Formed in 1997 as an organization to support market access for smallholder growers of cash crops, NASFAM has evolved into a complex conglomerate of service provision, program implementation, commercial enterprises, and associations. It spans both developmental and commercial activities across several value chains, including groundnuts, rice, tobacco, soyabean, pigeonpea, bean, and sunflower.

With a membership of around 100,000 smallholder farmers, at the base of the NASFAM institutional structure are farmer clubs, each with 10 to 15 member-farmers. Clubs combine to form action groups, which serve as nodes in NASFAM's network both for dissemination of extension information to members and for the bulking of members' crops.

Action groups combine to form NASFAM's associations, of which there are currently 54 nationally. NASFAM associations are legally registered entities, member-owned and managed by annually elected farmer boards. The associations are grouped by geographical location under 14 Innovation and Productivity Centres. These IPCs provide to associations management and operational support for production, marketing, and community development activities. The IPCs are in turn supported and managed by the NASFAM head office.

Along with other civil society organizations grouped under the Civil Society Agriculture Network (CISANET), NASFAM is active in agriculture policy analysis and advocacy, including on issues that will affect the operations and performance of primary agricultural cooperatives.

Source: NASFAM (2022)

The Cooperative Societies Act also describes the national federated structure under which cooperatives are organized and the activities coordinated. A primary society is “a cooperative society registered under the Act, the membership of which consists of individual persons.” A primary cooperative must have a minimum of 10 members. A cooperative union or secondary society is “a cooperative society registered under the Act, the membership of which is restricted to primary societies.” An apex society is defined as “a cooperative society registered under the Act, the membership of which is restricted to cooperative unions.”

Cooperatives that provide financial services to their members are further regulated by the Financial Cooperatives Act.

This report focuses on primary agricultural cooperatives. Agricultural cooperatives have a long tradition in Malawi with the oldest ones started in Malawi in 1946 under the colonial government (Nyondo and Nankhuni 2018). A primary agricultural cooperative is a local cooperative membership body composed of individual member-farmers. (Also see Text Box 1.1.)

Within primary agricultural cooperatives, management and governance is carried out by member committees. While the Cooperative Societies Act does not specify the numbers or types of committees necessary for the proper governance and oversight of the operations of a primary cooperative, in the course of the research, committees supporting cooperative governance were mentioned 87 times in 22 different interviews and focus group discussions. The committees within cooperatives that were identified in the research included committees on discipline, education, finance, loans, marketing, production, and welfare, as well as the executive committee. One cooperative had an evaluation committee that “goes around to verify the acreage that farmers had indicated earlier. This also gives them an assessment of how the farmers are faring, the challenges they are facing, and expected changes to their yields (Cooperative 8.”

Primary cooperatives can join unions, also known as secondary cooperatives. The first secondary cooperatives were established about 40 years ago (Key informant interview (KII) 2). Unions are formed to support primary cooperatives through advocacy, development, and the provision of joint services, such as marketing. For instance, a primary cooperative producing macadamia could join the Highland Macadamia Cooperative Union, which buys nuts and also offers other services to primary cooperatives producing macadamia. There are seven area-based or commodity-specific secondary cooperative unions in Malawi that focus on agriculture—Mzuzu Coffee Planters Cooperative Union; Horticulture Cooperative Union of Malawi; Salima District Cooperative Union; Nkhotakota District Cooperative Union; Highlands Macadamia Cooperative Union; Maluso Cooperative Union; and Mwandama Producers and Marketing Cooperative Union.

Secondary cooperatives do not do much for the primary cooperatives beyond serving as buyers of their produce, according to respondents. However, the unions have the potential to benefit primary cooperatives by providing them with services and also leading advocacy efforts on their behalf with legislators and government officials. Cooperative members and key informants both said that they would like secondary cooperatives to exert political influence to improve prices for the products produced by the primary cooperatives. One informant suggested that if cooperative members needed tractor services, the machinery could be owned by their cooperative union with mechanization services then offered to the individual member-farmers of the primary cooperatives that make up the union.

The third tier of the national structure under which cooperatives operate is the national apex cooperative society, the membership of which is restricted to cooperative unions. The Malawi Federation of Cooperatives (MAFECO) is the apex body for cooperatives. It was established in 2015. MAFECO provides facilities for banking, insurance, and the supply of goods or services to cooperative unions and their member primary cooperatives (Malawi Cooperatives Societies Act 2015, 1). The institution remains in an early formative stage with only four employees and three cooperative union members at the time of the study, but it is in discussions with other potential members. To join MAFECO, cooperative unions apply for membership. Their application information is reviewed by the board of MAFECO. If approved, the cooperative union must pay an entrance fee and purchase shares in MAFECO (KII 2).

Policy recommendation 1

Support the full cooperative structure at primary, secondary, and tertiary levels. The higher-level tiers can provide services to their members and give them a voice in the policy making process.

While it is not a cooperative, another organization of relevance to the primary agricultural cooperatives is the Farmers' Union of Malawi, which serves as a national-level body for all farmers' organizations. Formally, it is an agricultural association, registered under the Trustees Incorporation Act, like NASFAM. The Farmers' Union of Malawi was established in 2003 to provide institutional development services, policy advocacy, and market access for farmer organizations, including farmers groups and agricultural associations, but also registered primary agricultural cooperatives. However, it also is a key partner of government on agricultural development policy and related issues. It seeks to ensure "that farmers effectively and meaningfully participate in the design, formulation, implementation, monitoring and evaluation of policies, strategies, programs and plans aimed at improving the livelihoods of farmers in Malawi (Devex 2022)."

The government promotes agricultural cooperatives. Malawi 2063, the national development vision that outlines how Malawi will achieve the vision of becoming a wealthy and self-reliant upper middle-income

country by 2063, envisages that agricultural commercialization, adoption of modern technologies, and farm mechanization will be led by large commercial farms and cooperatives (National Planning Commission 2020, 16). The National Agriculture Policy promotes professional organizations, such as cooperatives, to meet the goal of commercializing smallholder farmers, strengthening their participation in value chains, and enhancing their contributions to Malawi's economy (Ministry of Agriculture 2020).

"Cooperative development is not an option. The farmers have to be organized. As long as we are in this market-based economy, it's not an option, it's a must. So, we are making efforts to make sure that we have cooperatives in this country (KII 5)."

The number of cooperatives in Malawi is growing. Nkhoma (2011) reported that 284 agricultural cooperatives were registered between 1993 and 2010. In 2016/17, out of 933 primary cooperatives registered nationally, 459 were agricultural in nature (Makiyoni 2019). More recent data provided to the research team by the Ministry of Industry and Trade in early 2022 lists 1,390 registered cooperatives, of which 941 can be categorized as agricultural (Table 4.1).³ According to the Ministry of Industry and Trade, ten cooperative unions have been formed.

However, it is difficult to confidently determine the number of cooperatives registered and operational in Malawi. Numbers differ in various reports, in part because the cooperative register—an Excel spreadsheet file—maintained by the Ministry of Industry and Trade has duplicate entries for many primary cooperatives. Furthermore, the sub-sector in which a specific primary cooperative operates is not always clearly stated in the register. The Ministry of Industry and Trade has a generic "agro" category for primary cooperatives. However, a number of primary cooperatives listed in the register that clearly focus on the production, processing, or marketing of specific agricultural commodities are not categorized under this label. These include cooperatives involved with groundnut, cotton, rice, or cassava. These inconsistencies in the register of primary cooperatives contributes to inconsistencies in reports on the numbers of primary agricultural cooperatives nationally.

Policy recommendation 2

Strengthen the management information system on cooperatives in Malawi to make it internally consistent, more accurate, and more frequently updated.

³ The criteria used by the Ministry of Industry and Trade to categorize primary cooperatives are not wholly consistent. For example, cooperatives that focus on honey production and marketing are not categorized as agricultural by the Ministry. To create Table 4.1, the records in the cooperatives database provided by the Ministry of Industry and Trade were recoded as agricultural and non-agricultural by the research team based on a broader definition of what constitutes an agricultural cooperative than that used by the Ministry.

Table 4.1. Primary cooperatives in Malawi, 2022

Type of cooperative	Number registered
Agricultural cooperatives	
Non-specified	689
Livestock	56
Horticulture	49
Dairy	33
Honey	25
Rice	23
Cotton	16
Timber	14
Cassava	12
Coffee	9
Groundnut	8
Macadamia	6
Tea	1
Total agricultural	941
Non-agricultural cooperatives	
COMSIP (Community Savings and Investment Promotion)	226
SACCOs (Savings and Credit Cooperatives)	177
Mining	15
Fish	7
Artisans	7
Consumer	4
Other	13
Total non-agricultural	449
Total	1,390

Source: Compiled by authors from Ministry of Trade and Industry data shared in early 2022

Note: For the non-specified “agro” cooperatives, we deleted duplicate entries, reducing the number from 946 to 689.

However, despite the growth in the number of primary agricultural cooperatives suggested by these data, one informant pointed out that high numbers of primary cooperative and rapid growth in those numbers are not necessarily good things.

“Every year, figures are growing. In fact, we are now worried because at some point more cooperatives is not necessarily a good story. We better have one strong cooperative in an area which can [provide] necessary services. Because if you have a cooperative here, a cooperative there... small, small quantities are not sustainable (KII 5).”

Policy recommendation 3

Put efforts and resources into strengthening existing cooperatives and avoid starting new cooperatives without prospects to strengthen them.

4.2. Roles, coordination, and collaboration on cooperatives

Registration of and public sector support to cooperatives is the responsibility of the Ministry of Trade and Industry under the Cooperative Development Policy of 1997 and the Cooperative Societies Act of 1998 (Malawi Government 2015b). The Ministry houses the Office of the Registrar where cooperatives are registered and issued a certificate of registration (KII 6). Text Box 4.2 explains the process of registration. The Ministry has both a regulatory and a development function for cooperatives. In terms of regulation, it handles registration, liquidation, and dispute settlement. Its development functions include capacity building for cooperative management, market support, and access to investment opportunities. For instance, some government projects may provide investment opportunities for cooperatives (KII 3).

Text Box 4.2. How does registering a cooperative in Malawi work?

According to key informants, a cooperative officer in the Ministry of Agriculture liaises with officers from the Ministry of Trade and Industry to support farmer groups that wish to register as primary agricultural cooperatives. The following registration process then is followed:

1. Form a group and notify the Registrar of Cooperative Societies of its intention to register as a cooperative society. The process guidelines state that “a cooperative society is formed by ten or more persons having common economic and social needs.”
2. Before registering the group, cooperative member training conducted by an officer from the Registrar’s office must be arranged.
3. The training officer will help the members formulate by-laws for their proposed cooperative society.
4. After training, the group applies for registration.
5. The application is submitted with the registration fees and three copies of the by-laws signed by the chairperson, secretary, and treasurer of the proposed cooperative society.
6. Within 30 days the group is notified if it has been registered as a cooperative.

Source: Key informants 3, 5, and 6 and Wiki Procedure (https://www.wikiprocedure.com/index.php/Malawi_-_Register_Cooperative_Society)

Registration is not an easy process. Many potential cooperatives struggle to register themselves, with many giving up. Respondents mentioned that registration was a hassle, took years in some instances, and costs time and money.

Policy recommendation 4

Streamline the primary agricultural cooperative registration process.

The Ministry of Trade and Industry is also responsible for cooperative member education and orientation through which potential members of a cooperative are informed about the nature and principles of cooperatives. According to the Cooperative Societies Act, in addition to the steps mentioned in Text Box 4.2, potential cooperatives must provide in writing to the Ministry their own assessment of the viability of their cooperative. However, in practice this is not usually done by the cooperatives; rather, the Ministry conducts this assessment in most cases.

Because the Government of Malawi is in the process of decentralizing many of its functions, it is expected that many of the development functions in support of primary cooperatives will be devolved to

district councils. In future, this would involve cooperative member education being conducted by district officials, who would then recommend registration, which will still be done centrally (KII 3). Following registration, the role of the Ministry of Industry and Trade mainly will be to conduct regular inspections of cooperatives and audits of their financial records (KII 5).

Recent efforts have been made to give some oversight of agricultural cooperatives to the Ministry of Agriculture, which in 2020 developed the Farmer Organization Development Strategy (FODS). The Ministry of Agriculture, together with its partners implementing aspects of the farmer organization strategy, proposes to work with interested farmers and the Ministry of Trade and Industry to register cooperatives (KII 5, 6). Several observers thought that the additional support the Ministry of Agriculture might offer would be valuable.

“Some of the procedures required for a farmer organization to register into a cooperative are too prohibiting. They need to be flexible and understand that they are dealing with farmers organizations that are at the grassroot level (KII 7).”

According to another informant from government,

“...we write a letter to Ministry of Trade and Industry ...to request the Ministry to register [the farmers] as a cooperative. So, we facilitate that. Sometimes farmers are very far from Lilongwe. [However,] we can travel there and submit the letter. We can make efforts so that the Ministry knows that these farmers are interested (KII 5).”

The Ministry of Trade and Industry is said to have a good working relationship with the Ministry of Agriculture, especially with the Department of Agricultural Extension Services (KII 5). The two ministries are meant to operate “seamlessly” together (KII 6). The Ministry of Agriculture has a principal agricultural extension officer responsible for cooperatives. This officer liaises with the Ministry of Trade and Industry (KII 5).

“[The Ministry of Agriculture] has their own roles—for example, mobilization of people, sensitization, and group dynamics. We [the Ministry of Trade and Industry] just come in at the end when they want to formalize the groups (KII 3).”

But several other respondents mentioned challenges in inter-ministerial collaboration. It was noted that the Ministry of Trade and Industry and the Ministry of Agriculture “do not talk (KII 6).” “There is a lack of coherence which ties into what [my colleague] was also saying about partners not necessarily really working well together (KII 11).” Another informant stated:

“I think one challenge that is still there is ... the two ministries do not talk to each other as such. They fail to recognize the role that each one has based on their mandate. So yeah, I think probably that’s one of the biggest challenges because the Ministry of Trade is supposed to regulate all the cooperatives, whether it’s an agricultural cooperative, a mining cooperative, whether it’s any business that you think of in Malawi which can be run by a cooperative. If the Ministry is supposed to regulate each by ensuring that it is fully registered, once it is registered, then the line ministry can continue providing the technical support. ... But I think that’s where the challenge is, because they fail to understand and appreciate each other’s mandate (KII 6).”

Participants in the stakeholder validation meeting for the study echoed many of these coordination concerns, especially regarding the difficulties to register—including the length of time to do member education, and that there is a long queue. One participant stated that there was a very small number of peo-

ple who organize all the trainings for the cooperatives. Nyondo and Nankhuni (2018) also noted the limited number of staff and high vacancy rates in positions in the Ministry of Trade and Industry that have support to cooperatives in their scopes of work.

Policy recommendation 5

Increase the number of government staff supporting cooperative member education.

There can be a lack of coordination with so many actors supporting farmers:

“...we went to talk to some farmers in Mangochi when we were training them at the time on the use of PICS [Purdue Improved Crop Storage] bags, and they were also receiving a training on planting bamboo. We then learned that a few days prior to that another organization had also gone in to train them on bamboo and had given them different information. ... So, it can be confusing if you have one NGO coming in one day saying ‘No, you must do double rows’ or whatever. And then the next day another NGO goes in and says, ‘No, actually, you need to do it like this.’ And that’s also a problem (KII 11).”

The government ministries work with NGOs and other implementing partners. One partner said “Most of the extension officers under DAES [Department of Agriculture Extension Services] are also involved in our trainings. Recently, we also engaged with the Ministry of Trade where we are training farmers through their community development assistants (KII 7).” KII 10 also mentioned collaborating with the Department of Agricultural Extension Services to provide training on agribusiness, farmer organizations, and collective marketing.

Some of the collaboration occurs at the local level:

“Because at district level ... we have the District Council, ... you have the extension officer, ... you have the agribusiness officer. So, at district level in reality we work with [the Ministries of] Trade and Agriculture. ...The activities that we do [are] implemented through the District Council. So, it's [our organization] providing technical support and financial support to the extension officer, mostly involved through the District Council or head officer. But we also have now a memorandum of understanding with the Ministry of Agriculture (KII 8).”

Organizations supporting cooperatives also collaborate with private sector companies. “For the past three years we have been collaborating with seed companies by mounting demonstration plots to showcase various high-yielding, drought-tolerant varieties,” said one respondent (KII 10).

Policy recommendation 6

Better streamline support to cooperative development through collaborative efforts involving the district councils and cooperative unions.

4.3. Types of services farmers receive in Malawi through cooperatives

A farmer should receive services through the primary cooperative of which they are a member. These could include agricultural extension and training, marketing, and financial services, as well as inputs, such as improved seed and fertilizer. In this section we examine national secondary data and primary data from the study to corroborate this.

4.3.1. Current access to services through agricultural cooperatives—a secondary data analysis

The Fifth Integrated Household Survey (IHS5), conducted by the National Statistical Office of the government of Malawi between April 2019 and April 2020, with support from the World Bank Living Standards Measurement Study – Integrated Surveys on Agriculture initiative, sheds some light on how smallholder farmers make use of primary agricultural cooperatives in Malawi. Analysis of the IHS5 dataset shows that agricultural cooperatives are present in 9.7 percent of communities in Malawi. These cooperatives have 41 members on average, and typically hold monthly meetings.

Despite the government's intentions that farmers should access services through farmer organizations, few farmers report using cooperatives to access inputs, to market their outputs, or to obtain veterinary services or extension advice. Just over one half (52.4 percent) of farmers purchased commercial seed, but only 1.8 percent purchased any seed from a cooperative. The remaining 50.6 percent purchased all their seed from other sources. Similarly, only 4.1 percent of farmers purchased at least some chemical fertilizer from cooperatives, while 58.1 percent purchased all their chemical fertilizer from other sources.

Utilization of cooperatives is very uncommon when it comes to livestock. Based on the IHS5 dataset, 11.6 percent of farmers bought livestock, 6.3 percent had animals vaccinated, 22.2 percent sold livestock and 3.2 percent sold livestock products. However almost none of these transactions—0.01 percent, 0.2 percent, 0.04 percent, and 0.01 percent, respectively—were facilitated by a cooperative. The only animal product that was reported sold through cooperatives was cow milk.

This secondary data analysis indicates that cooperatives currently play a very small role in the agricultural sector in Malawi. This should be a source of concern given the prominent place of farmer organizations, including primary agricultural cooperatives, in both the current National Agricultural Policy and the current National Agricultural Investment Plan. Moreover, the continuing limited role for cooperatives in how farming households operate and meet the needs of their members represents a missed development opportunity.

4.3.2. Extension services and training

“You know, currently there is a different approach; in the past it was the extension service [would] ‘go to them.’ The current extension approach is ‘come to us.’ So, if the farmers don’t reach out to the extension office, the extension officer will not engage them (KII 2).”

Farmers are told to be in a cooperative or group to receive government agricultural extension services (KII 5). Agriculture extension workers are tasked with facilitating extension advice and providing advisory services to the cooperatives (KII 6). Extension staff also conduct mobilization and sensitization for farmers on topics such as group development, business development, and governance issues. Once farmer clubs are formed, their members are oriented on associations and cooperatives and provided with basic training by government agents on forming and operating a primary agricultural cooperative (KII 5).

One group stated that they started a cooperative to access extension services (Cooperative 5). However, according to national-level data, accessing agricultural extension services through cooperatives is

rare. Analysis of IHS5 shows that in 2018/19, fewer than 0.6 percent of farmers received any extension advice through cooperatives, while 52.3 percent received extension advice through other channels.

Many different actors provide training and education to cooperatives, including government ministries, projects and programs, NGOs, the private sector, and unions. In addition, education committees within primary cooperatives also organize training and education for members. One cooperative stated: "It is easy to demand for trainings when you work as a group as opposed to working as individuals. Using the group, it becomes easy to access these trainings (Cooperative 8)." Table 4.2 indicates the types of training cooperative members said that they received.

Table 4.2. Trainings reported received by cooperatives interviewed, by category

Category	Topic (by whom, if stated)
Marketing	Marketing
Social capital	Gender
	HIV
Governance and leadership	Good governance
	Basic cooperative training, formation, and member education
	Leadership training (Land O'Lakes)
	Discipline
Financial capital	Gross margin analysis
	Business development services (Tradeline)
	Loan management, sourcing loans from bank
	Business management
	Cooperative financial management (Land O'Lakes)
	Financial management
Natural capital	Environmental conservation
	Soil conservation (Farm Income Diversification Programme)
	Dairy cattle production
	Good agriculture practices (Malawi Enterprise Zone Association)
	Production; groundnuts and soybean
	Ridge spacing and planting
	Modern farming technologies
	Postharvest practices (Malawi Enterprise Zone Association)
Physical capital	Solar panels and pumps
	Milk processing

Source: Authors

Training topics that were reported requested by the cooperatives interviewed included:

- How to run a cooperative
- Financial management and administrative issues
- Bookkeeping and business management
- Group finances, group business
- Processing and packaging skills
- Marketing
- Cattle disease control; breeding

The provision of training and the provision of other services can be synergistic and build on one another. One informant in KII 11 talked about how the training done by FAO with farmer business schools was useful for the services that the informant's organization offered. The informant also believed that together several different organizations working in coordination could fill the capacity gaps faced by most cooperatives.

4.3.3. Marketing services

Generally, farmers in Malawi do not utilize cooperatives much to market their produce, according to analysis of IHS5. More than half (51.9 percent) of farmers sold some of their rainfed produce, but only 0.5 percent sold any to or through a cooperative. 10.4 percent of farmers sold produce from perennial crops but only 0.1 percent sold any to or through a cooperative.

The underutilization of cooperatives as a source of inputs or as a marketing channel could be because the cooperatives do not seem to offer better prices than other suppliers—farmers who purchased inputs from cooperatives paid on average the same prices as farmers who purchased the same inputs from other suppliers. Similarly, farmers who sold tobacco—the only crop sold to cooperatives in any significant volumes—received the same prices as farmers who sold their produce elsewhere.

4.3.4. Financial services

"We need capital to be able to run the cooperative. With capital, you can do everything (Cooperative 10)."

"But then they have to be assessed. As a bank you always have to do a proper assessment, but you find there are no records. How do you give someone money when they have no records (KII 3)?"

According to analysis of the IHS5 dataset, one tangible advantage provided by cooperatives is that they seem to be slightly more willing than other input suppliers to advance credit to their members to obtain inputs: 4.4 percent of those who bought seed and 3.2 percent of those who fertilizer from cooperatives received them on credit, whereas only 3.3 percent who bought seed and 1.9 percent who bought fertilizer from other sources did so.

Financial capital was noted in both key informant interviews and in focus group discussions as an important external input if a primary cooperative was to succeed. Cooperatives receive financial capital through bank loans or microfinance. But they only receive such capital if they keep good records, which many cooperatives do not. Cooperatives reported that it was sometimes difficult to repay loans in good time because prices were poor. "It may happen that you do not repay on time and the bank may take the cooperative resources or equipment. This is what we do not want to happen (Cooperative 7)."

Many cooperatives find it difficult to obtain working capital to keep their operations going. Much of the external support to cooperatives tends to be in the form of material or infrastructure, rather than working capital. Cooperatives find that it often is easier for them to obtain productive assets than working capital. However, these material assets cannot be used properly without working capital.

Most respondents felt that access to capital was constrained for most primary cooperatives. However, these constraints reflect in part the types of agricultural production that banks and other lenders are willing to support. "I think financing...is very important. When you look at the tobacco industry, it is well financed from production up to the market. So, why not do the other value chains?" (KII 8).

In talking about financial services in general, farmers frequently talked about the importance of finances, loans, and money (Figure 4.1). In our analysis of statements made in key informant interviews

and in focus group discussions coded to “financial services”, “loans” were mentioned 54 times. Respondents talked about “access” to financial capital 15 times. “Support” was mentioned 14 times, which could imply that financial capital is seen as a type of external support that cooperatives should receive, rather than something that they should generate themselves through the sale of membership shares.

Figure 4.1. Word cloud from word frequency analysis of responses in "financial services" node in key informant interviews and focus group discussions



Source: Authors using NVivo 12 Plus

Note: Words with minimum length of three letters.

Related, some cooperatives studied were more interested in grants than in loans.

“The ones that are driven by organizations, NGOs, and all that, ... they tend to be dependent on the grants. They’ve got a low-risk appetite when it comes to getting a loan (KII 4).”

Respondents complained about interest rates: "we need lower interest rates for all the loans we get from organizations or the government (Cooperative 5)."

Cooperatives also struggled with collateral to secure loans or with raising the required contribution to obtain matching grants.

“When we want to access a service, they ask us to contribute 30 percent. But what you are asking for is MWK 75 million, and 30 percent of MWK 75 million is a lot of money. This is like you are providing an opportunity as well as constraining the farmers at the same time (Cooperative 3).”

Issues of knowledge and capacity also constrained the ability to obtain financial services: “we do not know where to access these loans” and “we do not know the procedures people follow to access the loans whether from any group or the bank (Cooperative 1).” In the cases of recently formed primary cooperatives and how they access financial services, it may be best for them initially to work through existing mechanisms that local farmers know, such as the village savings and loans associations. For instance, the Feed the Future Malawi Agriculture Diversification Activity is working with the Women’s Legal Resource Centre to provide capital injections of MWK 300,000 to village savings and loan associations for lending on to their community members. This mechanism is designed to provide smallholder

farmers with an opportunity to invest in their own economic empowerment and create a pathway that links them with the formal banking sector (Palladium 2019).

Policy recommendation 7

Target financial interventions for some primary agricultural cooperatives through local institutions, such as village savings and loan associations and “village banks,” which farmers better understand.

More advanced and experienced primary agricultural cooperatives could take advantage of initiatives such as the Productive Alliance model of the Agricultural Commercialisation Project run by the Ministry of Agriculture with financial support from the World Bank (Text Box 4.3).

Text Box 4.3. Productive Alliance Model of the Agricultural Commercialisation Project

The Productive Alliance Model is an approach based on commercial agreements between project-supported producer organizations, including primary agricultural cooperatives, with buyers and other value chain players. The model improves the capacity of producer organizations to finance and execute productivity-enhancing investments and to respond to the requirements of buyers and other off-takers of the commodities they produce.

Under the Productive Alliance, producer organizations can access financial support through matching grants. The financial support meets the costs of capital investment in the producer organization that directly contribute to enabling it to meet the market requirements or other specifications of the buyers. The Agricultural Commercialisation Project meets a maximum of 70 percent of the total cost, while the producer organization covers 30 percent. The producer organization contributes a minimum of 10 percent of the total cost in cash and can cover the remaining 20 percent of the costs for which it is responsible through in-kind contributions.

Source: <https://www.agcom.gov.mw/project-components/building-productive-alliances>

One organization provided coaches specialized in business development to help primary cooperatives apply for loans (KII 12). This type of customized support may be more useful to cooperatives than standardized and generic training on financial management and on writing grant proposals.

In addition, the provision of the various services to cooperatives must be sequenced properly. For instance, one organization interviewed for the study makes sure that the primary cooperatives with which it works have sufficient managerial capacity before providing any financing to them (KII 4).

4.4. Factors affecting performance of primary agricultural cooperatives in Malawi

We present the findings on cooperatives in Malawi by several of the key performance factors from Table 2.1. As in the table, the factors are grouped into external and internal factors. External factors include the policy environment and marketing systems.⁴ Internal factors include social capital and membership; governance and leadership; management systems; and human capital, including the mindsets of cooperative members and leaders.

Note that in our research we only examined registered cooperatives; that is, those with a certificate from the Ministry of Trade and Industry. However, distinctions between the different types of farmer organizations—from cooperatives registered with Ministry of Trade and Industry to farmer associations to farmer clubs—are often minimal in practice. Some entities call themselves cooperatives but are not officially registered. “The main difference between many of the community level farmer organizations and how they characterize themselves as cooperatives, associations, or clubs seems to be that piece of paper [the registration certificate]” (KII 11).

4.4.1. External: Policy environment

“The policy environment, I’m not sure about the figures, but there is a political will (KII 5).”

Political will, an enabling environment, and supportive policies exist in Malawi for strengthening and expanding primary agricultural cooperatives for smallholder farmers (KII 6, 9). The Government of Malawi has promoted the growth of primary cooperatives since independence, primarily through the Ministry of Trade and Industry. Several laws and policies affect cooperatives and other farmer organizations (Table 4.3).

Table 4.3. Policy framework affecting agricultural cooperatives

Policy Framework	Area of Relevance
Cooperative Development Policy (1997)	Advocates cooperative formation, credit, storage facilities, and markets for farmers
Cooperative Societies Act (1998)	Regulates cooperatives
National Agriculture Policy (2016)	Promotes professionalism and commercialization of smallholders
National Agriculture Investment Plan (2018-2023)	One of its 16 intervention areas is to strengthen farmer organizations
Agricultural Extension Policy Review and Agricultural Extension and Advisory Services Strategy (2020)	Advocates strengthening farmer organizations so they can provide advisory services
Farmer Organization Development Strategy (2020-2025) (FODS)	Promotes the development of sustainable, professionally operated, and market-oriented farmer organizations

Source: Based on Ministry of Agriculture (2020)

The Cooperative Development Policy provides the main reference document for cooperatives in Malawi (Ministry of Commerce and Industry 1997). It encourages farmers to form cooperatives and to use cooperatives for procuring inputs, storage, and for marketing of produce. The policy is currently undergoing a review process. A cooperative development strategy is also being drafted under the leadership of the Ministry of Trade and Industry with funding from the German Development Cooperation.

“I think most of the things that we have in that [revised] policy will simplify things in the cooperative sector, but also address critical challenges in the sector. This includes the issue

⁴ Although access to financial capital is an external factor affecting the performance of primary agricultural cooperatives, this factor is not discussed here, as it was examined in the previous section on services to cooperatives.

of how do we support cooperatives in Malawi? ... And once we have a good policy, I think it will unlock most of the barriers that cooperatives in Malawi are seeing (KII 12)."

Within the agricultural sector, Priority Area 3.8.2 of the National Agriculture Policy (MAIWD 2016, 65) is to "promote development of professionally-operated and efficient farmer organizations, particularly cooperatives," with the objective to "transform subsistence farmers into commercialized farmers."

The National Agriculture Investment Plan (NAIP) operationalizes the National Agriculture Policy. In the discussion for Intervention Area 2 of the NAIP, it notes that past efforts at strengthening cooperatives have been disjointed. Consequently, the first intermediate outcome for Intervention Area 2 is to put in place a proper legal framework and institutional support system for farmer organizations, while the second outcome is to build strong, well-organized, and inclusive groups that can effectively conduct business and provide services to their members.

FODS provides a roadmap for achieving these objectives (Ministry of Agriculture 2020). Published in December 2020, the national strategy on farmer organizations is part of the response to the NAIP intervention area of strengthening such organizations. It is one of 15 frameworks that the government committed to draft with the aim to improve returns on investments made in the agriculture sector. The strategy provides a framework for organizing farmers into sustainable organizations that are professional and market-oriented—hallmarks of cooperatives.

In addition to the policy frameworks in Table 4.3, informants noted that the new National Livestock Development Policy plans to engage cooperatives to support livestock production.

Respondents shared perspectives on deficiencies within the general policy environment in which cooperatives operate. The challenges they highlighted centered on market restrictions and regulations and on produce quality certification. Tax codes were also viewed as not being as strategic as they might be to develop and expand primary agricultural cooperatives across Malawi.

Farmers want to export their products but face challenges in doing so: "The cooperative fails to export its commodities because of complicated logistics (Cooperative 7)." Cooperatives are often unable to obtain an exporter license (Cooperative 3) or sufficient capital (Cooperative 10). They also did not know where to export and asked for assistance to be linked to foreign markets (Cooperative 8). Several noted that transactions involving foreign exchange are problematic for cooperatives to enter into.

Some mentioned interference from others in the marketing by cooperatives of their members' produce.

"Most people think of selling farm produce outside the country. But politicians will hinder farmers to get better prices from external markets even though they are currently failing to fix existing problems [in Malawian markets]. So many people are frustrated. Even though you tell the politicians [about problems in Malawian markets], nothing happens (Cooperative 11)."

"Those who provide us with training on marketing told us that we had an opportunity to export our commodities. But what happens is that they buy from us at low prices and sell to foreign markets at much higher prices, when we can actually do it [ourselves]. When we want to deliver the commodities directly, the intermediary company becomes very furious and uncomfortable (Cooperative 8)."

Licensing and certification are important to help farmers to market their produce. The Malawi Bureau of Standards (MBS), which is responsible for product quality standards, plays an important role here.

One cooperative stated: "We lack a Malawi Bureau of Standards certificate. This document can help us to access other markets, like Farmers World and Chipiku (Cooperative 7)." Another member said that

MBS stickers allow them to get their products into big shops. But they further stated: “the MBS certificate is too complicated to obtain. We already applied, but MBS has not yet responded.” To obtain the certificate, they were requested to “have a storeroom for commodities, a toilet, and uniforms for the people who work here. ...in addition, they wanted ... a fence around this place.” MBS also is said to charge a fee (Cooperative 6).

“One of the challenges that cooperatives have been facing is ... getting their products certified. It has been a very lengthy process. So, they have now tried to simplify the process for working with Malawi Bureau of Standards. By implementing this simplified regime, I think they are ... trying to ensure that the cooperatives do not have to go through the same process that big companies have been using to ensure that their commodities are certified. This [simplified] process means most of the products that are produced by cooperatives will now be pre-certified or that they will be certified, depending on whether [the cooperatives] are meeting the standards that MBS is putting in place to accommodate cooperatives (KII 6).”

Policy recommendation 8

Make the process for Malawi Bureau of Standards certification or pre-certification simpler and faster for cooperatives and/or provide them support in obtaining it.

Certification also occurs for different crops and within different value chains, which helps farmers market their products. “In 2015, we started to sell green maize as horticultural products, so we often used the horticultural license. So currently we use both the legume certificate and the horticulture license (Cooperative 9).”

For more advanced and experienced cooperatives, informants suggested that they could be provided support from MBS to obtain product quality certificates. As part of this effort, they would be trained in how to use those certificates to negotiate for higher prices for the high-quality produce they sell.

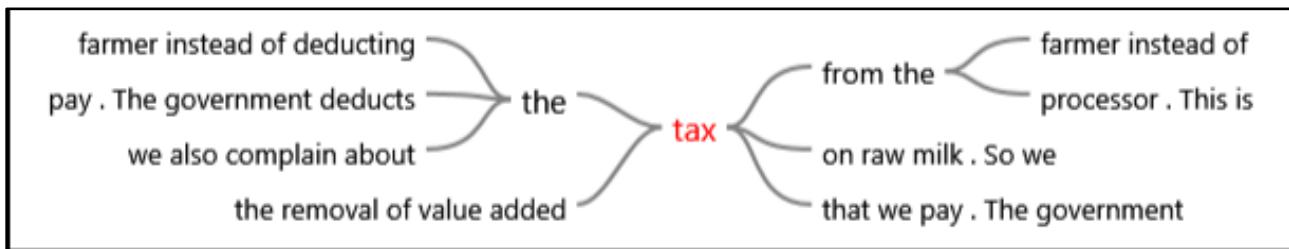
Policy recommendation 9

Provide coaching and capacity strengthening for some of the more newly formed cooperatives to link with the larger, more organized buyers.

Taxes were another policy issue mentioned by agricultural cooperatives, since cooperatives are not tax-exempt (Figure 4.2). While most did not consistently remit taxes, because it is not enforced, sometimes they do so if a buyer requires it.

“We also complain about the tax that we pay. The government deducts the tax from the farmer instead of deducting the tax from the processor. This is a very hot issue worthy of discussion with them. The ministers should deduct taxes from the processors instead of deducting from the farmer (Cooperative 2).”

Figure 4.2. Word tree for mentions of word “tax” in key informant interviews and focus group discussions



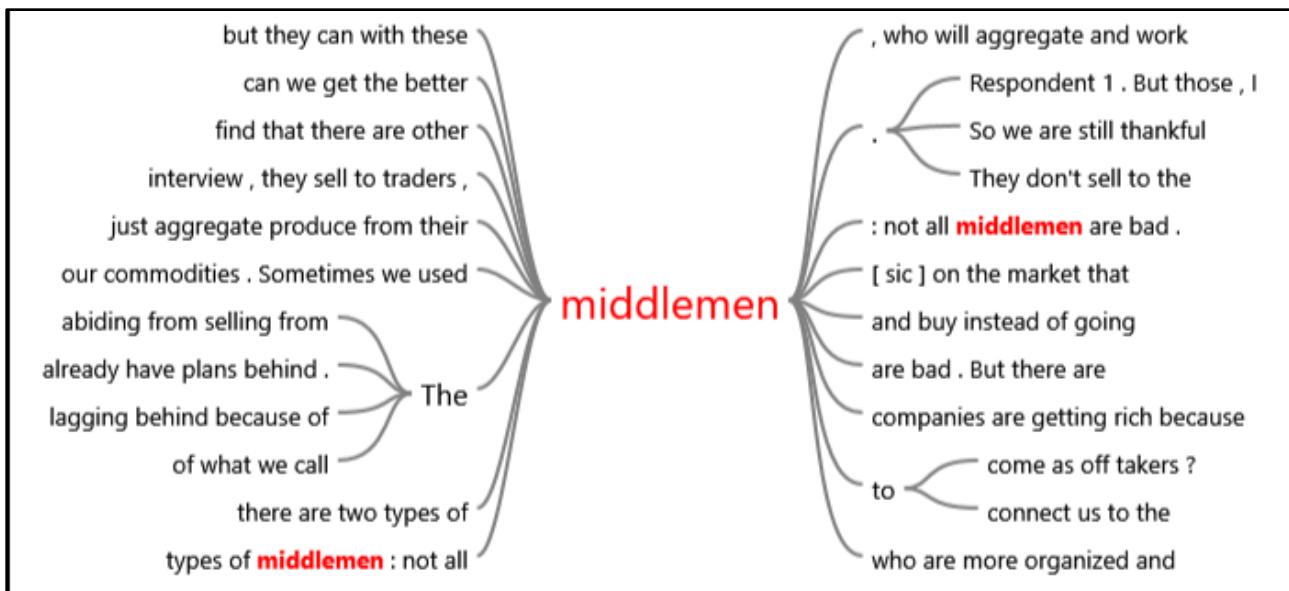
Authors using NVivo 12 Plus

4.4.2. External: Marketing systems

“We just grow [crops] without the market (Cooperative 4).”

Markets and the marketing system are major challenges for primary agricultural cooperatives in Malawi. This goes beyond market policies and regulations to how produce prices are set and commercial transactions made between cooperatives and buyers. “The main challenge that farmers are facing is access to markets (KII 11).” “Access to markets, understanding market dynamics, and having legal agreements [with buyers] is the number one thing affecting the performance of cooperatives in Malawi (KII 12).” Marketing pitfalls related to market intermediaries (middlemen/women), the prices cooperatives receive for their produce; and problems or delays in payments were among the most frequently mentioned themes during the interviews, particularly in the focus group discussions in the primary cooperatives (Figure 4.3).

Figure 4.3. Word tree for mentions of word “middlemen” in key informant interviews and focus group discussions



Source: Authors using NVivo 12 Plus

Nkhoma (2011:11) highlights the different marketing channels for food staples in Malawi. These include small, medium, and large-scale traders; ADMARC, the parastatal Agricultural Development and Marketing Corporation; commodity markets; retailers; and processors. Despite this range of potential buyers

for the produce cooperatives offer, discussions with the cooperative members and leaders and with key informants revealed a lack of formality in the cooperatives' marketing activities, for the most part. Several cooperatives said that they were formed to aggregate the produce of their members so that they could sell the larger quantity of produce they offered at a higher unit price than if it was sold in small lots by the individual farmers. But they then faced difficulties in finding buyers for the larger quantity of produce they offered as a cooperative. "We aggregated the maize, but we failed to find markets. ... The major challenge that we experienced was to find an off-taker (Cooperative 9)."

However, most of the cooperatives interviewed for the study appeared to be generally unable to negotiate with buyers for higher prices on their produce. An informant (KII 8) noted that 80 percent of the cooperatives and other types of farmer organizations that they worked with sell to market intermediaries. The respondent thought that larger firms in the private sector tended to buy from "big cooperatives" that are better established, leaving many cooperatives selling their produce to smaller and more informal traders. Another stated "...but the market is very informal and unfortunately the off-takers that we have ... flourish in that informality (KII 10)."

"The challenge is that most of the off-takers [wholesalers, exporters, larger agro-processing firms], ... because they know it is a cooperative, they know it will be able to bargain for better prices. So, what most of the off-takers do is, instead of going direct to the cooperatives, they hire middlemen who go around and mount weighing scales so that farmers as individuals sell to them. So, what these off-takers do, they just buy and aggregate the produce they need from their middlemen, instead of going directly to the cooperatives (KII 10)."

"Maybe it should be a regulation that should be enforced. These big manufacturers should directly contract a cooperative or group of farmers in the rural communities to produce for them. We have seen that working well in the tobacco industry, because tobacco has local contract funding with individuals and groups. So, why cannot that be cascaded into other value chains? (KII 8)"

The government is working on more formally organized export mandates for selected agricultural commodities, but the domestic market for these products tends to be highly informal. While regulations, such as the minimum farm gate prices, may be set, enforcing them is problematic.

"From our end, we feel like it's because there is no market leader. You can say these are the minimum farm gate prices, but there is no institution that is leading in implementing those [prices]. So, eventually the prices are determined by market forces. ... It is a bit chaotic. ... Even for properly registered companies, I think it's a challenge for them to support the other value chains, especially legumes and cereals. ... And if you get into contract farming to secure the produce [you require], it will be a challenge, because [these arrangements] are prone to side selling, a lot of side selling. So, more should be done on how we can really protect [the economic interests of participants in] the value chain (KII 10)."

Several respondents also noted that better formalizing the operation of domestic markets would also allow the government to collect revenues from market activities. However, the government lacks the capacity to enforce existing rules and regulations, let alone new ones. The introduction of rules which end up unenforced can normalize inconsistent rule application, which in turn facilitates preferential treatment that stems from political motivations or corrupt business practices. Putting in place clear and realistic criteria and decision-making processes for government intervention in agricultural markets

would, on the other hand, make prices more predictable, enabling all actors in the sector, including co-operatives, to better plan their operations (Duchoslav et al. 2022).

Policy recommendation 10

Make sure domestic markets are reliable and predictable. Any government intervention in the market should be rule-based and not ad-hoc.

Price can be a great motivator. “If you find better prices, it makes you work hard. You can even improve your skills in order to improve the quality of your produce (Cooperative 11).”

Some respondents noted that the value chains in which they were engaged also affected the performance of their cooperative.

“The performance of the cooperative also depends on the value chain that they are working on and how they were established. I do not think you will be able to find any cooperatives that literally just came out on their own, [except] maybe the ones dealing with the plantation crops, like tea and coffee. ... But when you come to those that are dealing with crops that are used as food crops, that is where you have some issues (KII 9).”

However, there are also a limited number of buyers for some of the commodities that cooperatives produce, notably the milk and macadamia value chains. This prevents adequate competition among buyers when the cooperatives are negotiating with potential buyers on the price of the produce they wish to sell (KII 12).

In general, cooperatives are price takers. A member of a milk cooperative stated: “We do not decide on the prices of milk. Instead, the processor decides the price (Cooperative 2).” Some farmers do not know what current prices are for their produce or what price they should accept, assuming they even have a choice: “You grow [the crop] without knowing the buying price (Cooperative 11).” One of the functions of agricultural extension officers in most districts is to provide price information: “We have agribusiness officers in all districts in Malawi ... who communicate on marketing issues. Most importantly, annually we conduct the national agricultural fair where a lot of market information issues are discussed, and farmers are linked with markets (KII 5).”

Cooperatives need to have better marketing options. In addition to providing them with better marketing information and increasing the capacity of cooperatives to conduct effective marketing, particularly in negotiating higher prices for their produce, the government can also do more to directly purchase products from cooperatives.

Policy recommendation 11

Focus capacity strengthening efforts on negotiating prices and searching for markets, possibly through coaches.

Policy recommendation 12

Encourage government and its agencies, when procuring agricultural outputs, to do so from cooperatives.

The narrative around market intermediaries in both KIIs and focus group discussions was mainly negative; negative sentiments were expressed 33 times, while positive sentiments only three times (Table 4.4).

Table 4.4. Sentiments expressed by respondents about market intermediaries, times mentioned

	Negative	Positive
Cooperative 1 leaders	0	1
Cooperative 3 leaders	4	0
Cooperative 3 members	1	0
Cooperative 4 members	1	0
Cooperative 5 leaders	1	0
Cooperative 5 members	7	0
Cooperative 6 members	1	0
Cooperative 7 members	1	0
Cooperative 8 leaders	1	0
Cooperative 8 members	2	0
Cooperative 9 leaders	7	0
Cooperative 10 members	1	0
Cooperative 11 leaders	1	0
Cooperative 11 members	1	0
Key informant interview 4	1	0
Key informant interview 6	1	1
Key informant interview 7	1	1
Key informant interview 8	1	0
TOTAL	33	3

Authors using NVivo 12 Plus

In focus group discussions, several cooperatives said that traders steal from them. “The government must support cooperatives to make laws to bar [unscrupulous] traders. Traders usually steal from the farmers. They take farmers as their tenants (Cooperative 9).” “In addition, when we grow crops, we do not have stable markets. Instead, the traders steal from us (Cooperative 4).”

“We started a cooperative after noticing crooked trader activities—they were stealing from us, manipulating their weighing scale with wires; stealing kgs, etc. ... They just want to cheat us, and they already have plans. The middlemen companies are becoming rich because of the farmers. This is why farmers in Malawi are lagging behind—because of the middlemen (Cooperative 3).”

Several also mentioned being duped by traders. “We sent three pails to Lilongwe, and we received the money worth two pails. We did not get the money for the third pail (Cooperative 6).” “Traders sell us un-certified seed and dupe people (Cooperative 8).” “The traders will dupe us and go. ... This is why we fall prey to the traders who exploit most of us (Cooperative 5).” “We wanted to avoid selling through traders, who in most cases dupe farmers (Cooperative 10).”

However, these traders and other market intermediaries are also important—they offer services to farmers by buying at the farm gate. Several cooperatives mentioned the importance of off-takers (35 references in eight interviews), buyers (52 references in 17 interviews), and market intermediaries (“middlemen” were mentioned 12 times in six interviews) (Figure 4.3). Off-takers that are more formal in their operations can be quite beneficial to cooperatives.

“Basically, there are two types of middlemen: not all middlemen are bad. But there are the ones who come to ‘steal’ from the smallholder farmers. They take advantage of the smallholder farmer and set prices that are low, and the farmer will not make any profit. Those are the ones we discourage. In the value chain you will find that there are other middlemen who are more organized and are trying to provide services. These are necessary (KII 7).”

When cooperatives do find a buyer, many do not have formal contracts, or they may encounter further difficulties. Cooperative 5 talked about a buyer who gave them paprika seed. The cooperative raised the crop, but the buyer never came. “Had we known them, we could have contacted them” one member stated. A side note is that, in this case, the cooperative trusted the paprika agent because they came with the extension worker.

However, the difficulties can go both ways. Buyers too can be left frustrated by the cooperative. In KII 6, one informant noted that “[cooperatives] sometimes fail to meet the quantities as well as the qualities that are required by the buyers. The buyers are left frustrated, and they dump these farmers.”

Late payments from buyers were also problematic in some cases. “This is a big challenge. We stayed for five months without payments,” stated Cooperative 2 members. A key informant added:

“But you see a cooperative which is not paid, maybe in almost three to four months. If you ask the cooperative why they are not following up with the buyer, they simply say, ‘We do not have another buyer. So, when they are ready to pay, they will pay us.’ And that also kills the cooperative spirit (KII 12).”

To increase their profits, some cooperatives were adding value to their produce or were considering doing so.

“We sell the milk at a low price. So, we need processing machines that can add value to our milk so that we make more money (Cooperative 2).”

“The other thing is that we need to add value to our crops so that we can sell at higher prices. An individual cannot add value at home. You can only achieve this when you are working as a group. You can make soy milk out of soyabean as a market. We registered our cooperative as both producing and marketing, which means that we can add value to our farm produce. We came together because you cannot manage all these things on our own (Cooperative 4).”

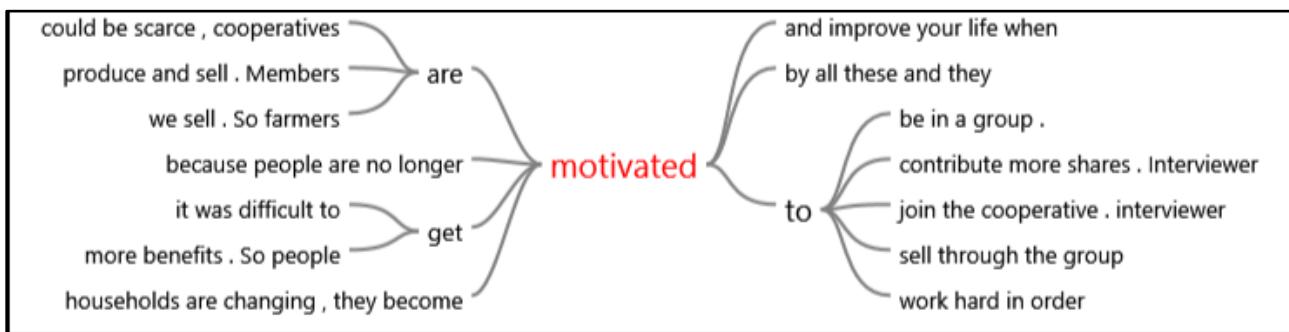
Transport also affects markets and is an important cost that cooperatives face. “To transport our commodities is very challenging and expensive. Sometimes we book transport on loan that we pay afterwards. So, we need to have reliable transport, ideally our own (Cooperative 9).”

4.4.3. Internal: Social capital and membership

"We learn a lot from the cooperative, like trainings, and we benefit from the advice among ourselves. You achieve faster when you work as a group than as an individual (Cooperative 1)."

Cooperatives are essentially a social entity made up of their members. Issues of membership that have been identified as affecting performance include homogeneity, socioeconomic balance, female inclusion, and gender equity and norms. Other related issues include having a common purpose, solidarity, trust, motivation, ownership, initiative, dedication, commitment, grassroots demand; and being demand-led. Underlying these issues of cooperative membership and formation is motivation (Figure 4.4).

Figure 4.4. Word tree for mentions of word "motivated" in key informant interviews and focus group discussions



Source: Authors using NVivo 12 Plus

Social capital was a motivator for Cooperative 8. Its members said "we thought it was difficult to get motivated and improve your life when you work alone. So, we thought working together was very important [for motivation] and also for the sake of business."

Other motivations come from physical, financial, and natural capital (Figure 4.4). "Whenever we are in groups, it becomes easy to find certain things (Cooperative 2)." "There are a lot of things that we can do to motivate farmers to cultivate enough acreage. e.g., purchasing machinery (Cooperative 4)." Increasing the honey its members produced was noted as a motivation for organizing Cooperative 6.

"The other reason [the cooperative is growing] is that we are now able to find markets for our commodities. This encourages people to join the cooperative. As we mentioned earlier, we also take loans to increase our capital to buy farm produce and sell. Members are motivated by all of these, and they join the cooperative because of these activities."
(Cooperative 10)

Solidarity and dedication were not mentioned in any of the interviews. Trust was mentioned in the context of leadership. A cooperative leader stated:

"If there are no rumors of mismanagement, you are likely to win the trust of farmers. In addition, somethings that are paramount are the quality of reporting and how conflicts and similar issues are handled. This is very important to farmers. When the farmers trust you and you are transparent, you gain their trust. They will back you, and you will not be voted out." (Cooperative 2)

4.4.4. Internal: Human capital and mindsets

"No cooperative should claim to be a cooperative without being trained on governance, capacity, management. ... There is one cooperative which made a lot of noise to the Ministry of Trade. Because there was no project in the area, the farmers wanted a cooperative. So, we supported them. The officer went to Mzimba, camped there for one week, two weeks, another week. Now it is one of the most successful. As we talk now, they can afford anything." (KII 5)

Human capital includes things such as capacities, competence, skills, motivation, mindsets, and attitudes. Several respondents mentioned that trainings were particularly important for them. "Trainings are important because they empower people to be able to perform well—governance trainings, financial management trainings, veterinary know-how trainings (Cooperative 2). Cooperative 3 stated: "People have to be trained in how to run a cooperative. In all this group, I am the only one who has been trained in leadership. This means that most members come here as a club, not a cooperative (Cooperative 3)." "Without trainings, you remain at the same level," said Cooperative 8 respondents.

Skills also link back to the issue of marketing discussed earlier. Lack of skills can prevent cooperatives from marketing through certain channels. "We need produce processing and packaging skills so that we can sell these products on our own through the shops. We lack this skill and that is why we sell to traders (Cooperative 6)." Similarly, Cooperative 8 said, "We need marketing trainings. When we deliver the crops, there are a lot of marketing elements that we do not understand."

Cooperatives may work through their own structure to identify trainings they require and to obtain them. Cooperative 5 has an education committee that is responsible for teaching members. "If there is an organization that wants to deliver some important messages, it is the members of this committee that get trained and communicate what they learned to the rest of the group."

Policy recommendation 13

Strengthen the role of the education committee in cooperatives to ensure continuous relevant training opportunities for members.

Issues around the mindsets of cooperative members and leaders were addressed specifically by only four key informants. However, these issues underlay many of the discussions with respondents. The topic was usually mentioned in the context of change, particularly attitude change. Several informants stated that mindset change among cooperatives and their members was needed. Figure 4.5 depicts a word cloud of the frequency of words coded by the researchers to the category on attitudes and mindsets. We can see by the size of the words the importance of certain concepts—the importance of business, thinking, and change when considering mindsets.

Mindset change was highlighted as a key element in cooperatives becoming more commercially-oriented (KII 4). Specifically, the importance of having a business mindset was highlighted in this regard (KII 7).

The dependency syndrome or handout mentalities were also seen to be related to issues of mindsets and attitudes. These were mentioned in several interviews in a negative light. As part of conversations on these topics, several respondents highlighted the importance of cooperative members asserting ownership of their cooperative and actively controlling its operations so that the cooperative better serves their needs and contributes to achieving their aspirations.

Figure 4.5. Word cloud from word frequency analysis of responses in “mindsets and attitudes” node in key informant interviews and focus group discussions



Source: Authors using NVivo 12 Plus

Note: Words with minimum length of three letters.

The handout mentality is an important factor to consider in primary agricultural cooperative performance in Malawi:

“It is almost impossible to create a [group-based] model with farmers that is commercially viable. This is because there is often going to be another NGO that goes in and says, ‘No, it is fine, just take the seeds for free’ (KII 11).”

There is a history in Malawi of this type of external support that ends up undermining farmer organizations that needs to be addressed.

Since many farmer organizations in Malawi were started as part of external time-bound projects, the sense of ownership of the cooperative by its members and, thus, the sustainability of the cooperative may be at risk from the outset (Ministry of Agriculture 2020). In one interview, agricultural cooperatives were compared poorly to savings and loans cooperatives. “When it comes to savings and loans, the members often are self-reliant and self-sufficient. But with agriculture production, there is an expectation of external support and handouts (KII 9).” Savings and loans groups often are village-based, home-grown cooperative organizations that do not rely on much external support.

A sense of ownership is an important component of the mindset of farmer-members in effective cooperatives. “If we improve their understanding that they own the cooperative, you will find that people will be willing to put money into the cooperative, to buy shares, and to pay membership fees, because they will know they are going to benefit (KII 3).” Another key informant added, “They should feel like they are in control. If they rely mostly on the government, they will say … the government will bring inputs. This is a disaster (KII 5).”

The Malawi Market-Oriented Smallholder Horticultural Empowerment and Promotion Project highlighted this. No inputs are provided by the project itself. “We provide zero inputs and zero money to the community. … We bring capacity. … 60 percent of the groups have managed. So, dependency syndrome for 60 percent of the groups is zero. They cannot even make a call to say, ‘Where are we going to get inputs?’ (KII 5).” Another informant expanded on this point:

"There's an issue of mindset change. I think ... the handout syndrome is killing some of these cooperatives. I actually attribute it to project financing, because I think that for a lot of projects on cooperatives, we invite leaders to meetings and give them allowances and the like. What is happening is that when the time for [cooperative] elections come, these leaders feel reluctant to leave their positions. This is because when leaving the position, they are parting from the per diems and the allowances. So, you will find that if a project is supporting a cooperative, when elections are due, the [leaders] feel like they cannot leave. ... The issue of handouts is very challenging. We see that whenever project people visit them [cooperative leaders], instead of presenting a true picture, they distort things in anticipation of maybe obtaining project funding by the end of the discussion (KII 10)."

As business entities, cooperatives need to be set up with the right mindsets among their leaders and members, rather than primarily as mechanisms to obtain handouts. Cooperatives, through effective operational mechanisms, can also contribute to mindset change among their members.

An important component of changing mindsets within a cooperative is seen in members' attitudes toward innovations such as new ways of producing crops or using their resources. We saw examples of innovation in several cooperatives. For instance, in Cooperative 11, members contributed plots for joint production, receiving a certificate for the plot that indicated its size. The cooperative shared profits based on the relative size of the plot each member contributed. Cooperative 3 planned to venture into the industrial hemp business. Others were planning to obtain processing equipment for value addition (Cooperative 2).

Text Box 4.4 provides detail on a cooperative that has successfully implemented a significant innovation with a private firm around the joint use of the farmland of its members.

Text Box 4.4. Institutional innovation: Cropland aggregation through cooperatives

There are important advantages to farming large plots of land. Large farms can make efficient use of capital investments, such as tractors, combine harvesters, and irrigation infrastructure. Services such as professional agronomic and business management start paying off only beyond a certain farm size. Malawian smallholder farmers miss out on these profitable investments because they tend to farm very small plots.

Cooperatives allow farmers to benefit from economies of scale, allowing for services such as bulk discounts on agricultural inputs purchases. Cooperatives can aggregate and store agricultural outputs to negotiate better sales prices for their members. A new generation of cooperatives is aspiring to move up the value chain by adding value to members' agriculture produce. So far, however, few cooperatives have overcome the limitations of farming on highly fragmented pieces of land.

However, a few cooperatives are experimenting with ways to unleash the benefits of farming larger pieces of land. The prime example in Malawi is the Phata cooperative (see Text Box 2.1). Other cooperatives are following suit.

(continued)

Text Box 4.4 (continued)

The Mtengula cooperative was set up in Chizuma Traditional Authority in Kasungu district to grow groundnut seed for Pyxus, an agricultural company focused on groundnuts in Malawi. Farmers with contiguous pieces of land, forming a circle of around 30 ha were invited to pool their land into a cooperative. Members were given a share in the cooperative proportional to the amount of land they put in. The land was cleared, and a center pivot for irrigation was installed, tapping water from a river 1.6 km distant. The set-up allows for two cropping cycles, which are currently rotated between groundnut seeds and beans. A professional farm manager hired by Pyxus oversees the production. The labor costs and part of the capital expenditures took the form of a loan to the cooperative. Part of the capital took the form of a grant through another organization.

In a cropping cycle, Pyxus provides crop inputs as a loan to the cooperative. Members of the cooperative can work as casual laborers on the land. Those who do are paid wages per hour worked. Pyxus handles the upfront payment of these costs, accumulating them into a loan to the cooperative. The cooperative has a contract to sell its harvest to Pyxus. Outstanding loans are deducted from the final post-harvest payment.

It was not easy to set up the cooperative, since the farmers were hesitant to utilize their land in this new way. Many meetings and a visit to the Phata cooperative were required to get started. Moreover, once set up, the experience was not all positive. Total sales initially were insufficient to cover total loan costs, so part of the loan had to be carried forward. The high loan costs were partly related to land clearing, an expensive one-off activity. There was considerable side selling and some exaggeration of labor costs. These actions were surprising because, in doing so, farmers were hurting their own cooperative. It took one season for the farmers to realize this. The next season's experience was more positive. Farmers now monitor themselves to avoid side selling. Members doing so are fined.

The experience with Mtengula suggests that being the first adopter of innovations in cooperatives in a particular area may not make business sense for a private company. It also has shown, however, an important demonstration effect, with farmers maintaining a 'seeing is believing' attitude. Such positive experiences do not go unnoticed and generate positive spillovers. Both the government and its partners could play an important role in unleashing similar positive externalities by working with private firms to set up land-pooling cooperatives in other areas to unlock this model going forward.

Formation of cooperatives is not easy. There must be consensus among adjoining farmers within the circle where an irrigation pivot is proposed to be placed. One farmer in the circle who does not want to join jeopardizes the scheme. In some cases, bartering land provided a way forward—someone with land outside the circle was willing to trade with someone within it. But in other cases, center pivots were not built because one individual could not be convinced to join.

Similarly, problems could manifest themselves after forming the cooperative. For example, someone may decide to leave after the pivot is in place. To avoid this, members agreed members cannot pull the land out, but must lease it at market rates to another individual willing to participate.

Paradoxically, it was helpful for the challenges mentioned that the plots were under customary tenure. This gave some discretionary power to the local traditional authority to mediate and broker a deal which all farmers could accept. That said, a system of regulations to organize such transactions and move them out of legal grey zones would be beneficial.

The cooperative, after several profitable cropping cycles, intends as an institution to buy the land from the individual farmers. The cooperative will then officially register it as its own freehold land.

Source: Authors, based on KIIs and focus group discussions

To build human capital and change mindsets and attitudes, training cannot be seen as one-off exercises, but should be iterative and sequenced. Many agricultural cooperatives initially obtain cooperative education training, which then is followed by occasional ad hoc training, depending on whether the project remains or on the resources of the Department of Extension Services. However, education should be continuous and regular, especially as new leadership and members cycle in and out of the cooperative.

Moreover, human capital can be built in ways other than traditional training sessions. A couple cooperatives mentioned being inspired by going on learning tours to successful cooperatives (Cooperatives 5, 11). Cooperative 5 also mentioned that through external meetings, cooperatives can share ideas and learn from friends. A key informant highlighted one cooperative as being particularly successful because “they had so many links” and through the exposure these links gave them (KII 8). However, we obtained no evidence on which types of human capital development efforts work best. This is an area for further research.

It is clear, however, that tailored coaching is useful.

“Cooperatives that want to succeed need support. They require a coach, whether an extension worker or a business development worker, that can advise them with regard to their own governance, mediate any disputes between members, and so on. Many cooperatives that had coaching to resolve their governance issues informed me that it really helped their cooperative develop into the kind of viable organization that can support their members (KII 1).”

4.4.5. Internal: Governance and leadership

“You know, two cocks do not crow from one house (KII 2).”

Research literature repeatedly shows that the governance structure of the cooperative contributes to its performance (Table 2.1). Factors that are important to governance include autonomy, participation, democracy, well-defined rules and rights, regulated entry, incentivized exit, possessing a constitution and legal documents, leadership, term limits, transparency, and communication, and having independent board members. Governance was seen as foundational by key informants:

“Many [cooperatives] are very weak, and one of the main issues keeping them weak is governance (KII 1).”

“The success factor number one is governance—leadership and governance (KII 5).”

“If they have a strong and solid governance structure, everything works (KII 7).”

“When we are doing our institutional capacity development, first of all we look at their governance structures (KII 10).”

Cooperatives themselves did not discuss these types of governance issues directly, but discussed the training on governance that they had received or needed to receive.

Good leadership was said to contribute to cooperative sustainability.

“If you have an organization that doesn’t have a business plan or leadership that appreciates the instruments that must be used to sustain the organization, then you have a lot of problems. It is common to see that most of these farmer organizations are simply there when marketing time comes, when they want to access farm inputs, or reasons of that sort. ... So yes, in terms of sustainability, leadership is quite key. ... The cooperative’s

management needs to understand exactly where they are and where they are actually going (KII 6)."

We asked both key informants and cooperative members about factors that make cooperatives struggle or succeed. We were warned during one key informant interview early in the research (KII 10) that we might not be able to obtain open information from the cooperatives on governance and leadership challenges. In reviewing the interview transcripts later, we found that key informants (who were not part of primary cooperatives) mentioned challenges related to governance and leadership as a factor in the relative success of a cooperative much more than did the cooperative members themselves. However, this imbalance could also be related to the possibility that cooperative members may not be as aware as our key informants of what good governance entails.

We asked cooperatives how their leaders were chosen and what qualifications were most important in leaders. The most frequent qualification mentioned was a person's character (mentioned 14 times). Another important characteristic was education level (10 times). "[Members] look at someone's behavior or character and the education background of an individual (Cooperative 2)." Other characteristics important in the choice of leaders mentioned included leadership skills, commitment, and being approachable. It also was noted that good leadership is characterized by an openness to innovation and the ability to manage change.

However, unqualified leaders may negatively affect performance, and some cooperatives had the same leaders from their foundation even though it was clear that they did not effectively carry out all the roles and responsibilities that they should to enable the cooperative to grow into a strong institution (KII 12). Providing leadership training to those selected to lead the cooperatives can be problematic. Courses for cooperative leaders are not regularly held, and it may be difficult for all leaders to attend. However, such leadership training opportunities, both on governance issues and on financial management, as are available can be important for opening doors to further training or other support for the cooperative. For some types of support from projects or donors, such training is a pre-requisite necessary to qualify a cooperative for such support (KII 12).

Maintaining good leadership capacity within a cooperative can be difficult with any turnover of leadership. That obtaining governance and financial management training for any new leaders of the cooperative is not assured may result in a loss of leadership capacity as those leadership roles are handed over to less experienced members (KII 11).

When there is some problem with the leadership of a cooperative, for the most part, cooperatives appeared to encourage open discussion. "We reach out to one of the leaders and explain our grievances. After that, they decide whether we should select someone to replace the person or not (Cooperative 3)." Three of the cooperatives that we spoke with mentioned a disciplinary committee that helps to deal with such issues.

Communication within a group and especially between leadership and the membership can affect the group. The leadership of most cooperatives met face-to-face on a regular basis, whether fortnightly, monthly, or every few months. There are also annual general meetings involving the entire membership of the cooperative. Active efforts are made before these meetings to inform all members of the meeting and the need for their attendance.

4.4.6. Internal: Management systems

This section focuses on some of the specific business operations of cooperatives, regardless of what commodities they might produce. We consider the operations associated with financial management, the shares of cooperative members and associated member dividend payments, and overall business professionalism.

Financial management

Some limited research related to financial management has been done on agricultural cooperative performance in Malawi. In a multiple case study approach, Nkhoma (2011) found the main problems affecting cooperatives in Malawi to be limited market access, poor governance, and lack of managerial skills. Following up on Nkhoma's study using a similar case study approach, Lwanda (2013) examined the financial performance of three primary cooperatives, as well as associated factors such as organization and management culture. She linked performance to the structure and management of the cooperatives. She found that organizational problems were associated with poor financial performance and excessive reliance on external funding. Problems of management were related to low education and limited skillsets, hence, low human capacity. The study encountered difficulty in finding just two years of financial records for any of the cooperatives studied. Lwanda also observed that the policy environment was not supportive of cooperatives or conducive to their success.

Following on Lwanda's work, Gondwe (2018) analyzed the performance of two agricultural cooperatives using a case study approach, examining the role of grants in their performance. He utilized the PESTLE tool (political, economic, sociological, technological, legal, and environmental) developed by Vanags and Jirgena (2008) for examining factors that influence development in agriculture. Gondwe states that grants from donors and government helped the cooperatives stay profitable, but that they were not stable. He advised capacity building in management for cooperatives, particularly financial management, if they are to become more sustainable enterprises.

Shares and business models

Shareholding is an essential ingredient for the agricultural cooperative business model. It allows the entity to obtain capital from which it finances the services it provides to its members.

"We have the benefit because, when you buy more shares, the cooperative's capital increases. In future, we envision using the same shares to buy and sell some crops ... [and] to buy seed for the members (Cooperative 4)."

"Everyone who owns a share shows ownership of the cooperative. He or she has the power to run the cooperative. These people can decide what needs to change in the cooperative. ... These are the people who have the power to do such things (Cooperative 1)."

However, a key informant noted that "ninety plus percent of all cooperatives in Malawi, especially the agricultural cooperatives, are not obliging shares. ... without their shares, they cannot do any business without having their shares as a cooperative (KII 10)."

It could be that the shareholding mechanisms were not always functioning as they should. Many of the cooperatives that we talked to have a membership or entrance fee. In some cases, this was a non-refundable fee of MWK 500 (Cooperative 4) or MWK 5,000 (Cooperative 8). Some charged an administration fee and accommodation fee (Cooperative 9). To join the cooperative, farmers had to buy shares. Some cooperative had limits to the number of shares (1,000 shares maximum for Cooperative 9), while others did not. The price of shares ranged from MWK 1,000 per share with a limit of three shares (Cooperative 6) to MWK 15,000 per share with a limit of five (Cooperative 1).

Cooperatives mentioned taking a commission and giving dividends or bonuses (Cooperative 7) to their members, usually at the end of the year.

"When the farm produce is successfully sold, the cooperative takes a commission of 2 percent from the sales. During the annual general meeting, the cooperative takes 25 percent of the profits and uses it to run the cooperative. The rest of the profits are left for sharing as dividends (Cooperative 9)."

"When we grow the rice, the cooperative buys it from us. When they buy at MWK 250 per kg and sell at MWK 400, they give members dividends [from the difference]. The capital is left at the cooperative. They also leave some money at the cooperative for emergencies. For instance, if someone is sick, he or she can take a loan from the cooperative that has no interest, provided he or she is a member of the cooperative (Cooperative 7)."

"In fact, the member with more shares will have an advantage because he [or she] will be able to receive more profits in terms of dividends than the one with fewer shares (Cooperative 7)."

Cooperatives also make money from fines: "The cooperative has a disciplinary committee. Every member who has a case with the disciplinary committee pays a fine and this way, the cooperative also makes money (Cooperative 7)."

Cooperatives discussed the issue of side selling—selling privately rather than through the cooperative.

"Some people sell as individuals because they want money right there and then without considering the future implications of their decisions. While other members still keep their commodity until it is sold through the group. When you sell as a group, some buyers pay a higher price because they buy at once. So, we still discuss with the members in order that they know the beauty of working as a group and selling as a group (Cooperative 4)."

"However, it happens that a member has a pressing need and would want sort it out, e.g., school fees and others household needs. In the absence of a readily available market, you see some members selling their farm produce [individually] to traders (Cooperative 9)."

The higher prices a farmer obtains from selling her or his produce through the cooperative provides the farmer with the incentive for doing so.

"For anyone who sells through the cooperative, they receive a bonus during the sharing of dividends. So, people are encouraged to sell to the cooperative to receive bonuses and dividends. Whenever someone sells outside the cooperative, it means they are reducing their bonus. They won't be able to receive the bonus, and they must pay a fine (Cooperative 6)."

The cooperative often applies penalties to members engaged in activities such as side selling, including fines or suspension from membership. However, respondents noted that members sometimes are not able to sell through the cooperative due to the cooperative not having identified a market for their produce or not having a warehouse in which to bulk members' produce before sale.

Many cooperatives also have informal cooperative savings and loan mechanisms as an additional activity that members can use for emergencies or to increase their income (Cooperative 3). Cooperative 5 respondents said they paid 20 percent interest on the credit they receive from their cooperative. Members can use the loans to obtain agricultural inputs or to meet personal needs, such as medical care. Cooperatives sometimes have a loans committee to follow up and make sure people repay the loans they obtain from the cooperative (Cooperative 10).

Professionalism

The issue of professionalism was mentioned by many cooperatives and key informants as a critical factor that is directly correlated to the success of the cooperative. Professionalism is a combination of several factors that have already been discussed—governance, management, capacity, and attitudes. While noting the connections to these separate topics, we have a standalone section here to consider them jointly.

Farmer organizations can have many purposes. Some are social rather than business entities. Cooperatives, however, are defined by their business structure. But newly-formed agricultural cooperatives do not necessarily have the business drive or mindset to start functioning immediately as a successful business entity. Cooperative members and their leaders must be taught how to do business. "We were taught that with a cooperative, it is easy to engage in business and improve our livelihoods (Cooperative 10)."

What do professional cooperatives look like? Based on the insights reported by our study respondents, professional cooperatives:

- Have a business plan (Cooperative 3)
- Conduct collective marketing (KII 10)
- Comply with quality standards and may have a Malawi Bureau of Standards certificate (KII 10)
- Conduct business on their own (Cooperative 1)
- Share out dividends (KII 6)
- Conduct trainings in bookkeeping and business management (Cooperative 6)
- Use record keeping (KII 6)
- Undergo regular coaching to continue to build their skills and the capacity of the cooperative (Cooperative 1)
- Hire accountants with sufficient training (Cooperative 2)
- Have professional management staff and management system (KII 3, 6)

One respondent compared agricultural cooperatives to financial cooperatives.

"The financial cooperatives, they are mostly a self-initiative. And most of the financial cooperatives are payroll-based. So, the people that are in the cooperatives are a little bit educated and literacy comes into play there. You will find that people with degrees are in the board. It is managed by professionals. That is why it works (KII 3)."

The farmers that make up the membership of agricultural cooperatives will not necessarily have these business and management skills. However, it is not necessary that they have those skills themselves if they can hire-in such expertise.

"I think we miss the point somewhere because they are farmers, they are not business managers. They need to appreciate business principles because they need to operate as a business. But when it comes to managing their business, I think they need to come to a level where they have someone who can manage the business (KII 7)."

"Everybody focuses on capacitating the cooperative members, expecting them to manage a cooperative as a business. Yet we know that, you know, people spend years to really gain that skill to be able to manage a business as a business. ... [Just] because we have trained them for two weeks or have given them a bookkeeping course for one week, we cannot expect wonders from them (KII 9)."

Key informants frequently highlighted some of the more professional cooperatives:

"[Cooperatives like] Phata at Kasinthula down in the Lower Shire, have benefited immensely from consulting firms. [Those firms] have assisted in managing their whole business plan. ... If you have an organization that doesn't have a business plan or that doesn't have leadership that appreciates that there are certain instruments that must be used in order to sustain the organization, then you have a lot of problems (KII 6)."

"Registering is one thing. Sometimes I joke with them to say, 'You are just a certificate cooperative. You registered, then what else? ... Did you sell anything?' 'No, we didn't sell anything.'...so then I say, 'Ah, so you are just a certificate cooperative' (KII 5)."

In contrast, key informants felt that the less professional cooperatives were from their formation doomed to fail as commercial entities:

"[These cooperatives] need to move into the business arena and develop and execute a business plan. But you know that they may not really have a business plan that is feasible. This is because they were established not on a business facilitation approach, but basically just on a social development approach (KII 6)."

Having professional management can benefit in other ways. A sugarcane out-growers cooperative uses a management firm to manage its business. An added benefit is that demonstrably having such professional management in place assists the cooperative in obtaining additional resources to expand its operations. An observer noted, "But through [having professional managers in place], they have also attracted external funding, which has been good (KII 6)."

However, professional help may not solve all problems. "Other [cooperatives] have tended to think that they need to bring new management—people employed from town. That if they come and manage, as they are educated, they will drive a cooperative. But in the end, it still does not solve the problem. It brings more problems (KII 4)."

Graduating from infant to professional cooperatives

A typology of cooperatives was presented in Table 2.2 in which primary agricultural cooperatives are placed into one of three categories by their stage of development—infant, professionalizing, or professional. Based on the data collected during the fieldwork, we discuss further details of this typology here.

Infant cooperatives have low capacity and weak governance. "Most [of their members] are ... illiterate. They cannot comprehend, you know, some of these things that go on. For example, on their own they cannot just come up with their business plan (KII 6)." Infant cooperatives also do not operate in cooperative mode all the time.

"When it comes to marketing, they still sell as individuals. One of the things that we promote is that they should be collectively marketing their produce. Usually what is required is that the cooperative should have funds to buy [produce] from its members. So, the cooperative [should] provide primary backing to the members, keep the produce, and then start looking for high-priced markets. It then sells at a profit and gives dividends to its members.

But what actually happens is, because of that lack of the shareholding [and, hence, capital], cooperatives still aggregate produce, but [the produce is still owned] on an individual basis.

... I have five bags of maize and five bags of soybean, which I go and deposit at the cooperative. But those bags, they are still mine.

[In consequence,] the cooperative cannot make a collective decision, they can't structure a proper marketing contract to say we have such and such tonnage of produce, can you come and buy from us? ... The moment we [the buyer] are going there, you find that member A came and collected his 100 bags, member B came and collected his five bags, and they [the cooperative] don't actually have the cited tonnage.

So, I think that's where the challenge is (KII 10)."

Without sufficient operating capital, infant cooperatives are unable to purchase produce from their members in order to aggregate the produce into a single lot for marketing. Being unable to achieve economies of scale in their marketing, the cooperative realizes lower profits on its sales and, hence,

pays out lower dividends on those profits to its members. Moreover, the risks of commercial loss for the member-farmer in such cooperatives are considerably higher than in more mature cooperatives.

The second category of primary cooperatives, professionalizing cooperatives, also struggle to perform well. Farmers should not have to be both producers and business managers.

According to the Malawi Cooperative Societies Act, 2015, “It shall be the duty of every registered society to cause its accounts to be audited at least once in every year by an auditor from a list of registered auditors appointed by the annual general meeting, and the cost of such audit shall be borne by the society (Malawi Government 2015b, 6).” However, many primary cooperatives are not audited: “The house by-laws tell them that they need to submit financial reports to the office of the Registrar. They need to be audited. Yet, you find that most primary cooperatives are not audited even one time. Their resource base is still very small. They cannot afford to do so (KII 2).”

In Malawi, the Ministry of Trade and Industry offers audit services, whereas in other countries the cooperatives sector under the leadership of the national apex organization for cooperatives—MAFECO in Malawi’s case—provides this service (KII 3). This could be an area to work on for both providers and receivers of audit services for cooperatives in Malawi.

Policy recommendation 14

Allow larger, more professional cooperatives or other registered companies to provide audit services to primary cooperatives, along with coaching and financial support to obtain these services from implementing partners or government.

Harris et al. (1996) discuss the development of cooperatives in the United States from initially focusing on member coordination and marketing of member produce, which is done by primary agricultural cooperatives in the infant and professionalizing stages, to increasingly focusing on market integration and value addition, as these cooperatives advance to the professional stage. These professional cooperatives that take this pathway are referred to as “new generation cooperatives” (Harris et al. 1996).

Professional primary agricultural cooperatives are thus quite different from cooperatives in both the infant and the professionalizing categories:

“[Such] cooperatives are at an advanced stage. You note that they have good record keeping [and] good financial management. This contributes to the sustainability of these institutions, because they are able to make profits using their business case. At the end of a period, they are able to share out dividends [to their members], and they keep on moving.

They have some staff to manage their books and financials, as well as governance systems. They are trading like entrepreneurs. They have the financial literacy skills necessary to be able to sustain themselves ... without external support.

But those [cooperatives] that are still at the infant stage, they do not have financial books. They are not even audited. So, it is very challenging for them to sustain themselves (KII 6).”

Additionally, regarding finances, professional cooperatives “talk sense in obtaining credit from the bank, managing debt, and being able to generate profits out of the other activities that they undertake” (KII 6).

Professional cooperatives generally have good, though not necessarily internal, management.

“For any cooperative to survive, it has to survive on a good management system, which may be procured [externally] depending on the size of the cooperative. ... [Professional

cooperatives] attract quality management teams that can actually assist them in their operations, such as by looking for markets and all that (KII 6)."

Policy recommendation 15

Advance cooperatives to a point where they can outsource their management, rather than trying to be business managers themselves.

Further to membership size and the professionalism of primary cooperatives:

"Small cooperatives do not survive. They cannot afford to do anything. The bigger ones are better. They can manage to do things with MWK 1,000 share prices or entry fees. They can manage a meeting; they can manage to send somebody to identify markets. ... Of course, the Act talks about a minimum of ten members. But the recommendation is 100 members. We want to have at least 100 members (KII 5)."

Professional cooperatives are good at marketing.

[They are characterized by] reading the market, knowing which crops would actually sell better in the coming season, and focusing on those crops—possibly looking for markets even before they have actually grown the crop. ... They should be able to calculate what they have put into producing a crop and what they think the price should be when they go to the market. They should also be able to negotiate when they are striking deals with buyers, ... to be well informed.

What happens if people are not organized, [is that] buyers just come and say, 'I am buying all the products in this field for so much.' The farmers do not necessarily have a basis [for judging the price offered]. But [they] should be thinking like a businessperson to say, 'OK, how much would I put in, and, if I put in that, how much do I need to get out for me to make a profit in my business' (KII 13)."

KII 4 and KII 10 provided information that can be formulated into a series of steps to turn an infant or professionalizing cooperative into a professional cooperative.

- Focus first on institutional capacity development, specifically leadership and governance.
 - Look at the governance structure of the cooperative—is it properly governed?
 - Check human resource capacity within the cooperative.
- Focus next on the business aspect, specifically how the cooperative finances its operations and business model.
 - How are they conducting their farming business?
 - How are their books and records? Are they accurate and kept up to date?
 - How are they aggregating the produce of their member-farmers?
 - Can they hire a competent manager?
- Focus finally on the specific steps of marketing and supply chain management by the cooperative and how efficiency might be improved in them.

4.5. Factors affecting inclusion within primary agricultural cooperatives in Malawi

Certain social groups, including women, youth, and disabled persons, generally are less able to participate in important economic groupings or benefit from economic development initiatives and programs, including those centered on expanding primary agricultural cooperatives (Babu et al. 2021; Cziki 2013; Franzel et al. 2020; Kosec et al. 2020; Magnan et al. 2020). FODS “is premised on the concept of inclusive development,” recognizing that all social groups should be able to participate in and benefit from the activities of farmer organizations (Ministry of Agriculture 2020, 6).

One result of this focus on ensuring that the membership of primary agricultural cooperatives is inclusive of farmers from disadvantaged social groups is that there appears to be external pressure on cooperatives to report statistics on the inclusion of youth and women in their membership. While this is an important step in building more diverse cooperatives, such statistics do not necessarily reflect the quality of such inclusion and whether members from disadvantaged social groups have any say in the operations of the cooperative.

Moreover, respondents acknowledged that increased inclusion does not always result in strengthened cooperatives. A more diverse membership base may result in conflicting priorities or objectives for the group, which could affect the overall commercial and financial performance of the cooperative and the level of benefits it provides its members. Policymakers should be aware of these issues and not place the burden of inclusiveness on the cooperatives alone.

Policy recommendation 16

Diversity in cooperative membership is not a goal in and of itself and may be harmful if members' goals do not align. Rather than encourage diversity within the same cooperative the government should encourage practices that capacitate and empower all social groups to form cooperatives to suit their needs.

4.5.1. Women's inclusion

Mixed and often conflicting statements were made by study respondents about women's participation in cooperatives. For instance, “we can say most women do not have the courage to join the cooperative. There are just few women who have the courage (Cooperative 9).” In contrast, other respondents believed “sometimes men are [more] shy to participate in a group than women (Cooperative 8).” And “women rush to any development activity more so than men. Men want to see first whether something is profitable before joining (Cooperative 7).”

Several groups mentioned that they had more women than men members (Cooperatives 3, 4, 7). In addition, several key informants noted that half to two-thirds of the members of groups they worked with were women (KII 8, 13).

“Traditionally, the membership of cooperatives and other farmer groups is often more women than men. This is because women are more often involved in agriculture activities, and are interested also in being part of a group ... to obtain support. Women seem to be more open to learning and experimenting than do men, who stick to the traditional ways of farming (KII 1).”

However, one key informant provided insights on the adverse effects on women's engagement in cooperatives of encouraging farmer associations to become cooperatives.

"I think one of the negative impacts that we saw was on women. ... Moving from an association to a cooperative, at the end of the day, [the women] could not see the benefits of this change. Many farmers were saying, 'I do not see really the added value of transitioning from an association to a cooperative.' ... We thought that if the group could have more capital and be able to expand their business, that would make them more active. So, the drive was to encourage them towards cooperative registration. But that alone reduced the number of members by half, ... and many of those that dropped out were women (KII 8)."

The costs from the combination of entry fees and buying shares in cooperatives may be a barrier preventing women, as well as many other farmers, from joining cooperatives, particularly when it takes some time to see the benefits from those investments. However, the respondent also noted that farmer organizations are roughly 50 percent women. "So, females seem to be represented. But then when you look at the records of the cooperatives on those who are actually selling, you find very few women (KII 8)."

Cultural issues may inhibit women's participation in cooperatives:

"Women are usually afraid to speak at gatherings like these. So, they resolve not to come. Secondly, it is to do with family norms. Most men restrict women from attending such gatherings, because they want them to be at home cooking. This is what hinders women to progress (Cooperative 7)."

On issues of gender in relation to leadership:

"We notice very clearly that women are in numbers in the membership of most farmer organization. Their share may go up to 60 percent and higher. But when you examine the leadership, the numbers are in reverse. ... Women in leadership are very few (KII 10)."

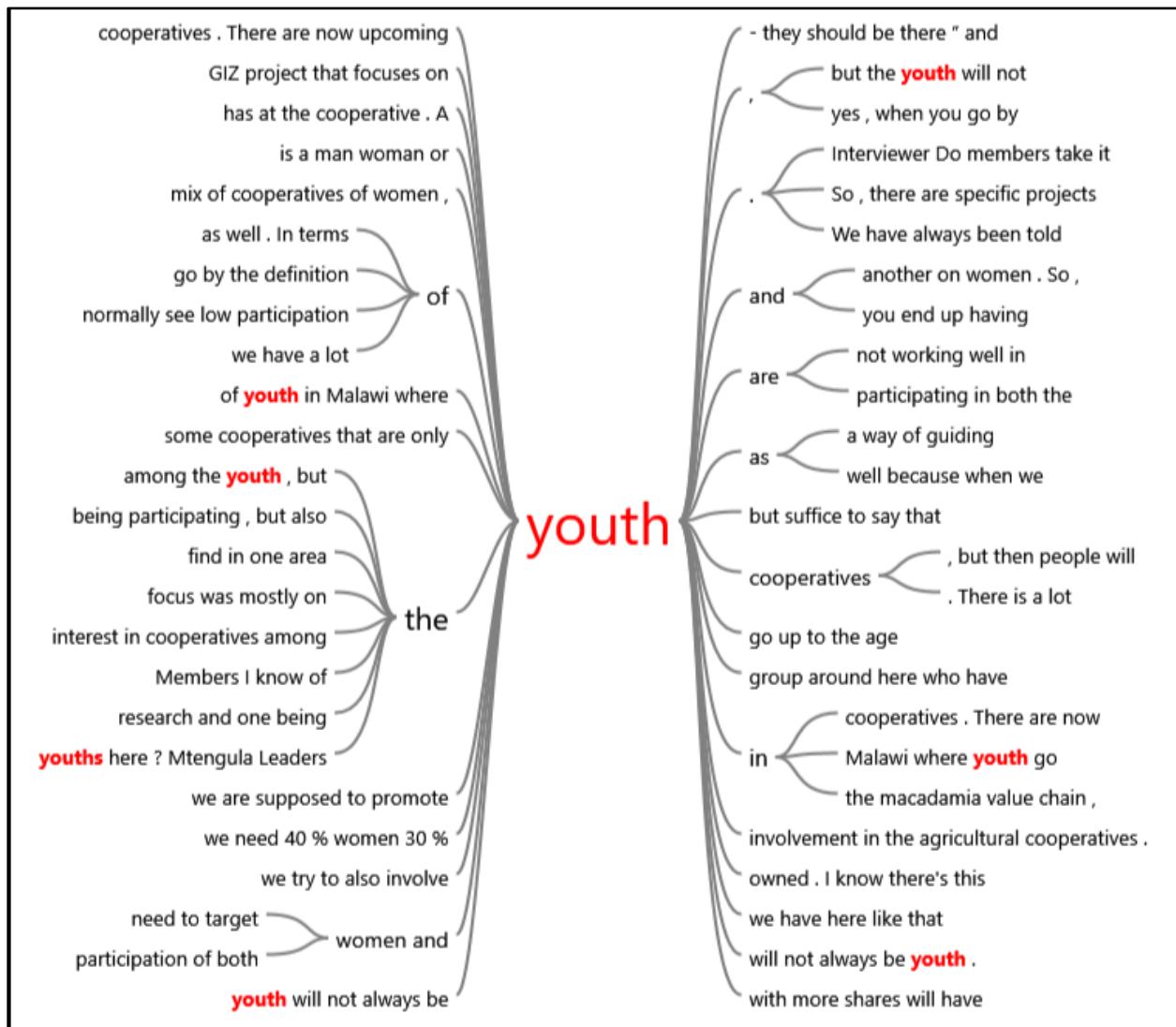
However, members of one cooperative suggested a more nuanced perspective on women in the cooperative leadership. "Yes, in the executive we have only one woman, who is the chairperson. But in the procurement subcommittee, it is only women. In the marketing committee, we have ten women and four men (Cooperative 7)." Two cooperatives stated that they had women leaders and practiced gender equality, but these women were not able attend the focus group discussions for the research (Cooperatives 1, 6).

Women tend to be involved in cooperatives that focus on those value chains that provide returns in a short period, such as tomatoes, or on technologies that are appropriate for them, such as in horticulture. One informant stated that management of dairy cows is a suitable cooperative enterprise for women since it is not that labor-intensive (KII 12).

4.5.2. Youth's inclusion

Youth were involved in several of the cooperatives interviewed (Figure 4.6). Six of the groups talked about their youth members. Cooperative 8 stated, "We have youth. They are so helpful to us." Cooperative 5 also used the youth to go around and inform members about issues. Cooperative 4 stated, "The youths are lagging behind [in membership], because they want readily available money. They think staying at a group is wasting time."

Figure 4.6. Word tree for mentions of word “youth” in key informant interviews and focus group discussions



Source: Authors, based on NVivo 12 Plus

Similar to the statement about women noted earlier, several respondents observed that youth tend to be involved in short-duration value chains, such as tomatoes, to have readily-available money. They were said to not be involved in macadamia, because of the long-time horizon before benefits from producing macadamia are realized.

One cooperative had plans concerning youth involvement. They wanted to get into processing to:

“create employment opportunities for our youths in our respective villages. We are confident that if we start these initiatives, we can easily train our idle youths who are languishing in the villages. ... The youth are future leaders, but they can also be current leaders. When you look at most of us, we have aged. So, this is why the youth learn what we are doing so that they can continue afterwards. Today, some youths who are in our executive committee did not manage to come to the meeting because of the rains. They are in the executive, so that they continue when we retire from these activities (Cooperative 1).”

Women, youth, and disadvantaged social groups can contribute to Malawi's development through participating in and benefitting from primary agricultural cooperatives. To do so, they must be included in a meaningful way and have the requisite support such as finances and other inputs.

5. CONCLUSIONS AND RECOMMENDATIONS

This report aims to enhance the performance and inclusiveness of agricultural cooperatives in Malawi. We contribute to such a goal by examining the performance of cooperatives in relation to several external and internal factors. These factors include the policy environment, marketing systems, social capital, governance and leadership, business models and management, and human capital and mindsets.

Table 5.1. Overview of recommendations from the research on primary agricultural cooperatives, by performance factors and target audience for recommendation

Factor	Recommendation	Target	Reference
Policy environment (External)	Better streamline government support to cooperative development through collaborative efforts involving district councils and cooperative unions.	Government	Policy recommendation 6
	Make the process for Malawi Bureau of Standards certification or pre-certification simpler and faster for cooperatives and provide cooperatives with support in obtaining it.	Government	Policy recommendation 8
	Streamline the primary agricultural cooperative registration process.	Government	Policy recommendation 4
	Make domestic markets reliable and predictable. Government intervention should be rule-based (never <i>ad-hoc</i>).	Government	Policy recommendation 10
	Encourage government and its agencies, when procuring agricultural outputs, to do so from cooperatives.	Government	Policy recommendation 12
Financial capital (External)	Strengthen the management information system on cooperatives in Malawi to make it internally consistent, more accurate, and more frequently updated.	Government Development partners	Policy recommendation 2
	Support the full cooperative structure at primary, secondary, and tertiary levels. The higher-level tiers can provide services to their members and give them a voice in the policy making process.	Government Development partners	Policy recommendation 1
Financial capital (External)	Target financial interventions through local institutions, such as village savings and loan associations and the “village banks” within some cooperatives, which the farmers better understand.	Government Development partners	Policy recommendation 7
Human capital (Internal)	Provide coaching and capacity strengthening for newly formed cooperatives to better link with larger and more organized buyers.	Government Development partners	Policy recommendation 9
	Focus capacity strengthening efforts on negotiating prices and searching for markets, possibly through coaches.	Government Development partners Cooperatives	Policy recommendation 11
	Strengthen the role of the education committee in cooperatives to ensure continuous relevant training opportunities for members.	Cooperatives	Policy recommendation 13
	Increase the number of government staff supporting cooperative member education.	Government	Policy recommendation 5
Governance and structure (Internal)	Advance cooperatives to a point where they can outsource their management, rather than expecting them to try to be business managers themselves.	Government Development partners Cooperatives	Policy recommendation 15
	Put efforts and resources into strengthening existing cooperatives and avoid starting new cooperatives without prospects to strengthen them	Government Development partners	Policy recommendation 3
Management (Internal)	Permit larger, more professional cooperatives or registered companies to provide audit services to primary cooperatives, along with coaching and financial support to obtain these services from implementing partners or government.	Government Cooperatives	Policy recommendation 14
Inclusion	Diversity in cooperative membership is not a goal in and of itself and may be harmful if members' goals do not align. Rather than encourage diversity within the same cooperative the government should encourage practices that capacitate and empower all social groups to form cooperatives to suit their needs.	Cooperatives Development partners Government	Policy recommendation 16

We have placed policy recommendations throughout the report next to relevant findings or analyses. These recommendations are summarized in Table 5.1. In this section, we conclude by emphasizing key recommendations to strengthen the performance of cooperatives in Malawi. We also refer to the pillars, objectives, strategies, and actions mentioned in the Farmer Organization Development Strategy (Ministry of Agriculture 2020). The FODS strategies and actions can be read as recommendations that should be prioritized and implemented.

5.1. External: Policy and enabling environment

“I think what is required is action rather than words (KII 3).”

The policy environment, which can enable or, conversely, impede activities of agricultural cooperatives and related actors, is critical. In Malawi, the policy environment overall is quite positive toward cooperative formation and expansion. There are, however, several areas where policy could be improved to benefit farmers in general, and thus also agricultural cooperatives. For instance, there is a need to increase investments in soil health, agricultural research, and in extension to improve yield response to fertilizer (De Weerdt & Duchoslav 2022; Chadza & Duchoslav 2022; Nyondo et al. 2022). Investments in irrigation would also boost agricultural production and food security (Chafuwa 2017; Schuenemann et al. 2017). The government should also refrain from formulating and enforcing regulations that impinge on trade, such as grain export bans. By reducing demand, export bans have been shown to depress prices of agricultural produce without improving food security in Malawi (Edelman 2016; Gondwe & Baulch 2017), as well as in neighboring countries (Koo et al. 2021).

Beyond the policy environment, other factors enable agribusiness, including cooperatives, to expand, particularly investments in infrastructure like roads, electricity, and telecommunications. Many respondents discussed how the lack of electricity or power cuts hinder the commercial activities of their cooperative, forcing them to use solar power or to buy generators. Four different cooperatives discussed the use of solar equipment. Improved roads and communication are critical services to support the marketing activities of agricultural cooperatives.

For good reasons, cooperatives and farmer organizations are being promoted in Malawi. However, cooperatives are not the only business models through which farming households can expand and more profitably engage with the market. Primary cooperatives might not be suitable for all farming households. For very small-scale farmers, particularly those with limited financial resources or skills or with low social capital, a cooperative might be too difficult a model to participate in effectively. The government should consider a range of options beyond primary cooperatives alone to enable farming households to better engage in commercial agricultural production. Such options might include, among others, farmer groups created to address a specific need for farmers in a community, non-profit agricultural associations, or contract farming arrangements. As part of their support to increasing the commercial orientation of farming households, the government should develop and widely disseminate a guide for farming households to use in choosing which business model might be best suited to their situation and resources.

Also, particularly at district and farmer levels, better implementation of existing policies and strategies promoting agricultural cooperatives is needed. Much of the discussion around such cooperatives seems to be happening at national level, but not among the farmers who would most immediately benefit from them.

5.2. External: Marketing systems and pricing

Farmers in Malawi often do not obtain good prices for their crops. The “government uses minimum farm gate prices to improve farmers’ access to market information, to encourage agricultural commodity traders to pay farmers higher prices for their crops, and to improve the incomes and, thereby, the welfare of smallholder farmers (Edelman 2016, 1).” However, minimum farm gate prices are not well enforced, nor do such prices necessarily increase farmers’ income (Edelman 2016; Baulch and Ochieng 2020; Baulch and Jolex 2021). What is needed is an open trade policy.

Prices were an issue repeatedly mentioned by the cooperative leaders and members in focus group discussions. The informants proposed several mechanisms as to how they might obtain higher prices. These include expanded value addition, processing, and certification, e.g., Fair Trade certification for macadamia. In the tea sector, Sukambizi cooperative has been assisted by the Rainforest Alliance to receive carbon credits. Sukambizi is also Fair Trade certified, and the cooperative members receive dividends when their buyer, Lujeri, sells their tea abroad (KII 6).

Respondents mentioned several systems for price and market information. However, while the information is available, frequently farmers are unable to find it. More efforts are needed to provide price information in a manner that farmers can actually use. Strategy (ii) of FODS Pillar 4 is to “design and establish a harmonized market information system (MIS) for the farmer organization sub-sector” (Ministry of Agriculture 2020, 20).

The government and implementing partners can also use existing approaches to better provide price information to cooperatives. Notable among these are the market support efforts for cooperatives under the Market-Oriented Smallholder Horticulture Empowerment and Promotion project. The project’s tools include a market survey, stakeholder forums, action plans, and production and marketing calendars. These tools strengthen the ability of farmers to negotiate the prices they receive from buyers of their produce from a position of knowledge and to build working relationships with a range of market players.

5.3. Internal: Business models and management

In meeting with informants and cooperative members for this research, the discussion often centered on how best to professionalize cooperatives. Table 2.2 provides a typology of three categories of cooperatives defined along a spectrum of how professionally they operate—infant, professionalizing, and professional cooperatives. Here we give more detail on several initiatives for professionalizing cooperatives and other farmer organizations. While some of these initiatives are being implemented in Malawi, others are not, but are underway elsewhere in Africa. However, we describe the initiatives and the cooperative performance appraisal tools they use to prompt further discussion on how efforts to professionalize primary agricultural cooperatives in Malawi could be strengthened.

- The AGCOM Productive Alliance Model is an approach based on commercial agreements between project-supported producer organizations. More details are in Text Box 4.3.
- Tradeline Corporation Group is a diversified business portfolio conglomerate. It empowers small and medium agricultural enterprises in Malawi to equitably enter the commercial sector and facilitate their penetration into high-value domestic and export markets (Tradeline Corporation Group 2020). Tradeline offers business consulting services, financial services, a farmers’ commodity market, and trade and market services.
- The Agricultural Commodity Exchange for Africa (ACE) internally uses a farmer organization assessment method that could be replicated nationwide to better understand, assess, and categorize cooperatives and other farmer organizations according to their strengths and weaknesses. ACE conducts an annual assessment of the farmer organizations with which it works in Malawi at

the start of the agricultural season, administering a quantitative questionnaire and checking compliance by each group on several aspects of their business. After the assessment, ACE decides which groups are ready to work with it and receive its services, including regular market information, participation in ACE's warehouse receipt system, and access to finance.

When a farmer organization starts working with ACE, it benefits from three days of training through the ACE Marketing School. In the early stages of their cooperation, ACE provides intensive support. More services are availed to the farmer organization as it graduates to higher levels of professionalism in carrying out its business operations. These include providing the farmer organization with high-quality inputs and access to formal markets, after which ACE support decreases.

ACE does not involve itself in marketing for the farmers organizations. ACE only provides market information to the farmers, with the farmers then accessing and using the markets themselves.

- Similarly, the Land O'Lakes Cooperative Development Activity 4 developed a tool to measure cooperative performance, called PM2. The tool examines “the services the cooperative offers its members, its business performance in terms of sales, financial statements, net profits, membership growth, sales contracts, and any additional business the cooperative has generated (KII 12).” Land O'Lakes is using this tool in Malawi.
- With the Market-Oriented Smallholder Horticulture Empowerment and Promotion project, several tools are used to strengthen market orientation and business skills. Farmer groups interact with a wide range of market actors through the Farm Business Linkage Stakeholder (FABLST) Forum. The forum allows them to establish links with farm input suppliers, horticultural traders, financial institutions, and other actors (Mwangi, et al. (2021)). Farmers also conduct a market survey themselves where they identify what commodities are in high demand and based on that, agree what commodities to produce.
- The Agribusiness Market Ecosystem Alliance is a member network made up of public and private sector organizations working with farmer organizations and small and medium agribusiness in over 20 countries globally, but not yet in Malawi. The Alliance provides a platform which enables stakeholders to learn, innovate, and scale up the most effective approaches for supporting farmers. It also provides assessment tools and training materials for members.
- The Cargill Coop Academy was developed in Côte d'Ivoire for cocoa cooperatives. The Academy is essentially a “mini-MBA program … combining 28 days of intensive classroom training with a year of personalized on-the-ground coaching. Its aim is to help farmers develop the financial and management knowledge and skills to enable them to improve the day-to-day running of their businesses and support the long-term success and growth of their cooperatives” (Cargill 2022). In providing this training, Cargill uses a combination of farmer field schools to disseminate good agricultural practices and individual coaching to lead to the effective adoption of these practices on the farm. Each coach engages with about 60 farmers per year. While the Coop Academy has not yet been replicated in other countries, it provides a model for supporting farmer organizations that could be adapted for use elsewhere.
- Finally, SCOPEinsight, a business intelligence company has assessment and data collection tools to help professionalize agribusinesses such as cooperatives. The company segments cooperatives to better provide business development services and supports development of national cooperative databases. SCOPEinsight, an international organization, has partnered with organizations working at strengthening farmer organizations in Malawi to add value and rigor to those efforts.

Using tools and solutions from one of the organizations above or developing their own, the Ministry of Trade and Industry, with its partners, including the Ministry of Agriculture, should be better able to

measure the capacity of cooperatives in key areas like finance and governance, and their need for business development support services. This should be done in close collaboration with the cooperative unions of which the primary agricultural cooperatives are members and with MAFECO.

Doing so would necessarily require tailoring the assistance offered to any cooperative based on its track record and degree of professionalization. Per the cooperative typology (Table 2.2), primary cooperatives at different levels should receive different types of support and services.

“In terms of technical assistance, [cooperatives] would have to be categorized. You would have to see where they actually fall and see what kind of assistance they can pay for. So, it is not a one size fit. I think one would really have to look at the needs assessment for each one of those categories [of cooperatives] to be able to provide proper support (KII 6).”

Once cooperatives have been assessed and categorized, implementers can tailor interventions accordingly. Banks, lenders, and businesses can also use the categorization scheme to find the type of cooperatives and products they want to work with (KII 6). Implementing partners and government ministries can support and train cooperatives in the infant and professionalizing categories, while the private sector, cooperative unions, and MAFECO, together with NASFAM and the Farmers’ Union of Malawi, can work with the more developed agricultural cooperatives in the professional category.

Specific needs of the cooperatives by cooperative typology category might include:

- Infant cooperatives—capacity strengthening; sort out and strengthen their governance systems.
- Professionalizing cooperatives—require support in identifying and accessing better markets; work with them to build better management systems for their operations.
- Professional cooperatives—require specific coaching as they expand and explore new business opportunities; require specialized marketing support.

Interventions targeted for a cooperative should be sequential in nature, building on existing capacity. “Support to cooperatives should take a stepwise approach and should be flexible and tailored. Use of coaches may help in that regard. You cannot start with trainings on marketing and supporting a cooperative on marketing when their governance is not in order (KII 1).”

5.4. Internal: Human capital

Efforts to improve the operational capabilities of primary agricultural cooperatives must be targeted. Many development organizations focus on building the skills of the leadership of cooperatives. Similarly, cooperatives send key members or their education committee members when training opportunities arise. Other groups target capacity building for women or other marginalized groups among their members.

“But capacity for who and how to build it? That is where the issue is. ... They need some capacity. But who are you building capacity for? Who is the target? (KII 9)”

Strengthening the capacities of cooperatives and related actors is a consistent element in all strategies to expand and improve cooperatives in Malawi. Lwanda (2013) mentions that “well structured business management training and development programs [should] be instituted to improve agriculture cooperatives business and management efficiency.” FODS Pillar 1 on human resource development and partnerships mentions skills development for Ministry staff. It would be important, given decentralization, to also strengthen the relevant knowledge and skills of district-level officers who support cooperatives.

Capacity for advocacy is also needed, particularly at the level of cooperative unions and the national apex cooperative organization, MAFECO. Development partners can provide these institutions with data, give them technical training, and provide them with a platform to advocate for their members on

important issues, including on addressing poor prices, lack of markets, and lack of competition among buyers of their produce.

More empowerment is needed for farmers who make up the membership of primary agricultural cooperatives in Malawi. Infant cooperatives just starting out generally will not have the empowerment or skills and knowledge to negotiate effectively with buyers on prices and to set up sales contracts. Support from unions and from the Department of Agricultural Extension Services could help in this regard.

In particular, cooperative leaders need further training to develop the expertise that will enable them to act and to make decisions on behalf of the cooperative in a knowledge manner. FODS Pillar 2, which is about strengthening leadership capacities and the governance of farmer organizations, reflects this need. Government and other actors should put more efforts here.

5.5. Further research

More research is needed on how to strengthen and expand primary agricultural cooperatives. Under FODS Pillar 1 is a strategy to “promote collaborative research between research institutions and farmer organizations” with a specific action to “institute special research programs deliberately targeting farmer organizations” (Ministry of Agriculture 2020, 17). The research presented here is aligned with this aim.

Such research can take advantage of existing data collection efforts and large projects centered on agricultural cooperatives and other farmer organizations. ACE has quantitative data from their assessments. The Agriculture Commercialization Project and Land O’Lakes have valuable data as well. Data from the Agriculture Commercialization Project similarly could provide important insights for how best to strengthen agricultural cooperatives across Malawi:

“We could do really comprehensive work by using the [quantitative] data that is being generated through the Agriculture Commercialization Project. That is one of the huge projects that is being spearheaded by government. It is supported throughout Malawi. It is an opportunity to really look at the cooperatives that have been supported and to try to build cases [for best practices in strengthening cooperatives] from there. What is it that is making them do well, if indeed they are doing well? Which models are working for Malawi? So, with the information they have and with very rich information from Land O’Lakes, that is good information to build cases. We have done lots of pocket-size research [here and there], but we need to consolidate and move forward (KII 9).”

FODS Pillar 1 continues in the same vein with a strategy to “institute annual research dissemination symposiums targeting farmer organizations where knowledge, experiences, and information about existing and emerging technologies and challenges could be shared” (Ministry of Agriculture 2020, 17). While some research has been done on agricultural cooperatives in Malawi, more is needed. We hope that this report will be viewed as an important component of this research literature. Our findings provide a baseline understanding of primary agricultural cooperatives that can be used to inform the strategies that the government and its partners, including smallholder farmers, develop to ensure that such cooperatives accelerate progress towards achieving the development vision for the country, Malawi 2063, particularly in rural communities.

However, the research presented here is only a starting point. Nearly every cooperative that we spoke to mentioned something along the lines of ‘people always come and talk to us, and nothing ever happens.’ “If the research is done and not used, it is not even worth starting the research (KII 1).” The person went on to say that dissemination is very important, as is follow up with policymakers and NGOs that are supporting cooperatives on taking action based on the research findings. The findings presented here from the research literature, from key informants, and from the agricultural cooperatives

themselves provide a solid basis for organizations to alter where necessary their approaches in supporting cooperatives.

In conclusion, there is political will to support cooperatives across Malawi. Many documents and policies exist, and the government, private companies, NGOs, and development programs and projects are engaging cooperatives. However, more evidence-based strategic action is needed to support the professionalization process that most agricultural cooperatives in Malawi need to undergo.

Furthermore, professionalization will only take cooperatives so far. Cooperatives and other agribusinesses can only work as well as the enabling policy environment. Thus, there is a need to ensure that general agricultural sector policies are suitable so that the businesses of cooperatives can thrive. This will require predictable government interventions, predictable markets, and expanded infrastructure. The right policy environment combined with professional cooperatives will ensure that cooperatives are a well-performing and inclusive force in Malawi, helping farmers to significantly commercialize their production and to expand the contributions they make to the economy, helping to achieve the development vision of Malawi 2063.

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ANNEXES

Annex A. Definition of terms

Agricultural association: Legal non-profit organization that provides services to its members, often farmer clubs (Ministry of Agriculture 2020, xv).

Apex: “Apex society” means a registered society under [the Cooperatives Societies] Act, the membership of which is restricted to cooperative unions and includes a society established to serve the cooperative movement by providing facilities for banking, insurance, and the supply of goods or services (Malawi Cooperatives Societies Act 2015, 1).

Cooperative: Autonomous body of individuals with common economic, social, or cultural goals through a jointly-owned, democratically-controlled enterprise. Members own the cooperative through acquiring shares. They control the enterprise and are direct beneficiaries of services and surpluses (Ministry of Agriculture 2020, xv).

Cooperative union: A registered society under this Act, the membership of which is restricted to primary societies; also called a “secondary society” (Malawi Cooperatives Societies Act 2015, 1)

Dividend: Share of surplus of a registered society divided among its members in proportion to the share capital held by them (Malawi Cooperatives Societies Act 2015, 1)

Farmer club: An informal group of 10 to 15 farmers who come together to obtain services, such as extension, financing, or inputs (Ministry of Agriculture 2020, xv).

Farmer organization: A group of farmers with a common interest, including farmer clubs, farmer associations, cooperatives, and any other grouping of farmer (Ministry of Agriculture 2020, 7).

Institutional innovation: “Novel, useful, and legitimate change that disrupts, to varying degrees, the cognitive, normative, or regulative mainstays of an organizational field” (Rafaelli and Glynn 2015, 2)

Performance: The actual outputs of an organization as measured against its intended outputs or goals.

Annex B. Study interview guides

Key informant interview guide

FORMATION OF COOPERATIVES AND SERVICES OFFERED

1. How does your organization work with agricultural cooperatives in Malawi?
 - *Probe:* What is your organization's mission? What communities do you work in? Who are your main clients or beneficiaries of your services or activities?
2. What are the types of agricultural cooperatives that you work with?
 - *Probe:* Core businesses or value chains of the cooperatives you work with.
3. What services do you provide to the agricultural cooperatives that you work with?
 - *Probe:* Out-grower scheme, contract farming, training, extension services, building strategic productive alliances with third parties, etc.
4. How were the cooperatives that you work with established?
 - *Probe:* What role did you play in the establishment of the agricultural cooperatives?
 - *Probe:* Demand-driven by farmers, top-down approach, etc.
5. Who are members of the cooperatives? How inclusive is their membership criteria?
 - *Probe:* Do they include women, youth, disadvantaged?
6. How sustainable are the agricultural cooperatives that you work with? Is it common for such cooperatives to endure through several programmed changes in leadership and business models?
7. What support services, such as extension, markets, or financing, do cooperatives that you work with use or need?
8. What capacity strengthening services do cooperatives that you work with use or need?
9. What government oversight of the activities of the cooperative is there?
 - *Probe:* Are there effective higher-level cooperative unions or other agencies with oversight on primary cooperatives?
10. How do the cooperatives engage with the larger farmer organizations in Malawi, such as NASFAM and Farmers Union of Malawi, if at all?

IDENTIFYING KEY CHALLENGES FACED BY AGRICULTURAL COOPERATIVES

1. What makes cooperatives fail? What makes them successful?
 - *Probe:* What factors and conditions affect the capacity and performance of the agricultural cooperatives?
 - *Probe:* Is the policy environment enabling for agricultural cooperatives?
 - *Probe:* What do primary cooperatives need to perform better?
2. From your organization and industry perspective, what are the most critical issues or concerns affecting cooperative performance [By performance, we mean how well their actual outputs measure against their intended outputs or objectives]?
 - *Probe:* Membership (homogeneity, inclusiveness, equity), leadership and governance structure, production and productivity, markets and output marketing, agricultural financing, third party influence, solidarity, and trust?
 - *Probe on compelling issues:* Why? If you had to pick one or two top concerns, what would those be?

- *Probe:* Do you think there are any emerging threats to agricultural cooperatives that might not yet be major issues, but have the potential to become more important? What are these? Why do you think these are important?
- *Probe:* Do you think there are any emerging opportunities that agricultural cooperatives can take advantage of? What are these? Why do you think these are important?

POLICY AND ENABLING/DISENABLING ENVIRONMENT

1. Thinking about the top issues/concerns you have mentioned, what, if anything, is currently being done to address those issues in Malawi?
2. What programs or services are available to organizations that are working on the top issues or concerns facing the cooperatives sector in Malawi?
3. What do you think leaders and decision-makers in Malawi can do to help improve the functioning or performance of agricultural cooperatives in Malawi?

VISIONING THE FUTURE COOPERATIVES ENVIRONMENT

1. Thinking about the future, if you could do one thing to improve the functioning or performance of agricultural cooperatives, what would it be?
2. If you could change or implement a new program, service, or policy to help the performance of primary agricultural cooperatives, what would it be?
3. What individuals or organizations are leading or should lead this effort?

Focus group discussion guide

DETAILS ON THE COOPERATIVE

1. Why was the cooperative formed?
2. What does the cooperative do? What are its objectives and activities?
Could include access to inputs, including new information and technologies; to achieve higher productivity (for all crops or for specific crops); to access more lucrative markets; to access financing; or a combination of these.
3. Why do members join this cooperative?
4. Are all community members part of your cooperative? Do women and youth participate in and benefit from the cooperative?
5. Is the cooperative legally registered?
6. How well does the cooperative do in terms of revenue generation and income improvement for members?
7. Does the cooperative have a business plan?
8. How does the cooperative deal with side-selling of crops and loan defaults by individual members?
9. Has the cooperative changed its focus or business model since it started?
10. Who are the leaders, and how are they selected? What qualifications do they have?
11. How are the leaders held accountable to cooperative members?
12. How does leadership communicate with members?
13. Do members receive any training or skills development? From where?
14. What is the management capacity of the cooperative and its leaders?
15. What support services, such as extension, markets, or financing, do you use or need?
16. What capacity strengthening services do you use or need?

IDENTIFYING KEY CHALLENGES FACED BY AGRICULTURAL COOPERATIVES

1. Considering your own cooperative or others that you know of, what do you think makes cooperatives fail? What makes them successful?
 - *Probe:* What factors and conditions affect the capacity and performance of the agricultural cooperatives?
 - *Probe:* Is the policy environment enabling for agricultural cooperatives?
 - *Probe:* What do primary cooperatives need to perform better?
2. What are the most critical issues or concerns affecting cooperative performance [By performance we mean how well actual outputs measure against intended outputs or objectives]?
 - *Probe:* Membership (homogeneity, inclusiveness, equity), leadership and governance structure, production and productivity, markets and output marketing, agricultural financing, third party influence, solidarity, and trust?
 - *Probe on compelling issues:* Why? If you had to pick one or two top concerns, what would those be?
 - *Probe:* Do you think there are any emerging threats to agricultural cooperatives that might not yet be major issues, but have the potential to become more important? What are these? Why do you think these are important?

- *Probe:* Do you think there are any emerging opportunities that agricultural cooperatives can take advantage of? What are these? Why do you think these are important?

VISIONING THE FUTURE COOPERATIVES ENVIRONMENT

1. What do you think leaders and decision-makers in Malawi can do to help improve the functioning or performance of agricultural cooperatives in Malawi?
2. Thinking about the future, if you could do one thing to improve the functioning or performance of agricultural cooperatives, what would it be?
3. If you could change or implement a new program, service, or policy to help the performance of primary agricultural cooperatives, what would it be?
4. What individuals or organizations are leading or should lead this effort?

Annex C. Key informant interviews and focus group discussions

Key informant interviews

Date	Mode	Code	Type of organization	Respondent details
23 Feb 2022	Online (Teams transcription)	KII 1	Donor	1 international female
09 Mar 2022	Online (Teams transcription)	KII 2	Apex producer organization	1 local male
15 Mar 2022	Face to face (MP3 recording)	KII 3	Government	1 local male
15 Mar 2022	Face to face (MP3 recording)	KII 4	Local implementer	1 local male
16 Mar 2022	Face to face (MP3 recording)	KII 5	Government	1 local male
16 Mar 2022	Online (MP3 recording)	KII 6	Donor	2 local males, 1 local female
17 Mar 2022	Face to face (MP3 recording)	KII 7	International implementer	2 local males, 1 local female
17 Mar 2022	Face to face (MP3 recording)	KII 8	International implementer	1 local male, 1 international female
29 Mar 2022	Online (Teams transcription)	KII 9	Academic institution	1 local female
31 Mar 2022	Online (Teams transcription)	KII 10	Apex producer organization	1 local male
01 Apr 2022	Online (Teams transcription)	KII 11	Local implementer	2 local males, 1 international female
20 Apr 2022	Online (Teams transcription)	KII 12	International implementer	1 local male
20 Apr 2022	Online (Teams transcription)	KII 13	International implementer	1 local female

Source: Authors

Focus group discussions with cooperatives

Location	Cooperative code	Interviewers
Nsaru	1	All (mixed gender)
Dedza	2	Team A (female, local/international)
Kasungu	3	Team B (male, local)
Kasungu	4	Team B (male, local)
Mchinji	5	Team A and Team C
Dedza	6	Team C (female, local)
Nkhata Bay	7	Team C (female, local)
Mzimba South	8	Team C (female, local)
Mzimba South	9	Team C (female, local)
Kasungu	10	Team C (female, local)
Kasungu	11	Team D (male, local/international)

Source: Authors

Annex D. Data analysis codebook

Name of Node	Description	Files	References
Capacity	Education, training, coaching, mindsets, capacities, competence, and motivation of leaders, management, members. Managerial skills; business management. Literacy.	29	160
Capital services	Services needed regarding financial capital—loans, grants, finances, etc.	20	73
Communication	How the leaders communicate with members, communication tools within the group	20	42
Coordination and coherence	Between government departments and other actors, also partnerships and linkages	6	20
Export	Support and policies, regulations, certification to be able to export	8	9
Extension services	General extension services that are not specific training or inputs	10	22
External factors	External, contextual factors that affect a cooperative, but they cannot directly deal with or change such as policies or markets.	0	0
Finances	Financial management within the cooperative, financial capacity, records, assets, dividends, commissions, and shares.	30	234
Financial capital (external)	Access to credit, loans, grants from external sources (not how they manage money within the cooperative)	16	30
Governance and leadership	Structure, Leadership - things like autonomy, participation, democracy, well-defined rules, rights, e.g., regulated entry, incentivized exit, constitution and legal documents, leadership, term limits, transparency and communication, independent board members Also includes management.	26	91
Human capital services	Services needed in terms of training, education, empowerment	19	65
Inclusion	Diversity and inclusion of all groups - women, men, old, young, disabled, etc.	24	53
Innovations	Things cooperatives have done to improve their performance that others do not typically do, new economic or social activities that the cooperative did not do before.	5	11
Interesting quote	Quotes to possibly add to the document. Be sure to get type of organization, gender, etc. of speaker. Do not reveal identity.	25	57
Internal factors	Factors within a cooperative that the cooperative can deal with or change.	35	319
Leader characteristics	Selection criteria used to select leaders, including education and character	24	49
Leadership problems	Leadership wrangles, how they deal with problems	17	30
Licensing or certificates	Policies, regulations that help farmers license their products or get certification.	12	17
Management	Profitability, business orientation, professionalism, prudence, business plan, turnover and profit, reinvestment dividend practices, economic incentives, business development services, finances	0	0
Market intermediaries	Traders, off-takers, companies that buy produce.	27	83
Market regulation	Policies to do with markets, selling, buying, informality or formality of markets, especially local	1	1
Market systems	Issues of finding markets, good prices, traders, middle persons; transport and roads unless related to physical capital, prices, transportation, road network	34	285
Marketing services	Provision of marketing services, links, etc.	12	23
Mindsets and attitudes	Expectations, attitudes, mentality, mindsets toward things (see also project-driven and handout node)	6	15
Natural capital	Things from nature including trees, soil, plants, animals, seeds	11	21
Natural capital services	Seeds, livestock, water, soils, and land provided to cooperatives	10	25
Payments	Payments to cooperatives by traders or companies.	4	7
Physical capital	Equipment and other manufactured items to support the cooperative such as machines, vehicles, warehouses. Issues of support services like electricity, water.	19	63
Physical capital services	Equipment, inputs, and other physical capital provided to cooperatives	18	61
Policies and institutions	What respondents say about the policies in existence or what should be done. Also, incentives.	23	93

Name of Node	Description	Files	References
Prices	Issues related to pricing, prices farmer obtain, costs of inputs, etc.	20	57
Professionalism and farming as business, marketing	Professional attitudes and approach to management and leadership of cooperative. Hiring external people. Farming as a business. Marketing capacity, negotiation skills.	19	58
Project-driven and handout, sustainability	Handout mentality on an organizational scale. Top-down modalities of working. Dependency syndrome of farmer organizations.	18	51
Recommendations	Direct recommendations to include in the recommendations section, or things that we should elaborate on for recommendations section	6	15
Services to cooperatives	Services offered to cooperatives or that they need (much overlap with sections above, possibly merge)	28	283
Shares dividends commissions	Information about how cooperative members buy and sell shares, obtain dividends, and give commissions.	23	90
Side selling	Selling to traders instead of the cooperative.	19	51
Size	Size of the cooperative, membership and how it relates to performance	2	3
Social capital and membership	Social capital issues within the group and membership	20	68
Social capital and networks	Social capital external to the group - networking, links, meeting other farmers, study tours	6	9
Structure and process	Structure of farmer-based organizations in Malawi and other relations in the environment (see also policies institutions node). Processes of cooperative registration and support to cooperatives.	15	45
Transport	Issues of transport for the cooperative	8	19
Value addition	Adding value, usually through machinery or processing	3	5
Village bank and savings and loan associations	Financing from within the cooperative, usually through village savings and loans associations (VSLA)	9	29
Women	Inclusion of women in the cooperative and in leadership, numbers of women vs. men	10	20
Youth	Youth, young people, and issues of young people's involvement in cooperatives	6	9

Source: Authors, from NVivo 12 Plus

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