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How cooperatives can build the economic muscle of smallholder farmers: A case study of maize farmers in the Eastern Cape

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South Africa's agricultural sector is characterized by a dualistic structure, with smallholder farmers struggling to integrate into the global value chain. Despite policies aimed at supporting smallholder farmers, implementation challenges and inadequate targeting of interventions hinder their effectiveness. This article examines the role of cooperatives in supporting smallholder maize farmers in South Africa, using the Eastern Cape as a case study. We recommend strengthening cooperative support programs, improving infrastructure and logistics, and enhancing access to finance and capacity-building initiatives, to improve the economic resilience of smallholder farmers and contribute to the broader growth of the agricultural sector.

Introduction

Smallholder farmers are critical for global food security, supporting over two billion people while cultivating just 12% of the world's agricultural land. Despite this, they remain marginalized in food value chains, facing systemic barriers to accessing resources, technology, infrastructure, and markets. In South Africa, small-scale farmers exemplify these challenges, with limited access to land ownership, essential resources, storage facilities, and market opportunities constraining their economic potential.¹ Cooperatives can contribute to addressing these structural barriers. By pooling resources and sharing knowledge, cooperatives enable smallholder farmers to strengthen their market position, particularly given the constrained funding available for individual farmers. Research indicates that cooperatives can enhance market linkages, improve shared ownership, and increase participation in food value chains.²

However, gaps in existing policies fail to adequately address the distinct needs of small-scale farmers, further limiting their ability to compete with large commercial enterprises. Focusing on maize as a staple crop and using the Eastern Cape province as the study area, this article outlines key policy interventions that can enhance the sustainability and competitiveness of smallholder farmers.

Role of cooperatives in agriculture

Cooperatives have a long history of empowering individuals and communities by collectively addressing social and economic challenges. In South Africa, cooperatives have been recognized as a key strategy for tackling the triple challenges of poverty, inequality, and unemployment.³ The agricultural sector is no exception, where cooperatives play a vital role in supporting small-scale farmers. By pooling resources, knowledge, and expertise, agricultural cooperatives enable farmers to access essential services, improve market access, and enhance their collective bargaining power.⁴ This collective approach allows farmers to compete more effectively in global value chains, increasing their influence and negotiating capacity. Moreover, cooperatives facilitate access to training programs, improved agricultural practices, and technology, leading to enhanced productivity and sustainability.⁵

The benefits of cooperatives extend beyond economic gains. They foster a sense of community among farmers, encouraging collaboration, innovation, and the production of high-quality produce. In an increasingly competitive market, cooperatives can provide small-scale farmers with the support and resources needed to thrive.

Overview of the policy landscape

Gaps and challenges

South Africa has established several policy frameworks and programmes aimed at supporting smallholder farmers and cooperatives, including the Cooperatives Act 14 of 2005, the National Development Plan (NDP), and the Agricultural Policy Action Plan (APAP). These policies prioritize economic participation, market access, and financial support for marginalized farmers. Furthermore, initiatives such as the Comprehensive Agricultural Support Programme (CASP) and the AgriBEE Fund provide funding and technical assistance to cooperatives. However, despite these efforts, the policy landscape remains inadequate in addressing the unique challenges faced by small-scale maize farmers, who play a critical role in South Africa's agricultural economy. Persistent implementation challenges, inadequate resource allocation,

and limited participation of small-scale farmers in policy decision-making processes have restricted the effectiveness of these interventions.

Moreover, existing policies often focus on large-scale commercial farmers, neglecting the specific needs and constraints of small-scale maize farmers. This article highlights the need for a more inclusive and targeted approach to supporting small-scale maize farmers and cooperatives.

Challenges in policy implementation

Several structural operational barriers hinder the success of cooperatives, including limited access to resources, inadequate infrastructure, insufficient market information, and challenges related to quality standards and competition.⁶ Policies designed to support cooperatives are often undermined by poor implementation, leading to bureaucratic hurdles such as complex licensing requirements, strict quality standards, and lengthy administrative processes. These challenges are particularly severe for small-scale farmers in rural areas, who have limited access to extension services that could help them navigate market entry. Additionally, red tape, high compliance costs, and delayed government support further restrict their access to finance, while land-tenure issues, exclusionary procurement policies, and burdensome export documentation make it even harder for smallholders to compete in formal markets.⁷ The complexity of registration and compliance requirements discourages many smallholder farmers from formalizing their cooperatives. Moreover, financial support is often inefficiently allocated, failing to reach intended beneficiaries due to administrative inefficiencies within government programmes. As a result, many cooperatives face high failure rates, undermining the intended policy impact. Addressing these challenges requires streamlined policy implementation, more efficient resource allocation, and simplified registration processes to support the growth and sustainability of smallholder cooperatives.

Agricultural cooperatives for sustainable maize production in the Eastern Cape

Maize production is a vital component of South Africa's food security and economy, with the country producing over 10 million tons annually. As the largest producer of maize in the Southern African Development Community (SADC) region, South Africa's maize production plays a critical role in employment, income generation, and foreign exchange earnings. The Eastern Cape is home to numerous small-scale and commercial maize farmers.

South Africa's cooperative structure is governed by the Cooperatives Act (2005), which provides a framework for the establishment, governance, and operation of cooperatives. In the Eastern Cape, the provincial Department of Rural Development and Agrarian Reform (DRDAR) supports agricultural development, including the promotion of cooperatives. Despite these efforts, challenges persist, including weak financial sustainability, inadequate governance structures, and limited access to markets and extension services. Studies by the Eastern Cape Socio-Economic Consultative Council (ECSECC) and the Human Sciences Research Council (HSRC) highlight the need for strengthened cooperative governance, sustainable funding models, and improved access to extension services to ensure the long-term viability of agricultural cooperatives in the Eastern Cape.

Methodology

This study analyzed data from 120 registered maize farmers listed in the Department of Agriculture's database. A stratified sampling approach was employed, focusing on three key maize-producing districts, Alfred Nzo, OR Tambo, and Joe Gqabi, to ensure a representative sample. To facilitate a balanced comparison, the sample was divided into 60 cooperative members and 60 non-members, allowing for robust statistical analysis while minimizing sampling bias. Data collection involved structured surveys and in-depth interviews, enabling both quantitative and qualitative insights. The structured surveys assessed key indicators such as market access, yield levels, and financial support availability, while in-depth interviews with cooperative leaders and agricultural extension officers provided insights into structural and institutional challenges affecting cooperatives. This mixed-method approach facilitated a comprehensive understanding of the role of cooperatives in integrating smallholder maize farmers into global markets. The study follows established research in agricultural value chains, including insights from Poulton and Kydd⁸ on cooperative efficiency and Ortmann and King⁹ on market access for smallholder farmers¹²

Key Findings

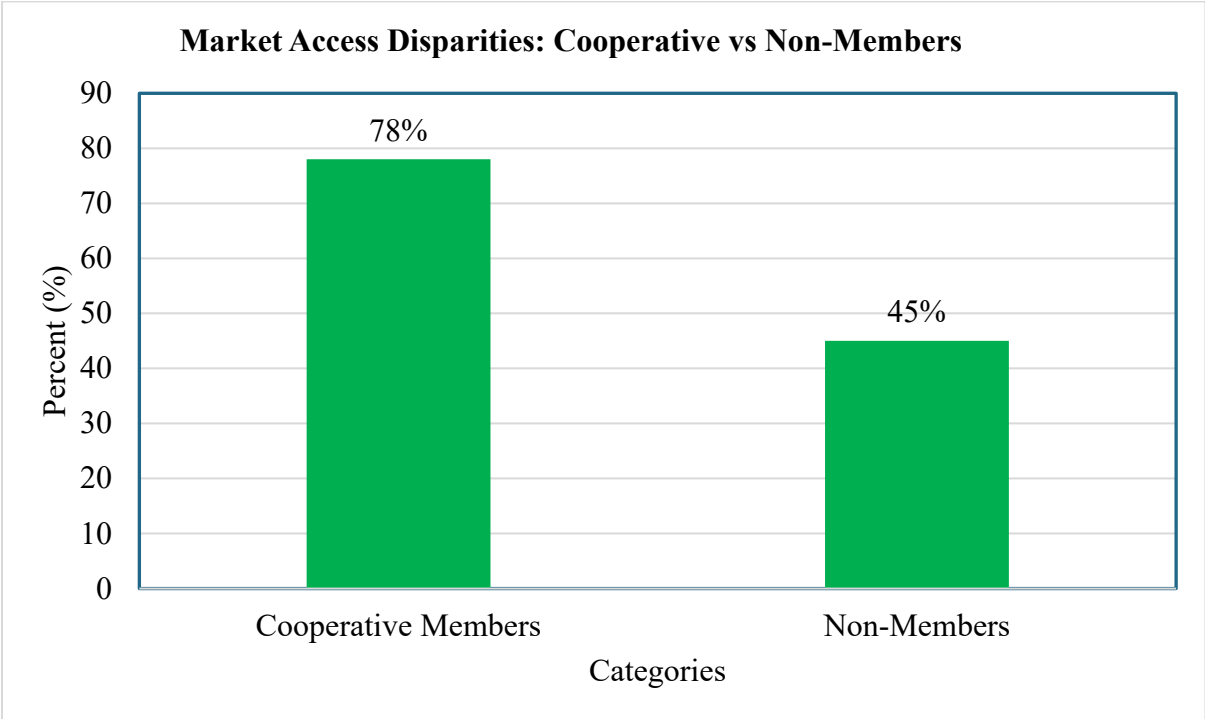
The results in **Figure 1** show a clear difference in market access between cooperative members

¹ Poulton, C., & Kydd, J. (2000). *Improving agricultural marketing systems in sub-Saharan Africa: Issues and constraints*. Outlook on Agriculture, 29(4), 251–258

² Ortmann, G. F., & King, R. P. (2007). *Agricultural cooperatives I: History, theory and problems*. Agrekon, 46(1), 40–68

and non-members. Out of 120 farmers surveyed, 78% (47 out of 60) of cooperative members reported having access to formal markets, compared with only 45% (27 out of 60) of non-members. This gap highlights the advantage of cooperatives in helping farmers connect to stable buyers and better prices, making it easier for them to sell their produce. These findings reinforce previous research on how cooperatives improve smallholder farmers' market access. Interviews with farmers further revealed the benefits of cooperative membership. One farmer said, "Before joining the cooperative, I struggled to find buyers, and my maize often went unsold. Now, I have guaranteed buyers and better prices." A cooperative leader added, "Pooling our resources allows us to buy inputs in bulk at lower prices, which individual farmers cannot do alone." These insights illustrate how cooperatives enhance economic stability by providing better market access and reducing costs for small-scale farmers.

Figure 1: Market Access Disparities



Source: Authors' analysis

The findings in **Table 1** further confirm that cooperative membership significantly improves farmers' access to formal markets, helping them sell their maize at competitive prices. Cooperative members also benefit from resource pooling, which leads to higher yields compared with non-members. In addition, cooperatives provide access to credit, leveraging

collective bargaining power to improve farmers' eligibility for loans and financial assistance. However, despite these advantages, farmers still face challenges, such as high transport costs and inadequate storage facilities, which hinder their ability to fully participate in the global value chain. These challenges are consistent with previous research by Chibanda et al¹⁰ which highlights financial constraints as a key barrier to cooperative success.

Table 1: Summary of Key Results

Indicator	Cooperative Members	Non-Members
Market Access (% selling to formal markets)	78%	45%
Average Yield (tons/ha)	5.2	3.8
Access to Credit (%)	65%	30%
Main Challenges Faced	High transport costs	Limited storage and market access

Source: Authors' analysis

Despite the benefits of cooperatives, some farmers remain reluctant to join. Distrust and poor governance are major concerns, as some farmers fear mismanagement of funds and lack confidence in leadership. As one non-member farmer stated, *"I have seen cases where cooperative leaders misuse funds, so I prefer managing my farm independently."* Farmers also highlighted financial constraints as a barrier. Membership and joining fees are often unaffordable for resource-limited farmers. Additionally, lack of awareness and training prevents some farmers from understanding cooperative benefits or effectively participating in them. One farmer explained, *"I have never been invited to a meeting or training session about cooperatives, so I don't know how they work or how they could help me."* Some farmers prefer independent decision-making and see cooperative rules as restrictive, limiting their autonomy. Moreover, past failures of cooperatives in certain areas have created scepticism.

Conclusion and policy recommendations

To enhance the integration of smallholder maize farmers in the Eastern Cape into global value chains, it is crucial to address the existing challenges and limitations. By strengthening farmer

cooperatives, improving infrastructure and logistics, and providing ongoing capacity-building initiatives, smallholder farmers can improve their economic resilience and contribute to the broader agricultural sector's growth. To achieve this, a stronger emphasis on cooperative support programs is necessary, along with building institutional capacity, tailored credit facilities, and improved infrastructure and logistics. Additionally, transparency in cooperative governance should be strengthened to build trust among farmers and targeted awareness campaigns should be conducted to educate non-members on the benefits of joining cooperatives. Financial support mechanisms, such as subsidized membership fees for new entrants, should also be explored to lower entry barriers. These recommendations should be implemented at both the provincial and national levels, as the challenges faced by smallholder farmers are not unique to the Eastern Cape but are a national concern for all emerging farmers.

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