Sara Flygare

The Cooperative Challenge
Farmer Cooperation and the Politics of Agricultural Modernisation in 21st Century Uganda
Dissertation presented at Uppsala University to be publicly examined in Hörsal 2, Ekonomikum, Kyrkogårdsgatan 10, 751 20 Uppsala, Friday, January 19, 2007 at 10:15 for the degree of Doctor of Philosophy. The examination will be conducted in Swedish.

Abstract

The main purpose of this dissertation is to study whether the official rhetoric on the role that cooperatives could play in the quest for agricultural modernisation in Uganda have any resemblance with how farmers view the benefits and problem with cooperation. This question was motivated by the political initiative in the early 21st century to revive the cooperative movement in Uganda, a movement burdened with a history of political intervention and difficulties to adapt to a de-regulated agricultural market system. In the thesis, the move to revive the cooperative movement is linked to another more encompassing political initiative, that of the modernisation and commercialisation of small-scale agriculture.

The book consists of two empirical studies, where interviews and text analysis have been important research methods. By first analysing the rhetoric emanating from political institutions and donor agencies, the conclusion is drawn that cooperatives are seen primarily as an institutional device which, it is hoped, will fill spaces that have been abandoned by the state and not filled with private sector initiatives.

A focused case study of a dairy cooperative and a number of its members in Uganda shows that farmers’ expectations of the cooperative to some extent converge with those revealed in the first study: for example they expected the cooperative to provide a stable outlet for their production of milk. The interviews and quantitative analysis indicate that farmers’ preferences for both fast cash and a stable income can create incentives for members to free-ride on the collective efforts of their fellow members. This can be cumbersome in a competitive marketing situation where other buyers compete with the cooperative for the members’ produce. The cooperative can find it difficult to secure a necessary level of member commitment if members do not share a common code of conduct.

Keywords: Agricultural modernisation, cooperatives, cooperation, free-riding, dairy farmers, milk market, Africa, Uganda, Mukono, international donor policy

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Contents

List of Abbreviations ........................................................................................................... 9
Acknowledgements ................................................................................................................ 11

CHAPTER 1. Introduction ...................................................................................................... 13
  The Problem and the Purpose of the Study ................................................................. 14
  The Choice of Case ....................................................................................................... 15
  Studies on African rural transformation and farmer response ......................... 18
The Bigger Picture – Poverty Reduction and the Renewed Focus on Agriculture ................................................................. 20
Cooperatives – Roles and Functions in the Agricultural Economy ................. 23
Cooperatives and rural change in Africa ................................................................. 25
  The Cooperative Movement in Uganda ................................................................. 26
Method and Material ........................................................................................................ 30
  The Policy Study ...................................................................................................... 30
  The Study on Farmers’ Views ............................................................................... 33
  Interviewing ............................................................................................................ 34
  Additional Sources of Information ........................................................................ 37
The Outline of the Thesis ............................................................................................... 37

PART I. Recycled Development Strategies – Reviving Cooperatives and Modernising Ugandan Agriculture .............................................................................................................. 39

CHAPTER 2. The Official View of the Ugandan Economy at the Turn of the Millennium ................................................................................................................................. 41
  The Actors on the Scene of Policy Making ........................................................... 41
  The Official View on Economic Development in Uganda .............................. 43
    The Performance of the Ugandan Economy during the Late 1990s and early 2000 ............................................................................................................................. 44
    Agriculture and Economic Growth .................................................................... 45
  Conclusions and Implications ................................................................................. 48
CHAPTER 11. Theory and Practise of Cooperation – Concluding Remarks.................................................................177

Theoretical Suppositions ....................................................................................................................177
The Case – Nabuka Dairy Cooperative .........................................................................................178
  Services Offered by the Cooperative – Tangible Benefits of Membership..............................................179
  Handling the Issue of Free-riding.....................................................................................................180
  Intangible Benefits.........................................................................................................................182
  Member Equality and Attitudes towards Cooperatives ......................................................................182

CHAPTER 12. Agricultural Modernisation and Farmers’ Cooperatives – Concluding Discussion ..............................................................................................................184

Defining the Problem.......................................................................................................................186
Cooperatives – Ways They Could Solve Problems and Ways They Do Solve Problems .................................................................189
  Marketing..................................................................................................................................189
  Capital Formation and Investments in Agriculture ........................................................................190
  The Price Issue and Bargaining Capacity of Farmers ....................................................................191
  Information and Education.........................................................................................................192
Obstacles Facing Cooperation in Theory and Practise ....................................................................192
  Loyalty and Sanctions ..............................................................................................................192
  Investments...............................................................................................................................194
  One Member – One Vote; the Issue of Equality and Decision-making .............................................195
Concluding Reflections ................................................................................................................195

References..........................................................................................................................................197
### List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CBO</td>
<td>Community Based Organisation</td>
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<tr>
<td>CDD</td>
<td>Cooperative Development Department</td>
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<td>Danida</td>
<td>Danish International Development Agency</td>
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<td>DDA</td>
<td>Dairy Development Authority</td>
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<td>DFID</td>
<td>Department for International Development, United Kingdom</td>
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<td>FAO</td>
<td>Food and Agriculture Organisation of the United Nations</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IDA</td>
<td>International Development Agency</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>MAAIF</td>
<td>Ministry of Agriculture, Animal Industries and Fisheries</td>
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<tr>
<td>MFPED</td>
<td>Ministry of Finance, Planning and Economic Development</td>
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<td>NAADS</td>
<td>National Agricultural Advisory Services</td>
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<tr>
<td>NARO</td>
<td>National Agricultural Research Organisation</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>NRM</td>
<td>National Resistance Movement</td>
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<td>PEAP</td>
<td>Poverty Eradication Action Plan</td>
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<td>PMA</td>
<td>Plan for Modernisation of Agriculture</td>
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<tr>
<td>SACCO</td>
<td>Savings and credit cooperative organisation</td>
</tr>
<tr>
<td>UBOS</td>
<td>Uganda Bureau of Statistics</td>
</tr>
<tr>
<td>UCA</td>
<td>Uganda Cooperative Alliance</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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Acknowledgements

I have often lately been told by people that you never really feel that a thesis is finished; you just have to let it go. I hope that they are right. My feelings for this project have gotten slightly bitter-sweet towards the very end. It feels as though it is now, when the work is finished, that I really begin to see all its possibilities, ironical as that may sound.

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Grinda, 22 October 2006

Sara Flygare
CHAPTER 1
Introduction

In the last decade Uganda has often been portrayed as a role model in Sub-Saharan Africa when it comes to measures taken for alleviating poverty. One example of such praise is provided by Great Britain’s Department for International Development, which at their website in 2006 labelled Uganda’s development a “success story”\(^1\). The Danish International Development Agency (Danida), another important donor to Uganda, also credits the Ugandan government with having “…demonstrated an ability and commitment to reduce poverty.”\(^2\) Danida is just one out of the many donors that since the latter half of the 1980s have heavily supported Uganda with donor funds.

The tone of the donor community soured somewhat during the end of 2005 and the approaching elections of 2006, because of what was seen as undemocratic tendencies by the ruling Ugandan National Resistance Movement. This has, however, apparently not changed the view of the big donors that the economic policies applied in Uganda have been successful in promoting growth and combating poverty. This view has made Uganda function as a sort of showcase to set an example of the positive effects that strategies advocated by donors can have.\(^3\)

This “economic success story” label makes it interesting to probe deeper into the strategies designed here by policy makers, because it is likely that on a policy level these strategies will affect what kind of recommendations and conditionalities that are given to other developing countries as well.

The Ugandan government that came into power 1986 has from 1987 and onwards restructured the economy along the lines advocated by the World Bank as well as other donors. This restructuring was based on a two-fold economic policy. This policy consisted of macro-economic stabilisation and structural adjustment which aimed at accomplishing high rates of sustainable economic growth.\(^4\) From the 1990s this policy has been increasingly com-

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bined with policies of “poverty reduction”. As will be discussed further below, this is a policy that is very much in line with the priorities expressed by the international development organisations.¹

To reduce rural poverty by making the agricultural sector more productive is one central element of Uganda’s poverty reduction strategy.² In the year 2000 the government of Uganda presented a framework for achieving this, called “The Plan for Modernisation of Agriculture: Eradicating Poverty”. As one component of the poverty alleviation policy, the political leadership has urged people to form cooperative societies. There are mainly two factors that make this a quite noteworthy move. First, the rural cooperatives of East Africa are generally considered to have quite a bleak track record when it comes to delivering rural development. Secondly, Uganda’s cooperatives had more or less collapsed during the liberalisation of the economy brought about by the structural adjustment policy endorsed by these same politicians later advocating the usefulness of cooperatives.

The Problem and the Purpose of the Study

The overarching aim of this thesis is to analyse if there is a convergence between the political discourse at the beginning of the 21st century on the role of cooperatives in agricultural modernisation and poverty reduction and the views of farmers on the benefits and drawbacks of cooperative membership.

From this aim two problems arise from which more specific questions can be derived. First, how does agriculture and rural development fit into the at least rhetorical goal to fight poverty? The political rhetoric of the “agricultural modernisation” project will be analysed in order to see how policy makers view agriculture as functioning as a stepping stone out of poverty. The development described above takes place in a political economic climate that at least appears to still be dominated by a neo-liberal agenda – an ideology not primarily associated with organisational solutions such as those represented by cooperatives. This policy analysis will therefore also probe into the question of how one is to understand the renewed emphasis on small-scale farmers and the importance once again given to farmers’ organisations such as cooperatives for poverty reduction.

The second point of interest is to analyse the views of the farmers, i.e. those who are the ultimate target of this policy, in this case the Ugandan farmers. More specifically, I am interested in what use (if any) the farmers

perceive that cooperatives can be to them and what they perceive as possible negative aspects of membership in a cooperative society. These questions have to do with what incentives or disincentives a cooperative conveys to prospective members.

The Choice of Case

The questions emanating from the aim presented above are specific for Uganda. However, as was stated earlier, Uganda’s economic policy has been very much in line with that advocated by the donor community. Richard Ssekwakiryanga goes so far as stating that in Uganda

…”the relationship between donors and central government actors is now a very intimate one, to the extent that sometimes a distinction between donor and government positions on a policy becomes indistinguishable.”

The fact that Uganda is often used as a showcase by donors, further underlines the fact that the policy made in Uganda is a policy endorsed by the international donor community. On a policy level, this makes Uganda an interesting country to study, since the rhetoric on economic development found here is likely to influence the rhetoric also in other countries that are dependent on donor funding.

To be able to explore the questions related to policy posed above, I have chosen to perform a macro oriented study where the discourse on agriculture, poverty and cooperatives is analysed. The focus here is on “The Plan for Modernisation of Agriculture” (PMA), poverty reduction and the initiative to revive the cooperative movement. The PMA was finalised in 2000 with implementation starting in 2001, and the official initiative to revive the cooperatives in Uganda can be dated to the year 2002. As will be discussed below, the Ugandan development has not taken place in an ideological vacuum. Policy formation is a continuously ongoing process. This means that even though the focus of this study is on the policy expressed in the first years of the 21st century, some of the studied statements will originate from the years before the millennium and some will be of later date, ranging up to 2005.

The process of policy is complicated, and it is not the process as such that I am interested in, but rather the resulting discourse or rhetoric. What actors

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1 Ssewakiryanga, (2004), p. 79.
2 In “The Uganda Country Assistance Evaluation”, issued by the World Bank in 2001, it is said about Uganda that “the increase in bilateral flows, despite the global decline in bilateral aid after 1991, is widely attributed Uganda’s success and regional leadership….”, p. 3.
3 See for example Bigsten – Kayizzi-Mugerwa, (1999), and Harrison (2001) for further discussion on the closeness between the Ugandan NRM government and the international donor community.
would then be of interest for such a study? In this context one could talk about three categories of stakeholders, the government with its ministries and other public organisations/institutions, internal non-governmental organisations and external, which in this case means international, stakeholders.

What I have found to be the most important criteria for choosing organisations to include in the study has been the level of influence that they can be presumed to have on the process that I want to explore. This is of course difficult to measure, since influence can be displayed in different ways and come from different sources. An organisation or a group can, for example, be influential because of its economic power, but it is also possible that a group can be influential because it manages to secure a niche of expertise for itself and makes it voice heard in the right forum. The lack of strong farmers’ organisations that can independently lobby the government is often mentioned in documents discussing agricultural modernisation, and this is the reason why no such have been included in this study. For example Danida maintains that the Uganda National Farmers’ Federation is largely “a mouthpiece” for the Ugandan government.12

What I have evaluated as most important for answering the questions related to the first part of the aim are statements from the government and its various ministries and departments. The fact that Uganda’s economy is heavily dependent on support from donors, although the exact number appears difficult to find13, makes it necessary to include some of these donors in a study concerned mainly with policy issues. The prime reason for this is that both loans and grants from donors are given on certain terms, so-called conditionalities.14 This picture indicates is that it is not clear to what extent a government like the Ugandan is actually free to decide its own political agenda.15

Peter Gibbon has pointed out that after 1983 the international financing institutions (i.e. the International Monetary Fund and the World Bank) have been very effective when it comes to creating consensus among the various

13 The United States Agency for International Development (the USAID) maintained in 2001 that 58 percent of the budget is donor-financed. The USAID (2001), p 10.
15 That there is a collaboration of some sort around setting the political agenda is strongly suggested by the following statement from the World Bank, which underlines the importance and close relationship between the MFPED by pointing at that: “... the MFPED generally relies on the analysis of the International Development Association (IDA), [which is a part of the World Bank Group] to identify issues, but itself articulates the reform agenda...”; The World Bank (2001), p. 9.
donor agencies on what development strategies to advocate. Given the large number of donors, it is of course an advantage that they rarely advocate totally diverging policies.

Using the categorisation of multilateral and bilateral donors, I have chosen to focus on the overall largest donors and financiers to Uganda; in the case of the multilateral donors, this means the WB and the IMF. Bilateral donors refers to individual countries that give direct support (or indirect support through multilateral organisations such as those above mentioned and for example the UN organisations) to Uganda (among other developing countries) through their respective aid agencies. The bilateral donor agencies that will figure in this study are: the United States Agency for International Development (USAID), Danida and the UK Department for International Development, (DFID). These three agencies are key donors to Uganda.

An increasing amount of official aid is being channelled through NGOs, short for non-governmental organisations. There are different types of NGOs, but the most commonly recognised are the international NGOs, such as Save the Children and Oxfam. In the policy study, I have chosen to include one NGO, the Uganda Cooperative Alliance. This organisation represents the entire cooperative movement in Uganda and has a mandate to advise the government on issues concerning cooperatives. It has, moreover, been invited as a stakeholder in the process of initiating and implementing the Plan for Modernisation of Agriculture.

In order to explore the question of farmers’ views on cooperation, the choice fell on doing a case study of a dairy cooperative society, for several reasons. Because milk is a perishable product it places a high demand on the chains of distribution. Unlike most crops, milk cannot be stored while waiting for a buyer who offers a better price. This makes milk an interesting agricultural commodity in relation to, for example, the issue of market integration and commercialisation. Moreover, the pooling of farmers’ resources into cooperatives has historically played an important role in the development of dairy production. All this makes the dairy sector interesting in relation to the goal of “agricultural modernisation”.

\[^{16}\text{Gibbon (1997), p. 78.}\]
\[^{17}\text{In the World Bank Uganda Strategy 1997, it is stated that the World Bank Group “…continues to be Uganda’s largest donor…” The World Bank (1997), p. 22.}\]
\[^{19}\text{Hulme – Edwards (1997), pp. 6-7.}\]
\[^{20}\text{Kabuga (1998), p. 18 and interview with Charles Kabuga and Charles Gashumba November 11, 2003.}\]
\[^{21}\text{Interview with Mr. Otweny, programme officer at Danida, February 14, 2006 and “Plan for Modernisation of Agriculture Forum, Report on the first meeting held at the international conference centre, 12th July, 2001”, available at http://pma.go.ug/pdfs/1st%20PMA-%20forum%20report.pdf See also interview with Permanent Secretary, Principal Private Secretary to the Vice President, March, 18th, 2003.}\]
\[^{22}\text{See for example Köll (1994), p. 65 ff.}\]
For this case study I have chosen the Nabuka Dairy Cooperative in the Mukono district in the central part of Uganda. (See Figure 7.2 for a map of Uganda.) I came in contact with this cooperative society and several other cooperatives during a first exploratory fieldwork and found some aspects of Nabuka interesting. In the vicinity of Mukono town, there exists a thriving market for fresh milk. Milk hawkers, so-called vendors, are active in buying milk from farmers and selling it onwards to consumers and dairy shops. This means that farmers producing milk at least appear to have a choice whether to join the cooperative or not, given that there are alternative buyers. This freedom of choice is not generally perceived to be the case for farmers in more remote rural areas such as the south-western part of Uganda.23

Given that not all prospective members appeared to have joined the cooperative, I found it interesting to probe deeper into the motivations of the farmers that were members of the cooperative and to come to an understanding of the causes that made membership unattractive to some farmers.

Studies on African rural transformation and farmer response
Efforts to “transform” rural Africa date back at least to the colonial era before the Second World War.24 Research within what can broadly be called “rural development”25 that has touched upon the subjects of agricultural policy and farmer strategies is generally of a rather prescriptive character. It generally aims at finding out “better practises” or evaluating existing ones, and the literature referred to here is no exception.

One thing that previous research into this field shows is that although the designs of these rural transformation efforts have varied over time, their common theme has been a wish to commercialise a sector described as generally subsistence-based.26 This aspiration belongs under the more general umbrella of a “politics of modernisation” in Africa.27 The wish to modernise the African farmer has been described by, for example, Kjell Havnevik, who in a study of development processes in Tanzania developed his critical thoughts on what he calls “development from above”. One of his main criticisms is that what he calls “interventionist policies” in both the colonial and

23 Interviews with four farmers in Mukono town, April 3, 2003 and interview with Mr. Galiwango, cooperative/association development specialist at Land O’Lakes Inc. November 6, 2003.
25 The term rural development is explained by Ellis (2000), p. 25 as coming into “…widespread use in the mid 1970s and [it] is primarily associated with the empirical observation that the vast majority of the poor in developing countries were located in rural areas.”
27 For a critique of and overview of this modernisation project, see for example Nabudere (1997), p. 203 ff. Göran Hydén has written extensively on the issue of the modernisation in Africa and what he calls the “agrarian question”. Hydén (2006), p. 138 ff.; see also Hydén (1985).
the post-colonial era have generally failed to mobilise support from the people, the subject of these policies.28

The post-colonial nationalist policies of agricultural modernisation employed in Tanzania were according to Havnevik fully supported by the cooperative movement. Havnevik describes how cooperative societies and unions became central institutional devices in a policy aimed at increasing agricultural productivity and regulating the agricultural sector.29 The issue of development and the use of cooperatives in Africa will be discussed in more detail later in this thesis.

The history of the rural transformation in Southern Africa is discussed by Ernest N. Maganya in an article in *African Perspectives on Development*. Without explicitly discussing what “the modernisation concept” entails he identifies “modernisation” as the core of the development strategies embarked upon by both donors and governments after independence. In his analysis the expected outcome of development efforts, whether they were supposed to be driven by the state or by free market competition, were basically the same – commercialised production and increased output. He points out that the strategies designed to reach these goals have varied over time. With examples from Malawi, Zimbabwe and Tanzania he shows that whether to transform agriculture by supporting existing commercial farmers or by targeting small-scale farmers has shifted also within the two development paradigms of state-led and market-led development.30

The study of “livelihood strategies”31 has generated insights into the issue of farmers’ strategies and responses to policy. Stefano Ponte in *Farmers and Markets* contributes to “the debate on post-adjustment policy agenda in Africa”.32 Because of its ambition to link macro-level reforms to micro-level strategies, *Farmers and Markets* is of certain interest to this present study. His interest in policy is, however, focused on policy implementation, rather than on policy decisions and expressions of policy, and on the farmers’ response in direct relation to these implementations, rather than on the independent views of the farmers. By posing such questions as what mechanism farmers use to get access to inputs, land and labour, he tries to explain local responses to the macro-economic reforms in the 1980s and 90s. His field work

31 The definition of livelihood as provided by Frank Ellis is that “[a] livelihood comprises the assets (natural, physical, human financial and social capital), the activities, and the access to these (mediated by institutions and social relations) that together determine the living gained by the individual or the household.” Ellis, (2002), p. 10.
32 Ponte (2002), p. 1. The so-called post-adjustment agenda builds on the recognition that adjustment reforms in the agricultural sector have generally been implemented in Africa.
among Tanzanian farmers shows that one response to liberalisation has been the switch in cultivation from slow crops to fast crops such as beans and tomatoes. Ponte interprets this trend as a response to increased needs for cash and for more even cash flows over the year.33

The Bigger Picture – Poverty Reduction and the Renewed Focus on Agriculture

Given the situation of inter-linkages between donors and the Ugandan government, it would not be meaningful to try and understand the development that is of interest here in isolation. Instead one needs to consider the historical political economic development that has taken place outside and inside Uganda and the positions taken by organisations that have a strong influence on this country’s policy formation.

In 1990 the World Bank issued their World Development Report with the title “Poverty” and this marked the beginning of a new focus on poverty in the agendas of development policy makers. This qualitatively new interest in poverty is further underlined by the fact that the first issue of the Human Development report, funded by the United Nations Development Programme (UNDP), was also issued 1990.34 This new focus on poverty had consequences for the priorities that were made in policy documents from the 1990s and onwards. One important trend was the renewed expressed commitment to rural development.

What was then the background to this initiative, what strategies have been broadly applied since aid to so-called developing countries became customary in the 1950s? Donor support to agriculture in Sub-Saharan Africa from the 1950s up to the 1980s was characterised by increasing amounts of money being poured into different agricultural development schemes. According to Esbern Friis-Hansen, the agricultural sector policy in Sub-Saharan Africa was, prior to the structural adjustment policy initiated in the 1980s, dictated by a “modernisation model”. In this model the role of public institutions like marketing boards, co-operatives and parastatals played a central role in promoting rural development. This development strategy was much dependent on donor assistance, and during the 1970s the volumes of aid increased greatly.35

Following the critique of parts of this policy came the introduction of the structural adjustment programs (SAPs) which became the dominant agricultural development policy in Sub-Saharan Africa during the 1980s and onwards.

The main underlying aim of structural adjustment is to eliminate the impediments which are believed to be caused by state intervention in the market. The structural adjustment programs have, however, evolved and been modified over time.

The development problems for agriculture were believed to be caused by price distortions: more specifically, low producer incentives to agricultural producers. These distortions were in turn caused by over-valued exchange rates. In a very simplified manner, one can say that in the first phase of structural adjustment two issues took centre stage. The overvalued foreign exchanges were to be adjusted so that they became more competitive, and fiscal stringency was enforced in order to cut the huge budget deficits.

Developments during the latter part of the 1980s preceded the debate and direction of development policy during the 1990s. When poverty as a concept became the focus of donors in the beginning of the 1990s, this triggered an ambition (among others) to increase the understanding of the nature of poverty. The choice by the World Bank in 1997 to issue a new rural sector strategy can be seen as one result of this process of mapping out poverty. In this strategy document, it was stated that “...nearly three-quarters of the poor will continue to live in rural areas well into the next century.” This same observation regarding where the majority of the world’s poor live was made by the (UNDP) in the 1997 issue of the Human Development Report.

Putting focus on poverty at the beginning of the 1990s started a process that once again brought agriculture to the attention of donors and the governments of developing countries. Besides establishing that a majority of the world’s poor live in rural areas, the international donor community also found that a majority of these people depended directly or indirectly on agriculture for their livelihoods. With the focus on combating rural poverty, a big development agency like the World Bank found legitimate reasons to increase its attention on the development of support to the agricultural sector.

As rural development moves back onto the radar screen of the donor community, all sectors have a weighty responsibility to assure that resources are better used now than in the past ... This last decade of the twentieth century

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37 These over-valued exchange rates were part of the “import-substitution policy”. The goal of this policy was to further industrial expansion in developing countries. See Friis-Hansen (2000), p. 54. The World Bank (1997), p. 13.
could be broadly described as a period during which African governments and their development partners withdrew from many of the expensive and ineffective agricultural interventions pursued under earlier models of development … The World Bank’s lending to agriculture and rural development in Africa during this period declined, as did that of other development partners.\textsuperscript{43}

The World Bank still maintains that agriculture as a business in Africa has benefited from the macroeconomic interventions during the 1990s.\textsuperscript{44} It is, however, also admitted that even under these measures agriculture has not been able to grow fast enough to be able to contribute to poverty reduction.\textsuperscript{45}

It is not possible to discuss the ideas that have dominated the formation of agricultural policy for Sub-Saharan Africa since the late 1980s and onwards, without relating them to the criticism that the policies of structural adjustment have met with.

One of the most prominent criticisms of the structural adjustment agenda when it comes to the agricultural sector has focused on what Peter Gibbon calls “… the merits and demerits of market liberalisation/state withdrawal from output and input marketing ….”\textsuperscript{46} What the discussion has centred on is whether it is likely to assume that the private sector will be interested in and capable of filling the gap left by the public sector. The attractiveness of the remoter areas to the private sector traders in inputs has been especially questioned. It has also been shown that for example fertiliser prices have risen steeply after liberalisation.\textsuperscript{47}

Despite the controversy that the policy of the liberalisation of agricultural marketing has brought about, it still remains a central part of the structural adjustment agenda. The agenda has, however, not been immune to criticism. A policy that, because of severe criticism, no longer remains a central part of the structural adjustment agenda is that of land privatisation. This policy was supposed to, for example, increase credit consumption by small-holder farmers\textsuperscript{48} and lead to a more efficient distribution of land.\textsuperscript{49}

It was stated above that in the development model preceding that of the structural adjustment programs, public institutions had played a central role in economic planning and implementation. The withdrawal of the state in the 1980s became one of the pillars of the SAPs.\textsuperscript{50} During the 1990s, a third view

\begin{itemize}
\item \textsuperscript{43} The World Bank (2002), p. 1.
\item \textsuperscript{44} The World Bank (2002), p. 3.
\item \textsuperscript{45} The World Bank (2002), p. 3.
\item \textsuperscript{46} Gibbon (2000a), p. 15.
\item \textsuperscript{47} See for example Ponte (2002) p. 161 ff.
\item \textsuperscript{48} The implicit reasoning here is that land privatisation would give small-holders access to collateral, which in turn would make them eligible for taking on loans.
\item \textsuperscript{49} Gibbon (2000a), p. 15.
\item \textsuperscript{50} See Colclough (1993), p. 6.
\end{itemize}
of the proper role of the state evolved. According to this new consensus, the state is perceived to have a role to play when it comes to, for example, promoting poverty reduction. This third paradigm is also characterised by the belief in the role of what is called the civil society in holding governments accountable to their citizens. Civil society, often taken to mean non-governmental organisations, became a catchphrase among both politicians and political scientists in the early 1990s.

The role designated for the state in economic development has had a profound effect on how cooperatives in Africa have fared. In very simplified terms, one can say that cooperatives in Africa and especially in Eastern Africa after independence became strongly tied to the government apparatus. When the state retreated from such spheres as economic and social development, the cooperatives have been forced to find other strategies for survival.

The picture painted above is by necessity very simplified. Below, an effort will be made to more thoroughly account for how the origin and development of cooperatives in Sub-Saharan Africa generally, and in Uganda specifically, have been portrayed in the literature.

Cooperatives – Roles and Functions in the Agricultural Economy

According to Reine Rydén, farmer cooperatives became more or less widespread in Europe from the latter part of the 19th century. Rydén concludes from his study of the Swedish farmer’s organisational process that one reason for farmers to join cooperatives was to take advantage of new market opportunities and technical innovation at the beginning of the 20th century.

Cooperative societies are, simply put, economic enterprises based on voluntariness and democratic control. They are owned by their members and pursue the interests of their members/owners. The International Labour Organisation (ILO) provides a fuller definition of what constitutes a cooperative.

...an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organisation making equitable contribu-

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51 van de Valle et al. (2003), p. 4.
56 Holmén (1990), p. 16.
tions to the capital required and accepting a fair share of the risks and benefit of the undertaking.\footnote{Quoted in Heden (1998), p. 32.}

Cooperatives can be said to fall within four broad categories: consumer, worker, producer and purchasing/shared services cooperatives.\footnote{http://www.nic.coop “What are Cooperatives?” (accessed May 25, 2005).} Consumer cooperatives are owned by people who buy goods or for example financial services from them. Workers’ cooperatives are owned and governed by the employees. Producer cooperatives are most commonly owned by farmers and are generally engaged in either buying the members’ produce or supplying them with inputs.\footnote{See discussion by Nilsson (1991), p. 48-49.} Purchasing/shared services cooperatives are commercial associations that join together in cooperatives to expand their competitive advantage.\footnote{http://www.nic.coop “What are Cooperatives?” (accessed May 25, 2005).} These categories are not always that fixed, and the terms discussed above can have slightly different meanings in different settings.\footnote{The typology appears for example derived from a Western understanding of the clear separation between a business owner and a private individual. Consumer cooperatives (entailing for example savings and credit cooperatives) are stated to be owned and used not by farmers in their position as owners of a business but as private persons. This is a distinction that would probably not describe the reality very well in most developing countries.}

Rydén points out that historically in Sweden there have existed for example mixes of producer cooperatives and consumer cooperatives.\footnote{Rydén (1998), p. 34. Rydén does not explicitly use the term producer’s cooperatives but refer instead (translated from Swedish) to suppliers cooperatives and purchase cooperatives.}

One of the fundamental differing characteristics between cooperatives and other forms of economic organisation is the relationship between members and capital. In cooperatives, the individual is superior to capital, with the principle of one member – one vote. In joint stock companies, influence is proportionate to the number of shares owned.\footnote{Holmén (1990), p. 26.} This means that someone who owns a large proportion of the shares in such a company has a bigger say in decision-making, compared to someone who holds a lesser proportion of the shares.

The organisational characteristics of cooperatives give rise to some potential difficulties and possibilities for these establishments in conducting whatever business they are engaged in. The principle of one member – one vote, for example, makes cooperatives more democratically governed than joint stock companies. On the other hand, this principle can create an unwillingness to invest in more shares, since this, at least not formally, provides the investor with any more control over the business. Another possible difficulty with cooperation is the issue of free-riding. Very much simplified, free-riding is a situation when members try to obtain benefits from their membership
In the second part of the thesis, the theoretical special features of cooperatives will be discussed more thoroughly. The focus of that discussion will be on the relation and strategies between individual members and the cooperative as an organisational entity.

Cooperatives and rural change in Africa

Having searched this field for literature, one can conclude that after the 1980s relatively few authors with a theoretical interest in cooperation appear to have ventured into this field of research. One reason for this lack of academic interest might be what Hans Holmén refers to as a “global cooperative crisis”.

The general understanding (at least in the West) of cooperative development in the colonies of the developing world is that cooperatives were generally formed from above rather than from below. According to Holmén, the cooperatives in the colonies were often introduced by the colonial powers, and the purpose was often to integrate the “natives” into a monetized economy and also to aid the European settlers. After independence, many of the new states considered cooperation as a “multi-purpose vehicle for achieving a broad array of national objectives.”

Björn Gyllström argues that the attention that has been given cooperatives in Africa, both by governments and donors, is a consequence of: “…the effectiveness of such organisations [cooperatives] in advancing agrarian interests in industrialised countries.” Pekka Jämsén et al. writing about cooperatives in Kenya, argue along lines similar to Gyllström’s, claiming that both donors and governments have supported cooperatives, with the hope that by offering services to poor small-scale producers these would promote economic development in rural areas. Both Gyllström and Jämsén et al., writing at the end of the 1980s and late 1990s respectively, seem to agree that this support to cooperatives has not had the envisaged effect. In Gyllström’s account, the problem has not been the support to cooperatives per se, but the uncritical support to organisations that have been cooperatives in name only. Jämsén et al. claim that

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65 This said with a certain reservation, for there could be publications in for example French and Spanish that I have not been able to profit by.
66 Holmén (1994).
67 Holmén (1990), p. 22. See also for example Woods (1999).
70 Jämsén et al. (1999), p. 17.
71 See also Ponte (2002), p. 44.
the government’s promotion of cooperatives with its “top-down administrative approach” has been a failure and that government support, partly because of this failure but also because of budget cuts, was diminishing at the end of the 1990s. Discussing African experiences of cooperation mainly during the 1990s, Holmén and Magnus Jirström point to a changed attitude among those who further the idea that cooperatives could contribute to African development. According to them this new attitude is characterized by claims that cooperatives can only function properly on a competitive market and that cooperatives must be totally independent from state intervention.

In the academic literature from the late 1980s and early 1990s, there seems to be a consensus that the cooperative approach in East Africa has been far from successful. The authors writing on the subject also, however, seem to agree that this to some extent depended on the kind of expectations that different actors had regarding what cooperatives could achieve. Gyllström points to the varied expectations regarding cooperatives by stating that they have been blamed both for “… mediocre records in terms of economic performance and for having failed in contributing towards basic social development aspirations.”

Besides being supposed to fulfill these varying aspirations, Holmén argues that the cooperative idea has been presented in different lights so as to fit with the changing development strategies in the so-called Third World. He states, moreover, that the 1970s and 1980s saw a widening gap between the ambitions of official representatives and the members of the cooperative societies.

The Cooperative Movement in Uganda

The cooperative movement in Uganda was established during the colonial era. Africans founded marketing cooperatives as a reaction to the oligopoly control of processing and marketing held by foreigners. The first cooperative society was established in 1923, but the colonial government legislation made it difficult for the small cooperatives that tried to follow. Concerns about racial clashes and peasant protests in the 1940s made the government consider institutionalising the cooperative movement, which happened in 1946 when the first Cooperative Societies Act was ratified. Stephen Bunker argues convincingly that this development was part of a strategy of the colonial government to “co-opt” local leaders among the African peasantry. During the

73 Jämsen et al. (1999), p. 17.
74 Holmén – Jirström (1999), p. 120.
1950s the colonial government had embarked upon a policy of encouraging the cooperative movement to take over the cotton ginning industry. What happened was, however, that these producers, through the cooperatives, came to challenge the monopoly on the marketing of the big export crops cotton and coffee, held by the Lint Marketing Board and the Coffee Marketing Board. According to Bunker one should understand the support for the cooperative societies and unions from the colonial administration as a measure to regulate the production of cash crops. The colonial government wanted to ensure the production of high quality crops, since this constituted the basis for the state’s revenues.

After independence, the circumstances for the cooperative movement changed radically. As a way to further social and economic change in Uganda, the new government adopted a cooperative strategy. This policy of encouraging cooperatives was driven so far that by 1968 the cooperative movement enjoyed a monopoly position on the domestic cotton market and also dominated a substantial part of the coffee market.

There are different reasons why the Ugandan governments, as well as international finance and aid agencies, have supported the dominance of the cooperatives in the agricultural market. Jossy R. Bibangambah and Mehari Tesfai argue that functionaries of the state believed that cooperatives offered a tool for socio-economic development. Furthermore, politicians who held an ambition to Africanise commerce saw cooperatives and marketing boards as suitable establishments. The reasons given, in the meagre literature on the subject, for international support of this system is simply that it was considered easier to work with cooperatives and marketing boards since these “... were few and controllable.”

Pernille Sorensen concludes, however, that the price for this position of strength for the cooperative movement was that its autonomy was further and further eroded. Grass-root democratic control, which is one of the basic principles of cooperative ideology, became critically undermined during this process, and, even though the movement had begun among farmers, it developed into a government protected and controlled institution.

This loss of autonomy and thereby separation between the ownership and the control of the cooperatives was a concrete result of the new 1970 Coop-

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80 Ngategize – Kayobyo (2001), p. 251. Kampala. Both these boards were created during colonial times, but continued their activities up until recently. They were essentially given a monopoly by the government on the marketing of their respective crops.
87 Sorensen (1992), pp. 21 and 23.
erative Act, as well as of the 1968 Produce Marketing Act. Both these acts gave extensive powers to government officials over the control of the cooperative societies. In 1991 a new cooperative societies’ statute, which amended the statute of 1970, came into existence. The idea with the new 1991 Cooperative Statute was that the role of the Cooperative Development Department (CDD) should not extend beyond the registration of societies, doing audits and ensuring general compliance.

Bunker’s study of the history of a big coffee cooperative union shows that the development from a farmer controlled to a government controlled organisation was not such a straightforward affair as it is sometimes made out to be. He shows that the politicisation of the cooperatives in a way begun even prior to national independence in 1962. According to Bunker, the cooperative union became an important power base for local leaders. These leaders’ internal fights with each other, as well as with the hired staff, weakened the cooperatives and paved the way for government intervention and control both prior to and after 1962.

The state of the cooperative movement deteriorated during the years of the economic and security crisis between early 1970s and mid 1980s. The fall in prices for agricultural products and the continuing government control, stipulating for example that cooperatives had to sell their produce to marketing boards rather than to the highest bidder, made membership in the cooperatives less attractive. By the beginning of the 1990s, most of the primary cooperative societies were dormant. When the policy of liberalisation was introduced, which for example meant an end to the monopsony held by the cooperatives on crop purchases, the cooperative movement was already rather weak. Structural adjustment and economic cut-backs then combined to undermine the cooperatives in Uganda after the mid 1980s. Despite these obvious problems, there have been some efforts made by the government to financially rehabilitate the cooperative unions. By agreeing to restructure the business to the satisfaction of commercial banks, the government in 1994 offered the cooperative unions a programme of debt-relief.

In the context of the economic liberalisation pursued by the National Resistance Movement which came into power in 1986, the NRM government strategy in regards to the cooperatives is to let them function more as private

business enterprises. The essence of this is supposed to be that the direct
government control will be ended and the cooperatives will function under
the legislation of the cooperative act.\footnote{Ngategize – Kayobyo (2001), p. 265.}

There are some difficulties in establishing how many active cooperative
societies there are in Uganda at the beginning of the 21st century.\footnote{I have gotten indications that there might be difficulties in establishing how many of these that are actually economically active and not just registered.} Numbers from the CDD show 6,775 registered cooperative societies for the year 2003.\footnote{The Minister of Tourism, Trade and Industry (MTTI) (June 2003), Ministerial Policy Statement Vote 015: for the Financial Year 2003/2004. p. 21.} There is an enormous difference between this figure and the 1,313 active cooperative societies and unions registered in a census ordered by the Uganda Cooperative Alliance.\footnote{Uganda Co-operative Alliance, (UCA), (n.d.) “National Census Survey of Co-operative Societies in Uganda”, p. iii.} In the Ministerial Policy Statement from 2000/2001, it is stated that a majority of the cooperative societies are engaged in agricultural marketing. The second most important sector is that of savings and credit cooperatives.\footnote{The Minister of Tourism, Trade and Industry, “Policy Statement to the Parliament of the Republic of Uganda for the Financial Year 2000/2001”.} This distribution was also found in the census referred to above.

To get some idea of what the quantitative development of cooperatives
has looked like since the NRM government came into power and the policy
of structural adjustment and liberalisation was introduced, I have compiled
data on how many cooperatives that had been entered into the register over
cooperative societies during the period 1984 up to 2004 in Figure 1. By
letting the data cover the year before the NRM government came into power,
any possible influence that this government could have had on the
development should become more visible.

It is important to note that these are the number of cooperatives registered
per year. The figures that do exist show that agricultural marketing cooperatives
are still more important in number than the savings and credit cooperatives,
despite the steep rise in the latter category. This categorisation,
based on the activity that the cooperatives have stated that they are engaged in,
is not always that informative. The cooperative that I have chosen to
study is, for example, an agricultural marketing cooperative. However, since
1999 it has also been running a credit scheme for its members.
Figure 1. Number of new cooperatives registered per year in Uganda 1984-2004

Source: Ministry of Tourism, Trade and Industry, the Cooperative Development Department.
Note that in order to make the graph more legible, I have created the category of “others”. This category contains cooperatives such as livestock and housing cooperatives. The other categories are the ones used in the register.

Method and Material

Since the aim and scope of the two parts of the study vary, this has demanded different approaches when it comes to collecting and analysing information. The two main sources of information for the entire thesis have been different types of policy documents and interviews.

The Policy Study

There were no ready archives where one can find information about the questions of interest for this first part of the study. The research method has therefore consisted of text analysis of available policy documents from stakeholders involved in these issues, coupled with interviews when this has been possible and useful. Political programmes and development plans, as well as evaluations of such from the state apparatus, non-governmental organisations and external stakeholders, such as donors, have been one substantial source of information.

The policy documents have been systematically searched for statements and arguments related to such themes as economic development, poverty reduction, and agriculture. These statements have then been analysed and
related to each other to illustrate what the rhetoric of policy makers such as
government and donors on these issues looks like. Since there existed no
given point of entry to this problem, “snowballing” has been the method or
approach used to locate both documents and people of interest for the study.
More specifically, the research process has been a procedure where one
document and interview has lead to the next through references and com-
ments about other involved stakeholders.  

The types of documents and from what organisations and institutions they
have come from have varied somewhat depending on the information looked
for. In trying to provide a macro economic and political context, the sources
have primarily been documents and reports from the World Bank, the Inter-
national Monetary Fund (IMF) and the government of Uganda. These have
mainly been different types of strategy papers produced between the period
1997 and 2001. Some of these documents are jointly produced by, for example,
the International Monetary Fund and the Ugandan authorities. One example
of such a collaboration is the “Enhanced Structural Adjustment Facility
Policy Framework Papers”.

I have analysed documents where past, present and projected economic
performance is discussed. Examples of such documents are the “Uganda
Country Assistance Evaluation” issued by the World Bank, where the bank
assesses the impact that the World Bank Group support has had on the eco-
nomic performance of Uganda. Further examples of documents used are the
“Poverty Eradication Action Plan” (PEAP), published by the government.
This is an overarching document, which guides the policy of the Ugandan
government, and its spending suggestions are supposed to have a direct im-
pact on the spending decisions made in the annual budgets.

The steering political document for agriculture, the “Plan for Agricultural
Modernisation”, has been the key document analysed for describing the gov-
ernment (and the donors’) position on this issue. This document is essential,
as it gives both a detailed and an overall view on what position the govern-
ment wants to take in relation to agriculture. It also provides material for
analysing how the government describes how the agricultural sector should
evolve.

The two national newspapers in English have been used to provide in-
formation on whether topics related to this study have been discussed in them
and in that case by whom and how. Besides using the websites of the
respective papers, I have gone through the press archives of a non-govern-
mental research organisation called the Centre for Basic Research, the archives
of which date back to 1994.

The information I was specifically interested in tended to be quite brief in
some of the documents. If possible this was made more complete and nu-

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99 For a discussion on the snowball method, see for example Bryman (2002), p. 313.
anced with the help of interviews. In this way the interviews complemented the written material. The interviews for the policy study were mainly carried out in 2003. This means that they were carried out after the production of the written documentation. What the interviewees were asked to comment on was, however, the developments during the time this study focuses upon. There have, moreover, not been any major reversals of the policies that are described and analysed during the writing of this thesis. One interesting political-economic development was the proposal of a new economic strategy which came from the Minister of Finance who took office in 2005. In this proposal he suggests more active government intervention in the economy, but also interestingly argues for what he calls “the cooperative model” for more efficient rural development.\(^{101}\)

The nine interviews conducted for the first part of the thesis are in their form somewhere between unstructured and semi-structured.\(^{102}\) I wanted to explore and find statements on the following three themes: Where and how do cooperatives fit into “the ambition to modernise agriculture in Uganda”? What problems could cooperatives solve and what problems are they not likely to solve in this context? What does the government hope to achieve by trying to revive the cooperatives in Uganda? These themes did not function as specific questions, but rather functioned as entries into the discussion as well as a checklist during the interview. Since there were differences between the interviewees regarding what organisation they represented, position within the organisation etc., I allowed myself some flexibility in what questions to pursue.

The respondents were interviewed in their function as representatives of their organisations. It is not possible to be totally certain that some of the opinions stated are not their privately held ones. However, the respondents were quite explicit when stating that something was their privately held opinion. The interviews were by comparison more focused on uncovering aspects of the new cooperative initiative, compared to than on the political strategies on poverty reduction and agricultural modernisations, since the amount of published information on the former topic was meagre. This state of things explains why interviews have been used much more frequently in the chapters that are concerned with the new policy on cooperatives, even though questions have also been asked about the agricultural modernisation approach.

Because the material used has its origin in several different countries, a substantial number of these documents have been accessed on the internet. The overwhelming majority of these documents come from the homepages of government institutions and agencies and internationally acknowledged institutions such as the International Monetary Fund, the UN organs etc.

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\(^{101}\) “The Suruma strategy” (2005).

Their origins are therefore known and they should fulfil the purpose for which they in most cases have been used, that is to portray the view of these organisations. Internet documents have also at times been used more as literature, for example to get facts about the size of a district. Also in these cases, material coming mainly from official organisations has been used.

The Study on Farmers’ Views

The second part of the thesis builds mostly on a case study of a Ugandan Dairy Cooperative, the Nabuka Dairy Cooperative Ltd. in the Mukono district. Data for this second part has been collected mainly during two fieldworks in 2005 and 2006, lasting two months and two weeks respectively. However for an understanding of conditions under which dairy farming is conducted more generally in Uganda, data from one exploratory fieldwork in 2003 has also to some extent been utilised. This data includes brief interviews with four members and the acting manager who was also a member of the cooperative. During this tentative fieldwork, information about the Nabuka Dairy Cooperative, its members and activities, was gathered. Three dairy cooperatives in the south-western part of Uganda were also visited and interviews with their managers and group discussions with their members were conducted during this first fieldwork.

This first exploratory fieldwork provided ideas on what categories of interviewees would be of primary interest for the case study. Given the fact that there exists a thriving market for agricultural produce in Mukono town, I wanted to interview farmers living in the vicinity of Mukono town, i.e. those who had relatively easy access to a market for their products, but who had nevertheless chosen to join the cooperative. I also wanted to interview farmers who kept dairy cattle, but who had chosen not to join the cooperative.

Twenty-seven interviews were carried out in order to collect information for this second part of the study. Twenty-two of these were with farmers, thirteen were with members of the Nabuka cooperative and nine were with non-members. I have also interviewed the manager for the Nabuka Cooperative, as well as four employees of two non-governmental organisations.

Initial contact with the cooperative was established through the Uganda Cooperative Alliance. One member of the board then introduced me to seven other members. After getting the first introduction, I asked these members to individually introduce me to six more. In this way I have tried to avoid only interviewing those whom the board representative might have thought it “appropriate” for me to talk to. When I was introduced, I ex-

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103 The terms board and committee will be used interchangeably in relation to the Nabuka Dairy Cooperative and both refer to the governing body of this society. (This is because the respondent members tend to use both these terms.)
explained the purpose of my visit and made a later appointment with a time suitable for the interviewee.

The gender composition of the cooperative is, according to the manager, that out of 98 active members 27 are women. Three out of the thirteen interviewed members were women, and these women were members of the cooperative in their own right, meaning that the membership and milk deliveries were registered in their names.

These interviews with the members of Nabuka were mainly carried out during a fieldwork in February and March 2005. During a follow up fieldwork in February 2006, eight of these farmers were visited again for clarification on some points. The hired manager of the Nabuka Cooperative was interviewed twice, first in 2005 and then in 2006.

Nine farmers who were not members of the cooperative were also interviewed. One of these was a former member. Like the members of the cooperative, they were living in or on the outskirts of Mukono town and owned dairy cattle. Contact with these farmers was established through the Mukono Parish Farmers’ Association of which they were members.

Besides interviewing these thirteen members, four interviews with staff employed by two different NGOs, the Uganda Cooperative Alliance (UCA) and Land O’Lakes, were carried out during the 2005 fieldwork. UCA is the central organisation for the cooperative movement in Uganda. All registered cooperatives are free to affiliate with UCA. It can provide certain services to the societies; in the case of Nabuka it for example functions as the external auditor for the cooperative. Land O’Lakes is a large American dairy cooperative based in Wisconsin, which implements the “USAID/Uganda dairy business development activity”. Land O’Lakes has run this dairy development programme in Uganda since the mid 1990s. The staffs of these organisations were interviewed because of their extensive knowledge of the workings of Ugandan cooperatives and, in the case of Land O’Lakes, especially dairy cooperatives.

Interviewing

Interviewing is a delicate task. Much has been written on, for example, the subject of the reliability of the information gained through qualitative inter-

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104 Interview with the manager of Nabuka Dairy Cooperative society March 9, 2005.

105 The gender relations within the cooperative have not been possible to investigate with the method and purpose of this study. Looking into that question would have demanded a more anthropological approach to gain access to more intimate knowledge of the daily lives of the respondents.

106 Interview with Edward, field-extension officer at Uganda Cooperative Alliance, March 9, 2005.

views. In my opinion, however, other researchers have already convincingly argued for the case of interviews as a means to extricate new knowledge. What can be of interest to discuss here is, however, the context in which the interviews for this thesis were conducted and for what purpose. As Andrea Fontana and James H. Frey state, interviewing can be used for a variety of purposes. In this case the interviews can be said to fulfill a dual purpose, that of “producing data for academic analysis” and to further “… the understanding of an individual or group perspective.”

The overriding purpose of the interviews with the farmers who were members of the cooperative was to capture and create an understanding for how they reasoned about their membership. I wanted these farmers to describe themselves how they looked upon their membership in the cooperative, what had induced them to join, and what possible negative and positive aspects the membership had on them as agricultural producers. In the case of the non-members, I wanted them to discuss the decision not to join. I was interested in finding out what had influenced that decision and what possible difficulties or advantages not being members entailed for the respondents.

A theoretically structured analysis of the interviews in relation to their empirical and theoretical context could, as Heléne Thomsson argues, create a deeper understanding of the studied phenomena, which for me has been the purpose of these interviews.

It will not from this type of study be possible to ascertain whether the reasoning of “my respondents” is representative (in a quantitative sense) for all members or non-members of cooperative societies. It is also not possible to discount certain possible elements of opportunism in the respondents’ answers. Respondents could have an idea about what the interviewer wants to hear, or there can be certain societal expectations on how one should reason about certain things. This, however, is not always necessarily a problem, since these answers could reflect ideals that the respondents feel are important. It is often these ideals and practises that the interviewer is interested in revealing.

Communication is of course to some extent hampered when the interviewer and respondents do not speak the same language or share the same cultural background. Out of the 21 interviewed farmers 11 farmers spoke English fluently. Three more also spoke English, but here an interpreter was at times needed. In seven cases an interpreter was needed throughout the interview. It is undeniably so that the interviews that had to be conducted through an interpreter contain less information compared to those where I could talk directly to the informant. What one fears as a researcher is of course that vital information will be lost on the detour that it has to take through the

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108 See for example Kvale (1997).
interpreter. However, the fact that half of the group of farmers spoke fluent English was a clear advantage. This to some extent made it possible for me to check on the information for inconsistencies.

With one exception the interviews with the farmers were carried out in their homes, in order to cause the least possible inconvenience to the interviewees. A recorder was used after getting permission from the respondents. Doing the interviews at the respondents’ home fulfilled other purposes as well. Some of the questions dealt with topics that could be regarded as sensitive, such as for example questions that touched upon the economic situation of the household. Other questions explored issues of the members’ loyalty towards the cooperative. In neither of these examples would it have been conducive to perform the interviews where people other than the family could have been present.

The interviews with the field workers of the two NGOs filled slightly different purposes as compared to the interviews with the farmers. The two NGOs, Land O’Lakes and UCA and their staff, can be said to be policy makers in their own right. These people, however, in their daily work also directly or indirectly implement policies and guidelines out in the field. These employees come into contact with many different types of cooperatives and farmers groups and their respective members. I was therefore interested in their opinions on farmer strategies in relation to cooperatives and within the cooperatives. These interviews took place at the respective offices of the respondents.

With the exception of one interview at the World Bank office in Uganda, the two interviews with the manager of the Nabuka Dairy and the revisits to some of the members, all interviews were taped and transcribed word by word. A transcript is never the same thing as the actual interview. Transcribing always means some level of transformation. When an interview is transcribed, one cannot really capture such things as facial expressions, which might give emphasis to the information that the respondents wants to convey. This problem, if it is perceived as such, is more serious when somebody else but the interviewer performs the transcription, which has not been the case here. The transcripts have then been systematically searched for themes or categories. The members’ reasoning on what made them join the cooperative is one example of such a category of statements.

It will be seen in the references to the interviews that some respondents have been coded and are thereby anonymous. This has been done consistently for the interviewed dairy farmers with the motivation that these are not official persons and some of the questions can be perceived as sensitive to the respondents. The official persons and employees of the various organisations that figure in this study appear as a rule with their names and positions

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in the references. On the few occasions when this rule is not applied, this has been done either on the request of the respondent or on my initiative due to the possible delicacy of the questions.

**Additional Sources of Information**

Interviews have not been the sole source of information for creating an understanding of the operations of the Nabuka Dairy Cooperative. I received permission to photocopy the handwritten register of the members’ milk deliveries for the year 2003. This contains information about exactly how much milk the members have been delivering to the cooperative day per day throughout the year. By using statistical methods it has been possible to discern trends in how members deliver: for example the continuity and fluctuations in the deliveries of individual members over the year.

Some business data on the sales of the cooperative has also been utilised mainly to show the relative importance of different sales outlets and what goods dominated each type of outlet. These business data suffer from several weaknesses. I only got access to the figures on deliveries for the year 2003 and sales for the year 2004. This makes it impossible to compare, for example, volumes delivered to the cooperative with volumes sold. Since the data is only for one year respectively, it is not possible to make out any trends in deliveries and sales. I also got access to the financial statements for the cooperative, as well as for the credit programme for the year 2004.

The reliability of this data is another aspect that has to be taken into account. Concerning the records of individual deliveries, there is room for individual mistakes in the entry of that data. I have, however, not been interested in the exact litres delivered, but rather in the delivery patterns of the members. Stable or volatile delivery patterns could, for example, indicate how important the cooperative is as an outlet for the members’ produce. The delivery patterns could also show if the deliveries are homogenous in size; that is if the cooperative is comprised of members who deliver about the same amount of milk. All these issues would be of interest when it comes to analysing the strategies of the members and the cooperative.

**The Outline of the Thesis**

In Chapter 2 the focus will be on how the economic situation in Uganda, mostly during the 1990s, is described in different policy statements, development reports, evaluations of donor support etcetera. The purpose of this two-fold: one is to point at aspects that are described as problematic, but also to give the reader a sort of background to the following chapters.

How is the public policy of transforming and modernising Ugandan agriculture discussed by policy makers? What different concepts have become
embedded in this political rhetoric and how could these be understood given the context in which they appear? These questions will be considered in Chapter 3.

In Chapter 4 the initiative by the government to revive the cooperative is analysed. This chapter deals with the question of what role policy makers see for cooperatives in the process of modernising agricultural production. What problems is it believed that cooperative can solve? What are the key areas where cooperatives are believed capable of contributing to the devised development strategy? Chapter 5 consists of a concluding discussion where the findings of part I of the thesis are summed up.

Chapter 6 is the introductory chapter to part II of the thesis, and here theoretical understandings of cooperation are discussed. Here such issues as self interest versus collective action and its implications for the possibilities and difficulties for farmers’ cooperatives are discussed. After this theoretical chapter follows an empirical description of the cooperative that I have chosen for the case study in Chapter 7. This chapter also contains a description of the market characteristics for the commodity in which this cooperative deals, namely milk.

Having provided an understanding of what type of cooperative we are dealing with, the particular organisational aspects of this cooperative are analysed in Chapter 8 using the theoretical framework discussed in Chapter 6. In Chapters 9 and 10 the focus shifts more to the members of the cooperative, dealing with such issues as how members perceive the benefits and drawbacks of cooperative membership. Moreover the aspect of power and equality is examined to see whether members feel that they can influence the decision-making process within the cooperative. The second part of the thesis is summed up in Chapter 11. The thesis is concluded in Chapter 12, which links the two parts of the study and where the main results are discussed.
Part I

Recycled Development Strategies – Reviving Cooperatives and Modernising Ugandan Agriculture
CHAPTER 2
The Official View of the Ugandan Economy at the Turn of the Millennium

This chapter aims at answering mainly one question: what picture did the policy makers want to transmit about the state of the Ugandan economy from the latter part of the 1990s and onwards when the initiative to modernise agriculture and revive the cooperative movement was formed and proposed? Before analysing this issue, some of the key actors figuring in this study will be presented. The introductory chapter contained a brief discussion on what stakeholders that have been included in this study. In this section I will introduce these in more detail. This is done mainly in order to clarify what kind of actors these are and what activities they are mainly involved in. The general purpose of this chapter is to create an understanding of how the economic situation was depicted when the initiatives analysed here were taken.

The Actors on the Scene of Policy Making

Beginning with the state, Uganda is a republic and the President is the head of the executive branch of the government, and the Vice President, Prime Minister and Cabinet Ministers assist him. The parliament is the legislative arm of government. The ministries that will figure in this study are mainly the Ministry of Tourism, Trade and Industry (MTTI) (under which the Cooperative Development Department falls), the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) and the Ministry for Financial Planning and Economic Development (MFPED). The last mentioned ministry is of central importance since agreements for donor funding of projects, independent of what ministry that is the end target of the funding, are signed by the Permanent Secretary of the Ministry of Finance.¹

The National Agricultural Research Organisation (NARO) was set up by a statute in 1992 merging several research institutions existing within different government ministries.² NARO has a mandate to

... undertake, promote, and coordinate research in all aspects of crops, fisheries, forestry and livestock, and ensuring dissemination and application of research results.\footnote{1}

Given its mandate it should be of interest how this organisation pictured the state of agriculture in Uganda before and during the formation of the analysed policy.

As was stated in the introduction, the World Bank Group is the largest donor to Uganda.\footnote{5} The World Bank Group is mainly made up of the two intergovernmental institutions, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD is the original institution founded at the UN conference in Bretton Woods in 1944. The IDA came into existence in 1960. Their activities focus on different issues. The IBRD targets what is called middle-income and credit worthy poor countries”. The IDA, on the other hand, has its focus on those countries that are rated as the world’s poorest. The IDA is engaged in financing development projects in such countries with long-term, interest free loans and grants. However, since these institutions share the same president, management and staff, they will in this thesis be referred to as the World Bank.\footnote{6}

The International Monetary Fund (IMF) was founded at the same time as the IBRD at Bretton Woods. As can be deduced from its name, the IMF has from the start had its focus on monetary issues. Support of international monetary cooperation and exchange stability, as well the provision of “temporary financial assistance to countries to help ease balance of payments adjustments” are some of the objectives of the IMF.\footnote{7}

Some of the largest bilateral donors to Uganda, such as the USAID, the DFID and Danida, will figure in this study. As was explained in the introduction, these agencies transfer economic assistance through two main channels, either country to country and more indirectly through the multilateral donor agencies. These agencies also channel increasing amounts of money through NGOs, in the case of the DFID, for example, through an organisation such as Save the Children.\footnote{8} The major donors to Uganda meet regularly with each other and with representatives from relevant ministries to

\footnote{8}{DFID, http://www.dfid.gov.uk “About DFID, Who DFID works with” (accessed April 11, 2006).}
discuss and develop strategies in what are called sector sub-groups. These sub-groups are chaired by the different donors on a rotating basis.

The Official View on Economic Development in Uganda

Uganda, like so many other Sub-Saharan countries, entered the 1980s with a lower level of income per capita than two decades earlier. During the Idi Amin years in the 1970s, GDP per capita fell steadily and the manufacturing activity disappeared almost totally. In the early 1980s under president Obote, income per head stabilized, but inflation became a severe problem. Beginning with President Obote’s return to power in 1980, efforts to restructure the economy have been attempted. This situation led to the adoption in 1987 of an Economic Recovery Program initiated by the new, and today still existing, regime under President Museveni. The reforms, which meant that the country underwent a far-reaching liberalisation of the economy, have been and are heavily supported by major international donors and financiers such as the World Bank and the International Monetary Fund.

In 1997 the Ugandan government presented its “Poverty Eradication Action Plan” (PEAP). According to Bibangambah, this plan was the result of a collaborative work process involving, besides the government, non-governmental organisations, donors and representatives of the private sector. This plan was revised a first time in 2000 and underwent a second revision in 2003. According to the Ministry of Finance, Planning and Economic Development, which is the ministry responsible for supervising national development plans, the PEAP has since its inception guided the policy formulation of the Ugandan government. The PEAP also functions as Uganda’s Poverty Reduction Strategy Paper (PRSP). These papers are produced in a collaboration between key donors and the government and outline the policy considered proper to reach the poverty reduction goals that have been set.

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10 See Cooper (2002), p. 105 ff. For an discussion of how devastating the 1970s in general was for Sub-Saharan Africa.
A plethora of “anti-poverty” projects and activities appear to have emanated from the 1997 PEAP. My aim is, however, to try and see what the official opinion is on the Ugandan development issues, what kind of conclusion donors and politicians draw regarding suitable measures and how they envision the country’s development will look like during the coming years.

The different policy documents that outline policy and discuss strategies, and upon which this chapter is mostly based, are not very specific regarding what core data they base their descriptions on. However an organisation such as the World Bank continually produces quantitative data concerning economic and human development indicators, and it is reasonable to assume that the qualitative estimations are based on these kinds of figures.

The Performance of the Ugandan Economy during the Late 1990s and early 2000

As has been stated in the introduction, the Ugandan economy is considered by most of those who speak on the subject to have done well during the 1990s, especially compared to many other Sub-Saharan countries.\(^\text{17}\) Looking at assistance evaluations and policy strategies, they all point at Uganda’s strong economic achievements in the 1990s. The DFID in their “Country Aid Programme Statement 1995 to 1997” expressed a belief that Uganda had very good prospects for further economic growth.\(^\text{18}\) The World Bank in their 1997 “Uganda Strategy” wrote that “[o]ver the past decade Uganda has emerged as the most consistent good performer in Africa.” According to the bank, the Ugandan government “… has established a record of solid economic reform and sustained growth….”\(^\text{19}\) The USAID in 2001 goes as far as saying that “Uganda is a sustainable development success story…”, referring to the fact that gross domestic product has grown at an average annual rate of 6.7 percent since the financial year 1992/93.\(^\text{20}\) This positive view of the country’s economic performance is also expressed by the Minister of Finance in the “letters of intent” to the IMF for the years 1998 and 1999.\(^\text{21}\)

However, just as there appears to have been a consensus concerning the positive development of the Ugandan economy, several points of concern are raised both regarding the future development of the Ugandan economy and how the people in Uganda have benefited from economic growth.


\(^{19}\) The World Bank (1997b), p. 3.


One such concern has to do with the long run sustainability of the described positive development. The USAID strategic plan for the period 2002 to 2007 points out that “Uganda’s progress in reducing mass poverty … was achieved during a period in which the economy grew at nearly 7% per year.” A combination of dropping rates of growth and high levels of population growth is considered to pose a threat to social service gains.

The World Bank writes in its 2001 “Country Assistance Evaluation” that there are several reasons to be hesitant about the sustainability of the past trend in levels of economic growth. The evaluation perceives a need to extend the commitment of continued economic reform beyond the president and the group close to him. According to the evaluation, this commitment for continued reform needs to encompass, for example, the bureaucracy and civil society. The drain on public finance caused by the conflict in northern Uganda is mentioned as another hinder towards sustained growth. The provision of social and physical infrastructure is deemed as critical for the continued growth of the private sector.

The evaluation expresses doubt about the capacity of civil service and government institutions to deliver this infrastructure in accordance with the programme of decentralisation of government institutions.

Even though the country at the turn of the millennia had experienced reasonably high levels of economic growth, it was still described as one of the poorest countries in the world. In some reports this is connected to reports that different groups in society have not benefited equally from economic growth. The Uganda Participatory Poverty Assessment Report, issued in 2000, states that the gap between the economic growth and the lack of progress when it comes to human development indicators is unsatisfactory. Incomes in Uganda are also unequally distributed, and this is considered to lessen the impact that economic growth can have on the reduction of poverty.

Agriculture and Economic Growth

Besides the sustainability of economic growth, the development of the agricultural sector and its effect on poverty reduction is raised as a major concern in these discussions on the Ugandan economy. All actors studied state that

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poverty in Uganda is predominantly a rural phenomenon.\footnote{See The World Bank(1997b), p. 1 and Danida, “Uganda. Strategy for Danish – Ugandan Development Cooperation, 1996, section poverty, http://www.um.dk/Publikationer/Danida/-English/CountriesAndRegions/Uganda/Strategy1996/uganda.3.1.asp (accessed May 19, 2004).} In the Poverty Eradication Action Plan, it is stressed that the group that benefited most from the economic growth during the 1990s was the cash-crop growing farmers, while the income poverty among the food-crop growing farmers did not change much.\footnote{The MFPED (2000a), p. 9 and IMF, “Uganda, Enhanced Structural Adjustment Facility Policy framework Paper, 1999-2000-2001/02”, http://www.imf.org/external/np/pfp//1999/-uganda/index.htm “Background” (accessed June 2, 2004).} Coffee, cotton and tea belong to the category of crops grown predominantly or only for cash sales, and bananas, maize, beans, finger millet, cassava and sorghum are the main food crops. A crop such as maize is both consumed and traded, and it is estimated that about 43 percent of the maize is consumed within the household and 57 percent is sold, mostly in local markets.\footnote{Ngategize et al. (2001), pp. 216-217.}

That incomes among the Ugandan population are unequally distributed can be seen when studying data concerning different categories’ percentage share of income or consumption. It does not seem possible, however, to tell if these relations have changed during the 1990s, since all data presented for the 1990s appears to be based on a survey done in 1992. In the figures for 1992-93 presented in the World Development Report 2000/01 accounting for the percentage share of income or consumption, the lowest 10 percent of the population stood for 2.6 percent of consumption and the highest 10 percent stood for 31.2 percent of consumption.\footnote{The World Bank (2000), p. 283.}

That rural poverty is deemed as critical is explained by the dominance of agriculture in the Ugandan economy. Looking at the figures in Table 1 showing the relative position of agriculture in the economy, it is clear that agriculture still plays a central although declining role.

Figures on how many people there are who depend on agriculture for their survival vary, but appear to land somewhere around 80 percent of the population.\footnote{Deininger – Okidi (2001), p. 123 and also Kazibwe (2001), p. xviii.} The Ugandan economy is described as very dependent on a few agricultural exports, namely coffee, tea, cotton and tobacco. It is claimed that smallholders, who cultivate 0.5-2.0 ha per year, dominate agricultural production. Plantation farming is rare in Uganda and occupies some 6 percent of the cultivable area. Out of the four sub-sectors, crops, livestock, fisheries and forestry, crops is the far largest both in area coverage and contribution to the gross domestic product.\footnote{Kazibwe (2001), p. xviii.}
Table 1. *Structural composition of economic activity in Uganda.*

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of Agriculture in Total GDP (%)</th>
<th>Share of Manufacturing in Total GDP (%)</th>
<th>Share of Other* in Total GDP (%)</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987/88</td>
<td>57</td>
<td>5</td>
<td>38</td>
<td>100</td>
</tr>
<tr>
<td>1988/89</td>
<td>56</td>
<td>5</td>
<td>39</td>
<td>100</td>
</tr>
<tr>
<td>1989/90</td>
<td>57</td>
<td>5</td>
<td>38</td>
<td>100</td>
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<tr>
<td>1990/91</td>
<td>53</td>
<td>6</td>
<td>42</td>
<td>100</td>
</tr>
<tr>
<td>1991/92</td>
<td>52</td>
<td>6</td>
<td>42</td>
<td>100</td>
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<tr>
<td>1992/93</td>
<td>52</td>
<td>6</td>
<td>42</td>
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<td>1993/94</td>
<td>49</td>
<td>7</td>
<td>44</td>
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<td>1994/95</td>
<td>47</td>
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<td>100</td>
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<td>1995/96</td>
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<td>1996/97</td>
<td>44</td>
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<td>1997/98</td>
<td>43</td>
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<td>48</td>
<td>100</td>
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<td>1998/99</td>
<td>43</td>
<td>10</td>
<td>48</td>
<td>100</td>
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<td>1999/2000</td>
<td>42</td>
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<td>100</td>
</tr>
<tr>
<td>2000/2001</td>
<td>42</td>
<td>9</td>
<td>49</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Bank of Uganda, Annual Reports 1998/99 and 2000/01. *It is not specified in the report what the category “other” stands for.

That the overall official attitude to Ugandan agriculture is that it is afflicted by several structural problems is made clear by a NARO report from 2001. In this report six points are listed as adversely affecting agriculture in Uganda. These factors can all be seen as inter-related, some more than others. Investments in agriculture by both the private and public sector are deemed to be inadequate. One consequence of this is the use of “rudimentary technique” in agricultural production. The “inadequate investments” should also have an effect on the problem of “unreliable marketing systems” since part of those systems, such as communications, cold chain facilities etc., are infrastructural. These problems in turn lead to “high pre- and post-harvest losses”. These problems should, however, work both ways since the “unreliable marketing systems” should affect the possibilities of attracting investments into the agricultural sector. That agricultural production is claimed to be practised on “low-yielding and low-value enterprises” is then in turn a consequence of the low level of investments and therefore the simple technology used in production. “Poor land utilisation” is perhaps mainly an effect of the rudimentary technology discussed above.

The hampering effect of agriculture on the reduction of income poverty in Uganda is considered to be a problem. Agriculture presents an obstacle because past experience tells us that the growth rate of agriculture is much lower compared to that of, for example, manufacturing or services. This, in combina-

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tion with indications that households are locked within their income sectors, is seen as problematic. The conclusion drawn from this reasoning is that rural areas need to be more directly targeted if there is going to be real reduction in poverty. The document sees the need for achieving higher agricultural growth rates, but also for increasing the level of non-farm employment in the rural areas.

In the summary of the Ugandan PEAP from 2000, the goal of the economic policies is stated to be the transformation of the country into a modern economy, and in this economy all sectors and all people within these sectors should be able to participate in the economic growth. In the plan a number of conditions for making this transformation possible are listed. Considered as the number one priority is the structural transformation of the economy, and what is mentioned first and deemed to be central here is the modernisation of the agricultural sector. In this declaration there is a focus on poverty, on the importance of making it possible for the category labelled poor to take part in economic growth. Two ways of making this possible are mentioned: to expand the so-called smallholder agriculture and also to increase the number of people employed in services and industry.

Studying statements from the donors to Uganda supports this conclusion that agriculture should be placed centre stage in efforts to combat poverty. The World Bank, for example, states that “[t]he growth linkages of a modernising agriculture are greater than those of any other sector.” Danida was no exception: they stated in 1996 that they would make support to the agricultural sector their main priority during the latter part of the 1990s.

Conclusions and Implications

The description above indicates that both the government and donors appear to have been satisfied with the pace of growth of the economy. The economy is generally described in very positive terms from the mid 1990s up until the beginning of the 21st century. That economic growth is not considered to have managed to reduce poverty to a level satisfying the policy makers is another conclusion that can be drawn from this analysis. This is made evident in the political initiatives to launch “anti-poverty programmes” such as the PEAP.

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36 The MFPED (2000a), p. 16.
37 The MFPED (2000a), p. 16.
38 The MFPED (2000a), p. 3.
39 The MFPED (2000a), p. 3.
Analysing the official discussion on the state of the Ugandan economy shows the attention paid to the role of agriculture in the economic development of Uganda. It can be inferred from the above that the government and donors have decided that the route out of poverty for the majority of the Ugandans is to go through agriculture, but also, and importantly, that agriculture as it has traditionally been practised is not considered able to accomplish this.

It is against this background that the framework for achieving what is described as a “transformation of the rural economy”\textsuperscript{42} namely the Plan for Modernisation of Agriculture was presented in 2000. The initiative to launch this framework in turn resulted in the establishment of several new government agencies which will figure in the following chapters. The institutional structure is made up of four entities. The PMA Forum consists of members from both central and local government, as well as more vaguely defined categories such as “civil society”, “development partners”, i.e. donors etc. The PMA Steering Committee is the executive branch of the PMA Forum and consists of representatives from key ministries as well as groups represented in the PMA Forum. Nine PMA Sub-Committees provide the Steering Committee with technical and policy analysis support. The PMA Secretariat, finally, both gives technical and analytical support to the Steering Committee as well as implementing the decisions made by the latter.\textsuperscript{43}

The PMA Secretariat is a small organisation without any economic resources or personnel to implement the plan as such. This secretariat works to coordinate the activities that concern the Plan for Modernisation of Agriculture in the different ministries discussed above in the section dealing with important policy making actors.\textsuperscript{44}

The NAADS is described as one of the key components of the PMA and as a government programme with the aim of improving the efficiency of agricultural extension works in Uganda. The NAADS programme was officially launched in 2002.\textsuperscript{45} The NAADS have been included on the basis of being an organisation that actively works with implementing the PMA and what is called farmer empowerment. The knowledge that this government agency should possess about the formation of policy should therefore be valuable to this study.

\textsuperscript{42} MAAIF – MFPED (Final Draft, 2000), p. 6.
\textsuperscript{43} The PMA Secretariat, “PMA Progress Report”, p. 15 ff.
\textsuperscript{45} http://www.naads.or.ug/about.php, (accessed September 17, 2004). In the PMA document it is said that “it is recognised that the success of the PMA is critically dependent on the delivery of extension and other related decentralised services for the sector” and that this the “reason that so much attention is being paid to the development of NAADS.” MAAIF – MFPED (Final Draft, 2000), p. 16.
KAPITEL 3
The Plan for the Modernisation of Agriculture

In this chapter the political initiative to modernise agriculture will be analysed in depth. This analysis will deal with the following questions. What seems to have spurred politicians to launch this initiative? What is actually intended with the concept agricultural modernisation? What do policy makers hope that this initiative will achieve?

The Origin of the PMA

The initiative to modernise agriculture was brought up already in President Museveni presidential election campaign in 1996.\footnote{Odwongo (2001) and Aruo (2001).} It appears to be after the president’s re-election that the process to create a framework for this modernisation process got underway. The concept of “agricultural modernisation” starts to appear in the national English speaking newspapers in 1996.\footnote{For example Nyakana (1996) and Luganda (1996).} By following the debates in the newspaper articles reporting on this subject, one can conclude that the development of the PMA framework took some three years from its initiation to when the finished framework was in place.\footnote{Odwongo (2001) and Aruo (2001).}

Studying the articles in the two leading Ugandan dailies, the New Vision (owned by the state) and the Monitor (a private paper) suggests that the government had good reason to try to come up with a strategy for transforming the agricultural sector. The articles concerning agriculture before the presentation of the PMA are not that many, but they indicate that at least those who wrote about farmers were discontented with the situation of the latter. This is indicated by the existence of several articles with headings of the type: “Did farmers get a raw deal?”", “Cotton farmers are cheated into oblivion”, “Farmers want rep in parliament” and “Museveni briefed on farmers’ woes” etc. This situation in Uganda, combined with the awakened international interest for rural poverty along with the general negative

\footnote{Wendo (1997).}
\footnote{Ojulu (1997).}
\footnote{Musisi-Musoke (1998).}
\footnote{Nannozi (1998).}
depiction of the state of the Ugandan agriculture, most likely paved the way for the political initiative to “modernise agriculture”.

PMA, Policies and Strategies

How then does the government want to portray the Plan of Modernisation of Agriculture? The PMA internet website gives the following overarching explanation regarding what the PMA is:

The PMA is part of Uganda's Poverty Eradication Action Plan (PEAP). It aims at improving incomes, reducing food insecurity, creating gainful employment … The PMA provides the principles and priority intervention programmes and modalities for implementing holistic and multi-sectoral programmes … The PMA is neither a project nor a programme. It provides the principles and framework for the design and implementation of programmes and projects that impact on the agricultural based livelihoods.

Considering this definition and what it should accomplish, the level of ambition for the PMA is set high. The PMA is stated to be

… a holistic framework for eradicating poverty through multi-sectoral interventions enabling the people to improve their livelihoods in a sustainable manner.

What is meant more specifically with “enabling people to improve their livelihoods” is that those farmers who are classified as subsistence farmers should be “transformed” into commercial farmers. Two types of main constraints for this process are identified, and these constraints are related to productivity and governance.

In these two categories of problems, the authors seemed to have had the ambition to cover all aspects of these constraints. Such different problems as the lack of soil fertility, lack of markets and lack of knowledge are classified as belonging to the category of productivity-related constraints. Issues such as corruption and poor delivery of services are referred to as being in the category of governance problems.

The PMA is described as a framework for the agricultural sector, and for this reason issues that do not immediately fall under the heading of agricul-

tural production, such as the provision of education and electricity, are also addressed by the PMA steering document.\textsuperscript{13}

The authors of the final draft of the PMA document stress the inclusive nature of the process that has led up to the final formulation of the PMA. It is said that the process has relied on consensus building involving all the key stakeholders.\textsuperscript{14} In the context of the PMA document, this is portrayed as something positive that would guarantee what is called a holistic approach. However, one of the involved stakeholders, the World Bank, sees some problems with this all-inclusive practice:

> While the consensus building process will undoubtedly have a large pay-off in the future, the modernisation plan’s excruciatingly slow evolution may be symptomatic to the future pace of progress in an area where stakeholder groups are so numerous and diverse…\textsuperscript{15}

The fact that more or less external stakeholders have been and are going to be important for the implementation of the PMA process is made explicit in the PMA document.

> The PMA will benefit from active collaboration and support from international development partners, some of whom have supported the formulation of the PMA right from the start. Much of the funding for the PMA activities will come from development partners and international NGOs …\textsuperscript{16}

What effect this might have on the implementation of the PMA is not further discussed. But it makes it fairly certain that external stakeholders will have some say in how the plan is going to be implemented.

Alleviating poverty by raising productivity in agriculture can be said to constitute the main goal and essence of the PMA document.\textsuperscript{17} A lot of the argumentation therefore focuses on the low productivity in agriculture and the poverty in the rural areas which can be interpreted as being both a cause and effect of this low productivity, i.e. the low productivity is partly due to the fact that farmers are poor and the farmers in turn are poor because of this low productivity in agriculture. In Chapter 2, NARO’s view of the structural problems that the Ugandan agriculture is afflicted with was presented. One thing that is described as a problem by the donors, but that is omitted by NARO, is the high dependence on a few export crops and then mainly coffee. Because of this, the World Bank and the DFID argue that agricultural exports have to become more diversified.\textsuperscript{18}

\textsuperscript{13} MAAIF – MFPED (Final Draft, 2000), pp. 4, 5 and ix.
\textsuperscript{14} MAAIF – MF PED (Final Draft, 2000), p. 1.
\textsuperscript{17} MAAIF – MF PED (Final Draft, 2000), p. iv.
Modernisation and transformation are crucial concepts in the PMA document. Imbedded in the modernisation and transformation discussion one finds the concept of poverty and its causes and possible remedies. Poverty is a charged concept and can be taken to mean many things. In this context the concept of poverty, its definitions and delimitations are relevant for what groups that are going to be targeted for reform. I will therefore discuss this before moving on to present what kind of problems that policy making actors are discussing concerning the rural sector in relation to the PMA.

Poverty in the Context of PMA

What is being discussed in this context is rural poverty. This perhaps comes naturally, considering that a large majority of the population of Uganda lives in the rural areas and what is in focus here is agricultural transformation.\(^{19}\)

The PMA approach is about transforming subsistence agriculture and poor farmers.\(^{20}\) It is claimed in the PMA document that 56 percent of total agricultural gross domestic product is subsistence production for home consumption. Subsistence farmers and poor farmers are, however, not very distinct categories, and for an understanding of which groups that are described as being specifically targeted, a closer look at the definition of these groups in the PMA document is needed. A distinction is made there between two different levels of poverty, and the groups in the Ugandan society that are perceived to be most vulnerable to poverty are defined.

In the PMA document, the category called poor people is divided into two sub-categories; the destitute and the poor.\(^{21}\) This kind of categorisation between different kinds of poverty is common in the discourse of poverty alleviation.\(^{22}\) What appears to be the purpose with this categorisation is to draw some kind of line between those who are likely to benefit from certain interventions (and therefore constitute the target beneficiaries) and those who are not. In this categorisation, the poor are said to represent the majority of people living in poverty.\(^{23}\) They are claimed to “express frustration in their attempts” to improve their livelihood, because they have “limited assets, skills and knowledge.”\(^{24}\) Furthermore their access to different basic services, such as information services and infrastructure, is said to be restricted. What

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\(^{19}\) MAAIF – MFPED (Final Draft, 2000), p. 2.
\(^{22}\) See for example the discussion by Rojas (2004), pp. 104-105.
this group is said to need is interventions that are inclusive and make use of the resources and activities that the people already possess.\footnote{MAAIF – MFPED (Final Draft, 2000), p. 8.}

The poor who are not only poor, but also destitute are said to be without both hope and assets:

They need safety net interventions and will benefit from more general interventions indirectly through improved local well-being and existing social networks.\footnote{MAAIF – MFPED (Final Draft, 2000), p. 8.}

This latter line of argument seems similar to the discussion on how the structural adjustment programs would affect the poor by different “trickle-down effects.”

In addition to this categorisation, the PMA document also lists the categories of people that are considered to be “vulnerable to poverty”:

\begin{itemize}
  \item \textit{Women}. Many women have limited economic opportunities due to their role in society and their relationships with men.
  \item \textit{Widows and female-headed households}.
  \item \textit{Male youth}. They are disaffected due to the lack of opportunities for financial gain and consequently, social well-being.
  \item \textit{Households with large families}. Many dependants place a strain on meagre household resources.
  \item \textit{People dependent on a relatively vulnerable source of income}. This group includes fishermen and small-scale farmers who rely on growing one low-value crop for sale.
  \item \textit{Casual laborers}. These people rely on limited, seasonal work for other farmers.
  \item \textit{Others}. Orphans and neglected children, the disabled, socially isolated, the sick and others.\footnote{MAAIF – MFPED (Final Draft, 2000), p. 8.}
\end{itemize}

There are some aspects of this classification that I find interesting. It is at the same time vague and specific, inclusive and exclusive. It definitely raises the question of who is not considered vulnerable to poverty in the Ugandan society. Mentioning male youth as vulnerable to poverty but not young women could be considered an excluding practice. “Large families” must be considered a vague categorisation. The classification is, on the other hand, quite specific when it singles out widows and female-headed households from the larger category of women. It is, however, important to note that being “vulnerable to poverty” is not the same thing as actually being poor.

This brief presentation of how poverty is considered in the PMA document is necessary, I think, because it has implications for how different
problems and measures are stated and evaluated. It is probable that such perceptions as those discussed above, in combination with the perceived structural problems, lead to ideas such as that the rural poor suffer from market problems and lack of financial services.  

The kinds of statements such as those presented above are in line with the idea that people can lift themselves out of poverty, if they are just provided with the right preconditions. The focus in the PMA policy on the private sector as the delivery mechanism for a variety of services, as described below by the programme officer at the PMA secretariat, harmonise well with this kind of thinking:

… PMA is really, wants to use the private sector as the main mode of delivery of services to the farmers … in PMA government wants to reduce its presence in service delivery and promote the private sector.  

In a society where the state has very limited resources (and having conditionalties from outside on how these resources should be used), this must be considered a useful philosophy.

Just as the discussion above on poverty has clear implications for who is going to be included in the process, so does the discussion on subsistence farmers. This category is less explicitly defined compared to the category of the poor. Uganda is stated to have “… three main categories of farmers: subsistence, semi-commercial and commercial.” The only definition following this statement of what characterises a subsistence farmer is simply that they produce mainly for household consumption. This definition, however, does not give that much guidance concerning who should more specifically and directly benefit from public sector interventions. It is interesting to observe that this categorisation of farmers is not the one used by the Uganda Bureau of Statistics. They have instead chosen to deal with small-scale, medium-scale and large-scale holdings.

The fact that USAID explicitly state that “… clearly even poor households are directly linked to markets and to the commercial economy…” raises the question of whether “subsistence farmers” is a category that aptly captures whatever type of farmer one wishes to capture.

It is stated that because of the limited budgetary resources “… the target beneficiaries … will be subsistence farmers who are engaged in crop, livestock, fish and forestry farming…” Other categories of farmers are also included

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29 Interview with Mr. Kakuba, programme officer at the PMA secretariat, November 21, 2003.
into the PMA framework. The commercial and semi-commercial farmers are supposed to benefit from the creation by the government of “… a conducive environment for production and trade.”

If the definition of farmers can be said to be somewhat vague and very encompassing, the same can be said of the definition of agriculture given by the director of the PMA secretariat. In the context of the PMA, agriculture is considered in the broadest of contexts. That all people involved in agriculture in one way or another are supposed to benefit from the PMA is indicated by the statement below from the director of the PMA secretariat apropos how agriculture is defined within the PMA. Agriculture is according to the director of the PMA to include:

… the tilling of the land and all activities associated with the management of crops, livestock and fish in order to derive products useful for the livelihood of mankind.…

In this way one has chosen to consider agriculture in the broadest possible way.

Reasons for Low Productivity in Agriculture

The low productivity in agriculture and the different reasons for this constitute a core in the discussion on the problems of agriculture in Uganda. What factors do then the actors studied here point to in order to explain this? Among the stakeholders that I have looked at there appears to be some consensus around what is considered to be the main reasons for the low productivity. Actors such as the World Bank, DFID and USAID stress the lack of private investments and the lack of access to markets and financial services as hindrances for higher productivity.³⁶ Kjell Havnevik states that these conclusions have been drawn for Sub-Saharan Africa in general.

The constraints by lack of markets position represents a widely shared view that lack of progress in SSA [Sub-Saharan Africa] is related to the weak functioning of markets which has been undermined by an interventionist state apparatus.…³⁷

Different government institutions like the PMA secretariat and the vice president’s office, plus a donor like USAID, agree that poor access to finance

³⁶ DFID (1999), pp. 4 and 5. Improving access of financial services was also an important component of Danida’s “Agricultural Sector Programme support. Phase I”, which was in effect between 1998 to 2004. Danida (2005).
³⁷ Havnevik (2000), p. 44.
is one of the most severe constraints to rural growth. Investment finance and working capital are considered in the PMA to be the most important bottlenecks when it comes to making smallholder agriculture more productive. This is because new and more productive technology, which is needed to raise the levels of productivity in agriculture, is supposed to be supplied through the market.

Low yielding and low value enterprises were mentioned by NARO as problems facing Ugandan agriculture. According to the USAID, these two characteristics can be connected to the problem of the low price that Ugandan agricultural producers receive for their produce. The USAID claims that infrastructure problems, lack of competitiveness and poor quality control result in the low prices received for crops. The causality of this explanation is, however, not made explicit.

The absence of strong community based organisations (CBOs), farmer groups and organisations are also mentioned as an impediment for the envisioned development. The organisations of this type that do exist are claimed by the USAID to lack sound business practices and planning skills.

Modernisation and the Issue of Creating Awareness

Modern is an elusive concept, and, even though this is the goal of the PMA, it is never really stated what “modernisation” is, how it is measured or how it is going to be achieved. As an employee at the USAID office in Kampala puts it:

Well, I have never quite understood from the government point of view what is meant with agricultural modernisation. Cause PMA really is a framework within which government institutions, donors, private sector can work to evolve the agricultural sector. I wouldn’t call it modernisation, really because I don’t know how modern is modern? …

What seems to be the prime concern in this so-called modernisation strategy is the wish to integrate the group defined as small-scale or subsistence farmers further into a market economy. In the USAID’s program outlining the planned work and output of the agency’s work in Uganda for the period 2002-2007, a majority of the Ugandan rural households are considered to be

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43 Interview project manager specialist at USAID Kampala office, November 6, 2003.
“… mired in unproductive, low-input/low-output farming, producing food largely for themselves on smallholdings.” This is a situation that the policy of the PMA wants to change. The programme officer at the PMA secretariat describes this vision in the following way:

So, gradually if we get the marketing correct, if we get the infrastructure correct, we should be seeing with time, I am not saying within the next five to ten years, perhaps in a longer term, farmers selling most of their produce in order to depend on the market.

There are statements about the awareness among farmers, or rather the lack of it, as an impediment towards rural modernisation.

… basically sometimes because of our poor communications some of our farmers’ horizons are fairly limited maybe to their own locality, now they are going to miss those opportunities that exist beyond that horizon. So there has to be a mechanism for creating awareness.

What is scattered in documents and statements, however, are visions on what the process of making farmers more market oriented, more business-minded is going to look like. In brief this is how a technical service manager at the NAADS explained how they work with trying to make farmers more market oriented:

… we begin to encourage farmers to see the advantage with the group, identifying with other groups, that are growing the same enterprise. … those associations will be basically enterprise based associations, like for example sunflower growers … maybe different farmer groups that are involved in sunflower production begin to see that there are advantages and opportunities in coming together for purposes of marketing that produce, for purposes of bulk procurement of the inputs that are required in that production. Now as part of our farmer group development, some of the activities that we see coming up are things like use of credit, credit management and so on, savings and basically we are testing a number of approaches; for one of the approaches we have actually contracted UCA for support…

Even though the respondent above is talking about farmers’ associations and farmer groups, the vision of NAADS is that these eventually are going to evolve into cooperatives:

… Now finally we think that when you have empowered the groups and they have been able to form associations that is the path towards cooperatives,

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44 The USAID (2001), p. 36.
45 Interview with Mr. Kakuba, programme officer at the PMA secretariat, November 21, 2003.
46 Interview with Mr Oryokot, technical service manager at NAADS, November 4, 2003.
47 Interview with Mr Oryokot, technical service manager at NAADS, November 4, 2003.
those associations should eventually evolve into some specific cooperative associations. 48

The advisor at NAADS believes that it is going to be more difficult to get people to see the advantages with coming together in groups in the central part of the country compared with the west.

… Our history has influenced societies differently … for example around Kampala … quick money has sort of made individualism very strong. And you know, cooperative or farmers’ group organisation development is going to be one hundred percent based on trust. So if I don’t trust you and think that you are only trying to exploit me it is not going to be conducive. So we are only already seeing that some districts in what we call up country, away from Kampala, some farmer institution development proceeding [at an] easier faster rate, in fact here we are going to get problems. 49

He claims that people in the west “… understand that being able to access market is going to require some level of organisation.” 50 But another interpretation of these differing levels of organisations could of course be that farmers in central Uganda for different reasons do not see the need for organisations in the same way as those in other areas.

The problems facing this transformation are many and diverse. There seems, however, to exist a common understanding that most of the farmers on their own run too small enterprises to be able to take advantage of the possibilities offered by the liberalised agricultural markets.

Conclusion

In this chapter the initiative to “modernise” agriculture has been presented and analysed. The word modern is an elusive concept and therefore deserves to be put within quotation marks. What is actually specifically meant by modern is not defined, but the overarching aim of this policy is said to be “transforming” and “re-orienting” subsistence farmers “towards commercial agriculture”. 51 The issues that have been discussed in this chapter can be divided into problems that justify the actions and the goals that the stakeholders claim that they want to achieve by this political strategy.

The main overarching problem discussed is rural poverty. As was presented in Chapter 2, this initiative can be seen to emanate from the more general focus on poverty alleviation that has been on the agenda of politicians and donors alike in the period investigated in this thesis. The PMA also

48 Interview with Mr Oryokot, technical service manager at NAADS, November 4, 2003.
49 Interview with Mr Oryokot, technical service manager at NAADS, November 4, 2003.
50 Interview with Mr Oryokot, technical service manager at NAADS, November 4, 2003.
51 MAAIF – MFPED (Final Draft, 2000), p. 3.
accordingly contains a discussion on poverty; a discussion centring primarily on what groups that are susceptible to poverty and what groups that are the target for reforms.

Problems pointed to as contributing to rural poverty are mainly a list of absent factors: lack of financial services to rural producers, lack of access to markets and lack of private investments in agriculture. The produce generated by the farmers is, moreover, perceived to be of low quality. That agricultural producers are not well-organised is also perceived to be a problem. Exactly how these constraints affect agricultural producers and rural poverty is, however, not defined in the rhetoric analysed here.

The goals of the policy described and discussed above are mainly to raise the productivity of the agricultural production and also to raise the quality of the produce. By achieving these goals, it is hoped that agricultural producers will be better paid for their produce, which is another goal of this policy. It is, however, only the quality aspect of the strategy that can be connected to better payments to farmers. Raising productivity, though, should also result in the release of labour from the agricultural sector, but how this released labour is to be absorbed is another issue and one that is generally left out of the analysis.

One way of interpreting the choice of problems that are pointed to in the rhetoric, i.e. missing links between farmers and markets, deficient access to financial services etc., is as an implicit acknowledgement that the policy of structural adjustment and liberalisation has affected rural productivity, and thereby rural poverty reduction, adversely.52

The kind of policy proposed, however, gives no real indication that the neo-liberal politics of structural adjustment and liberalisation have ceased to be the leading political agenda. There are several components in what issues that are singled out as problems that support such a conclusion. The most important aspect is how the future roles of the state and the private sector in agriculture are expressed. When policy makers talk about investment into agriculture, it is for example not primarily public investment, but rather private investments that are supposed to fuel the development of Ugandan agriculture. The delivery of services to rural producers is one such thing that the private sector rather than government should take care of, according to this line of thinking.

52 See for example discussion by Gibbon (2000a), pp. 16-17.
CHAPTER 4
The Initiative to Revive the Ugandan Cooperatives

The political drive to revive the cooperatives in Uganda was launched in 2002, two years after the presentation of the final draft of the PMA. The initiative can be derived from the executive branch of the government. Both a respondent at the Vice President’s office and a respondent at the CDD points to the Vice President, Dr. Speciosa Wandira Kazibwe, as being mainly responsible at the end of the 1990s for this initiative to revive the cooperatives. This process of bringing cooperatives back into focus is said to be a result of a general aspiration to remove obstacles to production, primarily in agriculture. A workshop presided over by the country’s president in 2002 is claimed to have resulted in the launching of the programme “Building a Uganda Middle Class to Generate Wealth Through the Cooperative Approach”. The Vice President at this time issued a pamphlet with the same name to inform civic leaders of the government’s position on cooperatives. That the matter was acknowledged in the Ugandan politics in 2002 is further evident in a transcript from a session in parliament in July 2002. Here the Minister of Trade clarified in a debate that “… this initiative is meant actually to strengthen the co-operative movement in this country.”

In Chapter 3 it was stated that policy makers perceive the lack of organisation among farmers as a problem for the development of agriculture. As was discussed in Chapter 1, cooperatives were historically an important element in the Ugandan economy, but they generally did not cope with the introduction of the politics of structural adjustment and liberalisation very well. How then do policy makers discuss the past situation of the cooperative movement,

1 Interview with Dr. Muduuli, permanent secretary, principal private secretary to the Vice President, November 18, 2003. (Dr. Muduuli had held this position also when Dr. Kazibwe held the office of Vice President) and the Cooperative Development Department (CDD) (n.d.), “Building a Ugandan Middle Class to Create Wealth Through the Cooperative Approach. A brief for the H.E the Vice President.” It has not been possible to establish the exact date for this brief, but it was addressed to the Vice President who succeeded Dr. Kazibwe in 2003.

2 Kazibwe (2002) and e-mail correspondence with Mr. Mwesigye, commissioner for cooperatives, (CDD), January 21, 2004.

and what role do they see that cooperatives could fill in relation to the economic context as it appears to be perceived by the makers of policy?

The most commonly listed critique against the Ugandan cooperatives is that they were ridden with managerial problems, that they became increasingly politicised and did not improve the income levels of their members nor ensure the efficient marketing of agricultural produce.\(^4\) It is further claimed in the PMA document that the cooperative movement in the past decade was incapable of “… mobilising the production capacity of small producers for the production of income generating commodities.”\(^5\) Among other things, this inability is claimed to have resulted in the under-capitalisation of cooperative unions and societies. At the CDD this under-capitalisation is then in turn said to be the result of the fact that members either lack funds to invest in shares or are unwilling to do so.\(^6\)

I have not been able to interview the former Vice President; the politician who at that time most clearly spoke in favour of the cooperatives.\(^7\) It has, however, still been possible to study her argumentation mainly by consulting the pamphlet which she issued in 2002.

In her rhetoric the former Vice President goes to great lengths to distance herself from what she sees as the old cooperative movement. As one way to wash her hands, so to speak, of the old cooperative structure, she in her pamphlet begins by stating that she herself has never been involved in cooperatives; she has never been what she calls a “cooperator”.\(^8\) She also wants to show an awareness that people in Uganda might feel hesitant about cooperatives:

… A good number of you, like me “tasted” the cooperatives of the past and are not very keen to embark on or be part of something you know is associated with “failure”.

She goes on to state that:

Until 1996, I was vehemently opposed to cooperatives. I have however, after a lot of study, consultation, careful analysis and assessment, reversed my opinion. I believe that cooperatives will make a positive difference for all our people in our quest for economic empowerment and social political development.\(^10\)

\(^6\) The CDD, (n.d.), “Building a Ugandan Middle Class and Generating Wealth through the Cooperative Approach. A brief for the H.E. the Vice President.”, p. 7.
\(^7\) She stepped down from office in 2003 and was according to various sources pursuing a PhD in medicine in the United States during the period for my field works.
That the leadership that came into power in 1986 had a rather pessimistic attitude towards cooperatives is further indicated by statements from the Cooperative Development Department (CDD) that suggest that government or parts of government did not see the possible benefits that cooperatives could bring for economic development. A member of the Ugandan parliament stated his opinion on this matter very frankly in the following way at a meeting of the Parliament on July 11, 2002: “I consider it a great mockery that the very source of deliberate destruction of the co-operative movement should now contemplate its revival.”

In her admittedly brief reflection on the reasons for the past difficulties of the cooperative movement, the Vice President focuses on three variables: the membership, the management and the societal environment in which she includes politicians. That the members of the societies lacked education and therefore had difficulties with monitoring the appointed managers of the cooperatives is pointed to as one problem for the cooperatives. That the members had difficulty in monitoring the managers caused problems, since the management according to the Vice President often lacked in management skills and integrity. These two variables along with a general lack of democratic role models and civil strife led, according to the former Vice President, to the downfall of the cooperatives. In the introduction, she also fleetingly mentions political interference as having had a damaging effect on the cooperative movement. She, however, chooses not to elaborate further on this when she lists the difficulties faced by the Ugandan cooperatives. In her statement, she moreover does not state if she is referring to any specific types of cooperatives, or if her argument concerns Ugandan cooperatives in general.

The commissioner for cooperatives at the CDD does not appear to be of the opinion that government intervention contributed to the difficulties of the cooperative movement:

“I would not agree … Because the cooperatives still elected their leaders, still had their own managers, so, while the government may have interfered somehow maybe, but still the members had part of the saying … Sometimes the government interfered because of a good cause, you would see somebody really ripping off the whole thing and they [the government] had to come in.”

11 Interview with Mr. Mwesigye, Commissioner for cooperatives, CDD, November 11, 2003 and the CDD (n.d.), “Building a Ugandan Middle Class to Create Wealth Through the Cooperative Approach” A brief for the H.E the Vice President p. 8.
13 Kazibwe (2002), pp. 4-5.
15 Interview with Mr. Mwesigye, Commissioner for Cooperatives, CDD, November 11, 2003.
The way in which he considers government involvement as something that was done to protect the members from embezzling managers is interesting. His statement points at possible difficulties regarding the ownership of the cooperatives societies, where members were unable to hold the leadership of their societies accountable.

The view that the government had an important effect on the difficulties of the cooperative movement is expressed by an employee at the USAID’s Kampala office. She said the following on being asked about the relative importance of government involvement and the members’ possible lack of commitment for the difficulties of the cooperative movement:

… many people look at the role of the government in the mismanagement of the cooperatives. Essentially the government would hire all the cooperative management. … So whether members mistrusted each other I guess at that time within those types of cooperatives it had insignificant contribution to the downfall, but it is likely to become more important now with the privately owned groups.16

The last sentence in the quotation indicates that the respondent sees member trust as an important parameter for the success of cooperatives, which because of the focus on political interference in the cooperatives was not so obvious before.

It is interesting to compare the official view of the former Vice President with the opinion of her principal secretary as given to me during an interview. When asked about what went wrong with the cooperative movement, he appeared to be very convinced about what caused the cooperatives to fail:

… What killed the cooperatives in Uganda … was a change of the cooperative act which empowered the ministry for cooperatives to appoint the administrative managers of cooperative societies, so these people who controlled the money were like the executive officers, they controlled the money and the functioning of the administration of the cooperatives, they were not appointed by the people/the members, they were appointed by the ministry. So they reported to the ministry, they were getting auditors from the ministry, they would bribe them and get away, they grew big stomachs…17

When the NARO recapitulates the history of the cooperative movement in Uganda, it also put the focus on government involvement. It stress that the control of the co-operatives was separated from their ownership. This constitutes a development that fundamentally alters the guiding principle behind the co-operative movement. The explanation that NARO gives for this separation of control and ownership is that the government after independence came to look upon cooperatives as “… an effective institutional mechanism

16 Interview with project manager specialist at USAID Kampala office, November 6, 2003.
17 Interview with Dr. Muduuli, permanent secretary, principal private secretary to the Vice President, November 18, 2003.
for socio-economic development …” and because of this provided the cooperatives with both financial support and protection from other competitors.\(^1\)

In the presentation of the history of the Ugandan cooperative movement in Chapter 1, mainly two interlinked reasons for government involvement in cooperatives were discussed. The motives mentioned were connected to the issues of controlling cash crop production and socio-economic development. Considering however first the oppressive regime as well as the unstable security climate in Uganda from 1971 up until the latter part of the 1980s, it is questionable how important the issue of economic development really was in government strategies.

Although not being one of the “themes” which guided the interviews, some of the interviewees still gave their opinion on the reasons for government control. What come forth are accounts that support the established theories about how the state sought to control cash crop production.\(^2\) But there were also discussion about how politicians for different reasons saw a strong cooperative movement as some kind of threat to their power. This is how the former General Secretary of the Uganda Cooperative Alliance looked upon the past relationship between the government and the cooperative movement:

… One, cooperatives can mobilise and can be a threat to government; when I was general secretary here I could easily get a hundred signatures from any place in the district…you have people rallying behind you and government fear following, following of people … So the cooperatives and the government is a love-hate relationship.\(^3\)

A rural development specialist working at the World Bank office in Kampala explicitly mentioned government fear of people being “empowered” in cooperatives as a reason for government interference in the cooperatives.\(^4\) Basically the same story is told by a civil servant at NAADS; his account, however, also has bearing on NAADS’ work with farmer groups, groups that this agency hope eventually will evolve into proper cooperative enterprises:

One of the things that we are really having as a problem in the NAADS is that in some districts the political leadership is looking at the farmers’ organisations as rival institutions. So you could probably say that one of the possible threats would be political interference. That is basically where we come from; we have some of those lessons…\(^5\)


\(^2\) Interview with Mr. Kabuga (former Secretary General of UCA) and Mr. Gashumba, consultants hired by UCA to work on the new cooperative development policy. November 11, 2003.

\(^3\) Interview with Mr. Kabuga (former Secretary General of UCA) and Mr. Gashumba, consultants hired by UCA to work on the new cooperative development policy. November 11, 2003.

\(^4\) Interview with the Rural Development Specialist at the World Bank office in Kampala, November 6, 2003.

\(^5\) Interview with Mr Oryokot, technical service manager at NAADS, November 4, 2003.
This experience by NAADS somewhat contradicts the belief expressed by the former Vice President that cooperatives will succeed better this time around because the NRM government has brought the rule of law and has empowered institutions in Uganda.27

The permanent secretary to the former Vice President, who has followed the political initiative to revive the cooperatives from the inside, stresses how important the independence of the movement will be for the success of the revival.

But the cooperatives are organised by farmers based on a common interest. And that they, the office bearers are freely elected and that they develop their own internal rules which govern them and that government does not interfere with their operations and that instead government assists them and that they also offer extension services to their customers to their farmers, their members. But most important really is that they are free, they operate freely and government does not interfere.…24

In an undated brief from the CDD to the Vice President who replaced Dr. Kazibwe, it is maintained that the old cooperatives did not pay so much attention to their customers and the market; instead they lobbied the government for different kinds of concessions. With liberalisation this is considered to no longer be an option, and the department for cooperatives wants to emphasise that new and old cooperatives will have to find capital from their own resources and focus on entrepreneurship.25

This analysis of these official narratives of what problems that the Ugandan cooperative movement has been saddled with in the past does point at some new insights. It shows that accepting the conventional explanation of political interference in the running of the cooperatives at face value could mean omitting other factors that could have had relevance for this development.

Generally, little attention seems to have been paid to what significance member conduct has had on the performance of the cooperatives. Of primary interest here is the lack of capacity or interest in holding for example mangers accountable. The lack of farmer control over the cooperative societies is noted by some authors, but it has not really been discussed.26 It seems reasonable to suppose that this lack of control stemmed from a lack of ownership and lack of will to fight for the control of the societies. These questions fall outside of the scope of this study, but they still open up for thoughts on the conditions for existing Ugandan cooperatives.

24 Interview with Dr. Muduuli, permanent secretary, principal private secretary to the Vice President, November 18, 2003.
25 The CDD, (n.d.) “Building a Ugandan Middle Class and Generating Wealth through the Cooperative Approach”. A brief for the H.E. the Vice President”, p. 11.
26 For example Sorenson (1992), pp. 21 and 23.
What Role for Cooperatives?

What kind of function then do policy makers envisage that cooperatives could have in the Ugandan society in the beginning of the 21st century? If one considers the structural problems that agriculture was described as beset with in Chapters 2 and 3, what role do policy makers see for cooperatives in alleviating these problems?

Mobilising for Financial Services

The political initiative to revive the cooperative movement has a clear focus on the benefits of savings and credit cooperatives, so-called SACCOs. In the government paper “Building a Ugandan Middle Class and Generating Wealth Through the Co-operative Approach”, the initiative to review the policy and law on cooperatives is briefly discussed. What is mentioned as the prime reason for this revision is the renewed interest in cooperatives and then especially the savings and credit cooperatives. Further reasons mentioned for this revision of law and policy is that the government perceives a need to secure the savings of members of these SACCOs and to remove undue interference by the state.

What politicians and other policy maker seem to hope is that the cooperative societies could ease capital formation among the Ugandan people by mobilising people to pool their resources into for example SACCOs. As was stated earlier in the text, the lack of access to financial services is considered to be one of the most important bottlenecks for the commercialisation of agriculture. The statements made by the principal secretary to the Vice President on how the policy of reviving the cooperatives started indicate that this played a crucial role:

… Now at the same time in the Ministry of Industry, Trade and Tourism, under which the cooperatives fall, there was that drive which is also supported by your countries, and the Uganda Cooperative Alliance, they were in a small way trying down there to reactivate and also create new cooperatives and mainly only credit, creating capital…."

The same respondent comments on the development after the liberalisation started and the parastatals collapsed:

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27 The Vice President’s Office (2003), p. 6.
28 The Vice President’s Office (2003), p. 6.
29 Interview with Dr. Muduuli, permanent secretary, principal private secretary to the Vice President, November 18, 2003.
… now the major limitations and which required cooperatives, which we think require cooperatives, is capital formation, cause when people come together they contribute capital and so forth…

In the government program declaration to revive the cooperatives, prepared by the Vice President, there is a clear focus on the opportunities offered by the savings and credit cooperatives. The government wants the people in Uganda to be able to create self-employment opportunities, and this is supposed to be easier if the Ugandans can access funds through their own savings.

There appears to exist a thinking among politicians that cooperatives, in this case savings and credit cooperatives, can function as intermediaries, not only between the government and rural areas but also between what can be called the informal and the formal financial sector. The principal secretary to the Vice President expresses the following opinion:

… But you will see that because there are no financial systems in the villages, in other words, the rural financial system is not there, that is why the cooperatives encourage it because these people can start running their own cooperative savings and credit and then interlink with the main banks, cause now we don’t have, its not economical to have any bank with branches…

The potential of cooperatives to link up with banks and in this way provide input credit for farmers is discussed by the commissioner for cooperatives at CDD as one important aspect that cooperatives could help to achieve.

There are indications in the documents that this potential role for the cooperatives was regarded as something comparatively new by the government and administration at the end of the 1990s. In the policy statement from the MTTI to the parliament for the financial year 2000/2001, the ministry perceives a need for the cooperative movement to diversify and provide support for societies also in sectors where cooperatives do not have a long tradition. The ministry points to micro-finance as an example of such a sector. If one looks at the policy statement for the financial year 2003/2004 there is no mention of the need to diversify; instead it is stated that the CDD has been active in monitoring and supervising cooperative micro-finance savings and credit services.

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30 Interview with Dr. Muduuli, permanent secretary, principal private secretary to the Vice President, November 18, 2003.
32 Interview with Dr. Muduuli, permanent secretary, principal private secretary to the Vice President, November, 18, 2003.
33 Interview with Mr Mwesigye, Commissioner for Cooperatives, CDD, November 11, 2003.
Service Delivery, Market Access and Bargaining Power

As has been stated earlier in this study, the lack of strong organisations among farmers is considered to be hindering economic development.\textsuperscript{36} Behind this concern is the idea that it will be easier for example to deliver extension services to farmer groups than to individual small-scale farmers. Some actors talk about the necessity of reaching a “critical mass”. This concept is, however, never really properly defined. Nonetheless, considering the context in which it is used, I take it to mean a large enough number of people to be able to create some economies of scale in different operations.

... you have to look at the agricultural sector and you find that it is essentially smallholder driven and if you have to reach a \textit{critical mass} you kind of got to have some form of working together.\textsuperscript{37}

The principal secretary to the Vice President describes a bit more carefully why creating this “critical mass” is important:

So what we have found is that cooperatives is a critical entity for organising all these people and making a \textit{critical mass}, … you cannot be able to transform these people individually, you need them to be organised, … they have to make themselves strong in strong organisations through which first they lobby, they can manage themselves, they can raise capital.\textsuperscript{38}

The idea of reaching more people at the same time with the modernisation and commercialisation policies runs through other explanations as well:

Essentially we would not be able to reach each and every individual farmer because they are really very small. But with the groups it becomes more effective … the essence of bringing these farmers together is to pull resources and tackle constraints as a group, the whole idea of economies of scale.\textsuperscript{39}

The explanations figuring in the quotations can basically be said to be connected to the issue of reaching farmers with inputs, whether these are actual practical services or inputs in the form of ideas. There are, however, other reasons as to why these CBOs and farmers organisations are considered to be of so great importance. In the “Integrated Strategic Plan for USAID’s Program in Uganda”, the link that these organisations can provide between individual farmers and the market is stressed:

Community-based producer organisations whose membership consists of small farmers … lack sound business practice and planning skills. Such organis-

\textsuperscript{36} See discussion in Chapter 3 above.
\textsuperscript{37} Interview with project manager specialist at USAID office in Kampala, November 6, 2003.
\textsuperscript{38} Interview with Dr. Muduuli, permanent secretary, principal private secretary to the Vice President, November 18, 2003.
\textsuperscript{39} Interview with project manager specialist at the USAID office in Kampala, November 6, 2003.
ations are critical because they are the best channels for rural producers to link with markets.\textsuperscript{40}

This line of thinking, that the producers need to organise in order to get access to markets and to get bargaining power in relation to buyers, is also found at NAADS. Also there the issue of the size of the operations is one crucial element. The technical service manager, for example, discussed the case of out growers of sugar cane. He explained that if the grower only produces for example one ton of sugar cane, the factory will not send a truck to pick up the sugar cane for just one such farmer. In that case the farmers would therefore benefit from joining together, because then they would reach a higher volume of produce and the factory could send a lorry to pick up the produce from a larger number of farmers at a time.\textsuperscript{41}

At the PMA secretariat the issues of making farmers more competitive and enabling them to receive better payment for their produce are two reasons mentioned for reviving the cooperative approach:

\small
\begin{quote}
\ldots so one reason for reviving the cooperatives/organising farmers is really to give them that kind of, now to deal with traders as a group so that that way they could perhaps get a better price.\textsuperscript{42}
\end{quote}

This kind of thinking is present in other and similar accounts of the reasons for reviving the cooperatives. The PMA program officer quoted below is discussing how cooperatives could help solving the problem with farmers who are discontented with the payment for their produce:

\small
\begin{quote}
\ldots now if we look at it at the farmers’ level there are all sorts of problems, well farmers complain that they are being cheated. I think they compare like if they are organised groups they can be able to get better prices perhaps as when compared to when they are dealing with traders individually.\textsuperscript{43}
\end{quote}

That farmers complain about not being properly paid for their produce by the private buyers is evident by studying newspaper articles. In 1998 articles about the need for farmers’ associations start to appear in the papers.\textsuperscript{44} In \textit{The New Vision} on the 26th of January, the Deputy Commissioner in the Ministry of Agriculture is said to have urged farmers to form marketing groups. He is further to have said that: “\ldots a free economy made it impossible for the farmer to survive alone.”\textsuperscript{45}

\begin{thebibliography}{9}
\bibitem{40}The USAID (2001), p. 45.
\bibitem{41}Interview with Mr Oryokot, technical service manager at NAADS, November 4, 2003. See also interview with Mr. Mwesigye, Commissioner for Cooperatives, CDD, November 11, 2003.
\bibitem{42}Interview with Mr. Kakuba, programme officer at the PMA secretariat, November 11, 2003.
\bibitem{43}Interview with Mr. Kakuba, programme officer at the PMA secretariat, November 11, 2003.
\bibitem{44}See for example Luganda (1998), Nannozi (1998) and Mugenzi (1998).
\bibitem{45}Luganda (1996). That farmers complained about being cheated by private traders was discussed also by the programme officer at the PMA secretariat. Interview with Mr. Kakuba, November 21, 2003.
\end{thebibliography}
Since liberalisation and privatisation is a cornerstone in the government’s policies, this preoccupation with the problem of the private traders is somewhat surprising. Because they are part of the private sector, which is given a key position in the Uganda economic policy, it appears somewhat inconsistent that their activities are regarded as a problem rather than being welcomed. The programme officer at the PMA secretariat figuring above gave me the following explanation for the government concern:

…Because what happens virtually is that the traders go to the farm gates and negotiate with the farmer and with the lack of market information of what is happening, what prices are prevailing in different places, then you find the farmers cannot negotiate properly on their own.

It is not just in the role of creating a link between farmers and the market that cooperatives are perceived as important at the PMA office. In Chapter 3 it was mentioned that Ugandan agricultural products suffer from a lack of quality control and that this hampers productivity. This is how the programme officer at the PMA secretariat described how the liberalisation of agricultural markets has affected the quality of agricultural produce:

…when the cooperatives collapsed, when the marketing boards collapsed and traders now started competing with each other by going to the farm gate the problem of quality came in … because some of the traders … did not mind about what type of quality they buy. They would just go and buy coffee which has just been harvested, not yet dried, some would actually go the farm before they harvested the coffee or cotton and say I am buying this field … the farmer had no incentive now to improve his quality because he knows whatever quality he produces somebody will buy it, even if it is at a lower price, but … it may be better to get a lower price than spend a lot of time trying to improve on the quality … the opportunity cost may not be worth it.

Here the PMA secretariat sees a possibility for cooperative societies to play a role. What they hope for is that group pressure will make it impossible for members to bring products of low quality to the cooperative and also inhibit members from selling to private traders.

So when we are having farmers organised in cooperatives or farmers groups, one reason is trying to improve on that aspect. Because through the groups, sanctions can be applied by the group members on those members who try to

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48 Interview with Mr. Kakuba, programme officer at the PMA secretariat, November 21, 2003.

49 Interview with Mr. Mwesigye, Commissioner for Cooperatives, CDD, November 11, 2003.
either break the code of conduct for the group by selling to individual traders or selling poor quality, bringing poor quality produce to the group or the cooperative.\textsuperscript{51}

In the quote above, peer pressure or group sanctions are seen as a solution to the problem of low payments for the farmers’ produce.\textsuperscript{52} However there is no analysis made of the difficulties for a group to actually monitor and sanction such behaviour. That issue will be discussed further in the second part of the thesis.

Poverty Reduction – the Multiple Purposes of Cooperatives

The connection between poverty-reducing measures and the cooperatives is made in a statement prepared by the Vice President’s office. It is stated in the document that the government is responsible for “anti-poverty interventions” and that mobilising people, using the cooperative approach, will address this problem.\textsuperscript{53} How this is going to be done more explicitly is, however, not explained. In the statement from the Vice President’s office referred to above, the state is said to back away from areas where it traditionally used to intervene to a larger extent, for example in areas such as the creation of jobs and also the provision of a variety of social services. There is recognition in the document that it is not possible to rely on investor-owned companies for the wide range of economic and social needs that exists.\textsuperscript{54}

Here the principal secretary to the Vice President takes a broad stance towards what cooperatives can achieve and why they are necessary:

\dots And that is why this cooperative thing is at the centre. It is a cross cutting issue, organising people for transformation. And it could be even professionals being organised for delivering for example extension services. It can be any group, but we are focusing now on the peasants.\textsuperscript{55}

That the MTTI has an interest in pointing at the possibilities of using the cooperatives in developmental programs is perhaps not that surprising. The context in which the Ministry tries to place cooperatives is interesting because it so very clearly connects the question of cooperatives, agricultural modernisation and poverty alleviation:

\textsuperscript{51} Interview with Mr. Kakuba, programme officer at the PMA secretariat, November 21, 2003.
\textsuperscript{52} See also interview with Mr. Mwesigye, Commissioner for Cooperatives, CDD, November 11, 2003.
\textsuperscript{53} The Vice President’s Office (2003), p. 1.
\textsuperscript{54} The Vice President’s Office (2003), p. 5.
\textsuperscript{55} Interview with Dr. Muduuli, permanent secretary, principal private secretary to the Vice President, November, 18, 2003.
... based on the recognition that the Co-operative movement has the capacity to deliver Government programs, particularly with regards to poverty eradication and PMA and can be used as an effective tool for rural economic transformation.\textsuperscript{56}

The most interesting part of this quote is the stated belief that the “Co-operative movement has the capacity to deliver government programs”. In this ministerial statement, the CDD conveys the view that cooperatives and the cooperative movement can be used as an instrument for implementing politically designed interventions. As was discussed in Chapter 1, this is very much the same kind of reasoning as that which caused politicians and donors to show so much interest to cooperatives during the 1960s, 70s and early 80s. There are, however, no concrete suggestions on how the cooperatives should promote this “rural transformation”.

Why Cooperatives?

Why choose the specific organisational form of cooperatives seems to be a relevant question, especially if one considers the history of cooperatives in Uganda and the hesitancy that some actors express about cooperatives? It is, however, difficult to give a clear answer to this question.

If one poses this question to for example the commissioner for cooperatives at the CDD, the answer is basically that cooperatives are the only type of organisations that function as legal entities. The government, according to the Commissioner for Cooperatives at the CDD, came to the conclusion that they could only assist the rural areas through organised groups that are legally recognised.\textsuperscript{57} It is not only the government that stresses the importance of farmers being organised in groups that are legally recognised. The Uganda Cooperative Alliance also points to this fact.

Because a cooperative society is a legal entity, the interests of members and those that deal with it are protected in contrast to other associations or groups without a legal basis.\textsuperscript{58}

Under the heading, “Cooperatives at the international level. ‘No need to reinvent the wheel’”, experiences and examples from other countries are briefly discussed. The Vice President states that developed

[c]ountries, which have used the agrarian revolution as a stepping stone to economic empowerment, have in their history the development of cooperatives.\textsuperscript{59}

\textsuperscript{56} The MTTI (2003), p. 16.
\textsuperscript{57} Interview with Mr. Mwesigye, Commissioner for Cooperatives, CDD, November 11, 2003.
\textsuperscript{58} Kabuga (1998), p. 5.
There is surprisingly little discussion about what these cooperatives have achieved in other countries. Still, it is not likely that these ideas are born in a vacuum. The way the former Vice President argues, indicate that inspiration has come from outside Uganda.

The quote below from the commissioner for the Department of Cooperative Development indicates that exactly how this process of influences from abroad works is far from clear even for persons who have followed it closely.

… They had the history, they had shown what they can do, so the change of heart came. I think that of course they looked at other countries, our neighbours, Tanzania, Kenya they were doing the right thing, the cooperatives thrived. And somehow the World Bank also changed its heart; I don’t know what happened.\textsuperscript{60}

Taken together, the statements from the former Vice President and the commissioner for the Department of Cooperative Development show that the justification for pursuing this “cooperative initiative” to some extent was lent some legitimacy by the use of successful historical and foreign examples.

Conclusion

One important question that has been touched upon in this chapter is the opinions on why the cooperative movement became so weakened in the past. Probing into the views on this issue shows that the picture of political interference would need to be analysed further. The temptation for both members of the cooperative societies and unions and the state to use the cooperatives for different political purposes in the past is obvious, but the question is if this temptation has fully disappeared.

Politicians and civil servants put forward various things that the cooperatives societies could accomplish for the Ugandan society. To deliver credit to small farmers is one aspect stressed by those who urge the revival of the cooperatives. To ease the marketing situation in the rural areas is another function which the cooperatives are hoped to perform. It is also hoped that by joining together farmers should be in a better position to negotiate with private buyers. This is a need that has sprung up on the liberalised agricultural markets where farmers, according to the official description, experience difficulties in finding out for example the current selling prices.

\textsuperscript{60} Kazibwe (2002), p. 12. (The word “used”, is in this context interesting in itself since it indicates that the “agrarian revolution” is something that lies ready to be “used” to transform an economy.)

\textsuperscript{60} Interview with Mr. Mwesigye, Commissioner for Cooperatives, CDD, November 11, 2003. The first three “they” refer to cooperative societies, the forth to the government of Uganda and the fifth to the governments of the other countries he mentions.
A slightly different aspect that it is also hoped that farmers’ organisations such as cooperatives should deal with quality improvement. The private buyers are, according to the official rhetoric, often not that particular with the quality of the produce that they buy from the farmers. Why this is so is not really explained, but this state of affairs is claimed to result in lower prices being paid to the farmers. Group marketing is believed able to alleviate this problem by the group not accepting produce of inferior quality. This result cannot, however, be taken for granted. If there are no incentives to produce high quality produce and moreover if these standards are not enforced by higher authorities, there is nothing to say that cooperatives would take it upon themselves to see to this issue.
CHAPTER 5
Reviving Cooperatives and Modernising Agriculture – Concluding Remarks

As can be seen in the political rhetoric, the attitude towards cooperatives has shifted among those in power in Uganda. In the wake of this shift, the number of new registered cooperatives, mainly savings and credit cooperatives, has also gone up. According to my analysis, there are several reasons for this change towards a more positive attitude towards farmers’ organisations in general and cooperatives in particular. To begin with, the conclusion drawn by policy makers that savings and credit facilities are an important tool for poor people to lift themselves out of poverty has led to a new interest in savings and credit cooperatives. The term “themselves” is of crucial importance here because of the implications that the poor will have to find ways to use their own resources, rather than that these will come from other sources.

Another aspect which has so to speak brought the cooperatives into fashion again is the renewed focus both outside and inside Uganda on poverty issues and rural development. The analysis of the picture of Uganda painted by government and donors shows that poverty is predominantly seen as a rural phenomenon and that rural livelihoods subsist mainly on agricultural production. The strategy (if one can talk about one strategy) is then to make agriculture more productive and thereby increase the earnings of the farmers. The hope is that a higher productivity in agriculture will have positive effects on other sectors of the economy.

In the analysis the state of the agricultural sector is said to depend on several structural problems which hinder the development of the sector. The most prominent problems in the official rhetoric analysed here are a lack of access to markets for rural producers, a lack of access to financial services in rural areas and a lack of investments into agriculture. The strategy to “transform” the rural sector has then in turn opened the eyes to obstacles in achieving this goal. One is the realisation that these rural development programmes need to benefit from some economies of size in order to be effective. This realisation has then turned the attention to the fact that farmers are not, in the aftermath of civil strife and the dismantling of the cooperatives societies and unions, very well organised. That the focus on cooperatives came after the launching of the Plan for Modernisation of Agriculture is significant in this context.

The motive above for the focus on cooperatives is linked to the political-economic development that Uganda has undergone since the latter half of the
1980s and further reasons can be found in this development. Peter Gibbon argues that the state controlled marketing organisations in Sub-Saharan Africa, which in the case of Uganda were the marketing boards and the cooperatives, filled important functions which the private sector has not proved capable of performing. One conclusion one can draw from this line of reasoning is that that the attention to what is described as member-controlled cooperatives is an expression of this search for organisations that can fill the void left by government-controlled organisations.

In the policy of the PMA the private sector plays a key role. But as can be seen in Uganda, the de-regulated agricultural markets have not always left the farmers better off. The rhetoric expressing concern about the weak bargaining position of farmers against private buyers is very similar to description of the rationale to for example the origin of the Swedish farmers’ cooperatives.¹

When reading literature and policy document on development issues produced after 1997, it becomes apparent that the agenda pursued by policy makers in Uganda is part of a bigger scheme. At the centre of this picture I find what could be called the neo-liberal agenda. The ideological vision that has shaped this policy, which we can now see carried out in several aspects in Uganda, has been described in the following way by Abdul Raufu Mustapha:

The state’s regulatory capacities were seen as weak, and the regulations themselves as dysfunctional. This problematic state was to be rolled back through a process of privatisation, decentralisation, dismantling of regulatory boards and civil service reforms. The spaces abandoned by the state were to be taken up by private economic interests and voluntary organisations like NGOs.²

It is certainly the case that the World Bank and the International Monetary Fund, after the serious critique of the structural adjustment programmes, have modified their position concerning the role for the state in economic development. Since the 1990s it is acknowledged that the state has a role to play. Studying the Ugandan rural development policies, however, indicate that much of the thinking from the 1980s on economic development and growth, with a minimalist state that should provide infrastructure but leave markets undistorted³, is still intact and practised. This is very much evident in the writings on poverty reduction, where the poorest groups in society are supposed to benefit from “… interventions indirectly through improved local well-being and existing social networks.”⁴ This seems very much to resemble

¹ See for example Hakelius (2002), p. 34.
the criticised (for not occurring) ideas of “trickle-down” effects of the structural adjustment programs.

It is in this wider context that I think we should understand the policy of encouraging the population to engage in the cooperative movement. In the wake of the liberalisation and the encouragement of private initiatives on the market, a realisation that not all economically active individuals and households can take advantage of this new free market seems to have emerged. This is manifested in the concern for the farmers who are said to be too small to bargain on their own with buyers for better prices. But the concern does not only seem to be that they are too small, but also that they are not in possession of the information that they need to be able to operate on this free market.

Expectations Regarding Cooperatives

Those who argue for the furthering of cooperatives generally do not make distinctions between different types of cooperatives. The expectations on what they can achieve are, however, generally very encompassing. What this means is that politicians seem to hope that cooperatives shall be able to function both as help to self-help organisations, as business entities, but also to ease the delivery of development programmes to poor people. Within the CDD there seems to exist this idea that cooperatives can be used for almost any kind of economic activity.

Concerning the agricultural cooperatives, the idea of reaching a larger number of farmers with extension services and also to make them better bargainers for their goods seems to be the two most important reasons for cooperatives. But those engaged in agricultural development activities seem more focused on the importance of organising the farmers than on the specific type of organisation. The purpose of this organisation does not appear to vary that much; these organisations, whether they are loose farmers groups or fully-fledged cooperatives, should function as links between individual farmers and the market. They should also provide economies of scale in the operations of the individual members, as well as when it comes to agricultural extension services.

Regarding the savings and credit cooperatives, the expectations regarding these are perhaps more straightforward even though the goal for what they are supposed to accomplish is set quite high. One aspiration is for example that the Ugandans should be able to create self-employment opportunities out of their participation in these savings and credit cooperatives. This is in line with the discussion above concerning how civil society is supposed to shoulder the responsibilities that used to belong to the state.

What this amounts to is that the expectations regarding what cooperatives should be able to deliver are quite high. In those statements coming from politicians, it is not obvious that the expectations concerning what coopera-
tives should achieve have been much affected by the difficulties that the cooperative movement has experienced. The former secretary general of the UCA has stated the importance of making the cooperative societies well-functioning business enterprises before they can be expected to contribute to socio-economic development. However, this line of thought is not that prominent in the political rhetoric.

The story told of how the cooperatives collapsed mostly due to political interference is in a way convenient because it makes the remedy for the difficulties of the cooperative societies appear easier: Let the cooperatives function without interference from government and the problems are solved. This rather shallow analysis of the difficulties encountered by the cooperative movement in the past may have consequences for the future. The role and responsibility of the past, current and future members for the functioning of the cooperatives are discussed briefly by the former Ugandan Vice President. This crucial factor appears to be lacking in the assessment of the situation made by other stakeholders.

The indications from the organisation NAADS suggest that it may not be that easy to get people to organise themselves in groups or cooperatives. The issue of trust between the people who are going to enter into these groups or cooperative is mentioned as crucial. That the enthusiasm for entering into cooperatives or groups may vary between different parts of the country is also an interesting indication given by the NAADS officer. Interesting here is not the idea that people “understand” the need for organising differently, but that they apparently, because of various factors, perceive the need to organise differently.

What could this perceived need to get organised, to pool resources and cooperate then look like and what could make people less interested in these actions? What advantages do cooperatives appears to bring to those who are supposed to join them? These are some of the questions that will be dealt with in the second part of the study.

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1 Kabuga (1998), p. 3.
Part II

Cooperation in Theory and Practice
CHAPTER 6
Individuals and Cooperation – the Case of Farmers’ Cooperatives

Introduction
In this chapter, I will explore aspects of theories on groups in relation to cooperation. This will be the theoretical foundation for the second part of the thesis, in which I discuss how groups can achieve solidarity and cooperation among members in relation to issues such as cooperation and the problem of free-riding. This chapter also aims at discussing relatively thoroughly the theoretically defining characteristics of farmer cooperatives. The purpose of doing this is to provide a theoretical understanding of cooperatives, against which my Ugandan case can be analysed in the following chapters. This is a wide field of research where for example economists, psychologists and sociologists have contributed; I, however, will try to focus on the aspects I find relevant for understanding the peculiarities of a special form of cooperation between individuals or organisations, namely farmers’ cooperative societies.

Assumptions on Group Formation and Individual Action
There exist great variations in practices among organisations that label themselves cooperatives. For the discussion here the definition provided by Jerker Nilsson suffices, namely that cooperatives at the core are economic enterprises run for the joint benefit of the people, i.e., the members of the cooperative, and that are also owned and controlled by these same people.¹

Why do people at times choose to join groups rather than to solve their problems individually? How and why we choose the way we do is the subject of an extensive literature in several disciplines – sociology, psychology and economics to mention a few – and I do not aim here at exploring all the different perspectives on choice. However, if one wants to analyse how people act and the position they take on certain issues, it is unlikely that one can escape dealing with the subject of rationality and choice.

Although it is far from being unquestioned, the idea of the “economic man”, pursuing and maximising his self-interests, has been and still is the dominant paradigm in mainstream economics.\(^\text{2}\) Despite the fact that the term “rational choice” has been used in different ways in mainstream economics, Amartya Sen means that it is possible to identify three distinct standard approaches to the concept which are frequently used: “1) internal consistency of choice; 2) self-interest maximisation; and 3) maximisation in general”.\(^\text{3}\) Even though the two other “approaches” merit attention, what is perhaps most interesting for us in the context of this thesis is the second assumption, the one on self-interest maximisation. This “self-interest view” is also the one that has been a dominant idea in contemporary mainstream economics.\(^\text{4}\)

What, then, is really meant by self-interest maximisation? According to Sen, it refers simply to choosing the alternative that most enhances the individual’s own self-interest. But it appears that what we take it to mean must depend on how we define the words that make up the assumption. Most important here ought to be the word “self” which is far from a static entity. We look upon ourselves in many different ways; such things as nationality, gender, memberships in clubs and unions etc. can all in different ways influence how we look upon ourselves and how we view our self interest.\(^\text{5}\) What may be in our “self-interest” in one circumstance may not be relevant in another context.

Influential writers on the phenomena of groups, such as Russell Hardin and Mancur Olson, were pessimistic about the possibility of cooperation among users of so-called common pool resources or public goods, which could be for example water reserves or grazing lands. Olson was of the opinion that even if people have some common interest and would be better off by cooperating, they will not do so unless there exists a possibility of excluding those who do not cooperate or if the group is not rather small.\(^\text{6}\) This can be called the classical free-rider dilemma. Olson argued that even without the assumption of self-maximising behaviour, individuals in large groups will not contribute to the provision of the joint good for the simple reason that their contribution would be so small that it would not be perceptible; it would therefore not be “rational” for this actor to contribute. Olson’s dismissal of this behaviour as irrational was based on the idea that even someone who wishes to practise a selfless behaviour would choose to do so only where this action is visible, anything else was regarded by Olson as foolish behaviour.\(^\text{7}\)

\(^5\) Olson (1965), p. 4.
\(^6\) Olson (1965), p. 2.
\(^7\) Olson (1965), p. 64.
Other researchers have challenged Hardin and Olson, Elinor Ostrom being perhaps the most important writer in a group of writers interested in the difficulties and possibilities of collective action, maintaining that cooperation can be difficult to achieve, but that it is not impossible. There are several examples that people actually do cooperate, whatever the underlying reasons for that may be. People do evidently work together in interdependent production, and there is a lot of rule-based conduct in different societies to which people actually do adhere, rules which apparently have the function of constraining “self-seeking actions”.

Researchers within game theory, a part of the rational choice paradigm, have done far-reaching experiments with people’s cooperative or non-cooperative behaviour, where the game of the “prisoner’s dilemma” is the most commonly known. The “prisoner’s dilemma” is a non-cooperative two-players’ game in which each player has a dominant strategy which is to defect, regardless of the choices of the other player. What happens when both players choose this strategy is that they generate an equilibrium that is third best outcome for both of them; both would actually have preferred the equilibrium where both had chosen to cooperate. However, researchers have found that in repeated games, i.e. if the game is repeated a limitless and unknown number of times, participants in the game will actually always choose to cooperate.

The theoretical and practical problems that are discussed by those writing about collective action relate to cooperation among the users of common or public goods that are non-excludable, such as for example clean air. This is a different set of problems compared to those that concern cooperation among individuals who have joined together in groups that have the possibility of excluding non-contributing users. The problem of free-riding can, however, exist among users of both non-excludable, as well as excludable goods.

The assumption behind group formation in rational choice theory is that people strive to attain consumption of a joint good that they cannot provide as individuals or at least not as efficiently. Michael Hechter is one of a small group of sociologists who have applied the theoretical approach of rational choice and has developed what he calls a theory of group solidarity. The theory is to a certain extent based on Olson’s writings on collective action. What the theory seeks to explain is the variation in solidarity between groups, and in doing this the theory puts individual action at the centre stage.

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9 Game theory is again a diverse field of research and there are even those who are of the opinion that the prisoner’s dilemma does not really capture the problem of the provision of collective goods. See for example Taylor (1987), p. 18.
10 Ostrom (1990), pp. 4-5.
for explaining levels of solidarity within groups. This line of reasoning can be contrasted to the tradition in social science, mainly within sociology, where human behaviour is determined by society and the norms, roles and rules that make up society.

As was stated at the beginning of this chapter, this field of research has yielded many theories and the utilitarian approach that rational choice theories represent has met with a lot of criticism. It is not likely that utilitarianism is the best way to explain and account for actions in all types of groups or the mobilisation of people for all types of collective action. Writing from a social movement perspective, Bruce Fireman and William A. Gamson argue for example that the roles played by what they call solidarity and principle are better suited to explain the mobilisation of people for collective action in social movements. Solidarity also figures prominently among the “cooperative values” proposed by for example Jerker Nilsson as necessary for cooperative organisations to emerge and survive. This theoretical framework can be seen as an attempt to modify the explanation embedded in the concept of economic man by considering bounded rationality and values that are of a cooperative nature.

Normative explanations are common among several research perspectives studying group and collective action. The functionalist approach is one perspective which has an obvious normative base and which has generated a lot of literature on the subject of small groups. However functionalist research tends to be preoccupied with optimal processes within groups, to explain and also foretell the performances of different groups. This perspective therefore has little to say on the issues of individual choice and self-interest and the possible need for individuals to organise themselves into groups.

Even those who strongly argue against the approach to the problem of collective action represented by Olson maintain that there are cases where the utilitarian approach can be useful. Fireman and Gamson for example claim that

[i]n the study of collective action, utilitarian assumptions and the conceptual imagery of economics are most useful when relevant interests are given, concrete, and selfish.

Since the focus in this part of the thesis is on individuals in relation to groups and cooperation that are primarily related to economic enterprises, a theoretical approach that focuses on individual choice in relation to cooperation can hopefully help to generate interesting questions for the implementation of

15 Poole et al., (2005), pp. 4 and 15.
16 Poole et al., (2005), p. 4.
the study and the analysis. Even if one does not fully embrace the theory of rational choice, the motive behind group formation presented in this theory can work as a useful point of departure for a discussion on different aspects of economic cooperation. The theory developed by Hechter points at several interesting problems that are faced by groups, free-riding being perhaps the most important one. This is a dilemma that other theories dealing with cooperation have grappled seriously with and that rational choice theory has traditionally not been very good at solving. I find that it would be fruitful and interesting to apply the rather concrete analytical categories discussed and developed by Hechter on an actual case. This will be done with the purpose of furthering the understanding of the mechanisms behind cooperation.

Maximization of Self-interest and Cooperation

If people profit-maximise in an economic sense, why would they also contribute to what can be called the common good, if they can just free-ride and let someone else carry the burden? And what forces keep groups together given the problem of free-riding?

Hechter perceives the problem of individuals, groups and free-riding roughly in the following way. Rational egoists may want to share the benefits of a jointly produced good and therefore also comply with what is called “corporate obligations”; however being the egoists that they are, they will always hope to receive these benefits unconditionally, that is, they always have an incentive to free-ride. The problem with free-riding is that what one gets is a sub-optimal outcome; if every individual pursues the strategy that she or he sees as optimal from a self-interest perspective, then everyone actually ends up worse off than if they had cooperated.

What answer then does this theory provide for how groups actually manage to keep their members in line, i.e. to make them comply with their obligations or to achieve solidarity? What seems crucial is that groups have a combination of member dependence on the group and a capacity for the group to control the behaviour of the members. In what way then can this theoretical approach be useful to the analysis of cooperatives; is it even actually applicable to cooperatives?

Group Solidarity – Relevance for Cooperatives

When Hechter talks about solidarity he explains it “… as compliance in the absence of compensation.…” He is referring to situations where group

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members adhere to group rules because they feel they have an obligation to
do so. These group or corporate obligations can be seen as a sort of tax that
members have to pay to get access to the joint good produced by the group.
These are groups producing intangible goods for shared internal consumption.
Since these types of organisation do not produce any products that can be
sold at a profit outside of the organisation, they cannot compensate their mem-
bers economically. 

Hechter makes a crucial differentiation between this type of group and those
whose members follow group rules because they are compensated for doing so.
These are usually groups who produce goods to be sold and consumed on the
market outside the group and that can therefore compensate their members,
for example employees, with wages. These latter groups are called “compen-
satory groups” by Hechter. They do not have to rely on solidarity alone for
keeping the group together. 

This indicates that the problem with free-riding ought to be more extensive in non-compensatory groups. It is possible to interpret Hechter as claiming that cooperative organisations are not subject,
least initially, to the free-rider dilemma. The reason for this should be that
they produce private joint goods. Rydén for example drawing on Hechter uses
this distinction to argue that farmers’ cooperations as opposed to farmers’
interest organisations are not subject to the problem of free-riding.

I will in this second part of the thesis argue, however, that free-riding dilemmas can
also exist in these former organisations.

Where do the producers’ cooperatives, as a special form of organisation,
fit into the categorisation of organisations producing for the market or pro-
ducing intangible goods for internal consumption? This is not all that easy to
decide since the cooperative (supposing that the business makes a profit) can
pay out a bonus to members, which is a form of compensation. This must be
a tangible, although internal, rather than an intangible good. The benefits
that membership in a marketing/producers’ cooperative ought to generate are
altogether of a more tangible than intangible character – it can be supposed
that members decide to join mostly because the membership will make them
economically better off.

Despite this the producers’ cooperative cannot really be labelled what
Hechter calls a compensatory group, since these are supposed to mainly
produce goods that are to be sold to non-members for consumption, unlike
the cooperatives whose function tends to be to produce services or benefits
for their members.

\[^{23}\] Hechter (1987), pp. 10 and 125.
\[^{25}\] For discussions on various motives for free-riding in farmer cooperatives, see for example
Does this mean that the solidarity aspect, that is achieving cooperation within the group, is of no concern to producers’ cooperatives? No, this is to take a much too simplified view on cooperative organisations. I would say that cooperatives are especially interesting in this regard because the “goods” that the group, i.e. the cooperative, produces are of partly internal and external, tangible and intangible character. It produces internal goods in the sense that it is only members who benefit from for example the economies of size of coming together. A marketing cooperative packs and markets goods for sale; this must be considered to be external tangible goods. I argue, however, that a cooperative can also produce intangible goods such as the creation of social capital, lobby capacity and the transfer of knowledge between members.

Robert Putnam’s theory on the functioning of democratic institutions centres on the concept of social capital. In his theory, social capital is both the prerequisite for and the outcome of human engagement in society. According to Putnam, it is easier to overcome the dilemmas of voluntary cooperation in a society which is rich in social capital. His definition of social capital is quite broad, referring to issues such as trust, networks and norms, basically all the elements of society’s organisation that can ease cooperation. When I refer to cooperative societies generating an intangible good like social capital, it is more the interpretations of Pierre Bourdieu’s use of the concept that I have in mind. I take the concept to refer to the creation of connections, of ties between people, connections that in turn can generate resources for the individual members.

Regardless of how it is defined, I have not found that the concept of social capital functions as a tool to analyse economic cooperation between individuals. Establishing that in societies rich in social capital people have the tendency to trust each other and to work together in clubs, associations etc. does not explain how cooperation per se works or does not work, but then again that is not what I have interpreted as Putnam’s purpose with the concept.

Having a guaranteed outlet for the product is a joint good produced by the members of a producer’s cooperative. In order to have a guaranteed outlet, the cooperative needs to have a steady supply of the input in question from the members. One can argue that one of the compensations that members get is to always have a sure outlet and that this by definition makes producers’ cooperatives compensatory groups. This is, however, not a given conclusion.

If one takes an agricultural cooperative engaged in marketing, one can picture a situation where the production of the joint good depends on mem-

\[26\] Although there could actually be a free-rider dilemma here if also non-members could benefit from for example bargaining capacity that could be generated from a large number of producers joining together.


bers delivering their produce regularly to the cooperative. If the demand for this produce (and therefore the price paid for it) fluctuates on the market outside of the cooperative, the cooperative could face a solidarity issue. Do members in this situation show solidarity with the cooperative, or do they choose to free-ride by selling their produce to the highest bidder? If the cooperative does not possess the necessary mechanisms to both detect and force members to remain loyal to the group, whether the cooperative produces a mainly private joint good may be irrelevant. Furthermore, this means that even though the cooperative can be defined partly as a compensatory group, solidarity still plays some role and the obligation to deliver produce can under these circumstances be regarded as a corporate obligation.

Group Members’ Dependence

Dependence was mentioned above as being seen as crucial within the rational choice paradigm for achieving solidarity between group members. The degree of dependence varies both between and within groups, depending on the characteristics of the groups and the members that belong to them. That is, the room for actions that individuals have depends on what type of group that they are members of and also on their position with respect to other members within the group. How dependent members are on a specific group must ultimately be connected to the costs of exit; that is, what possibilities do members have to leave the group and what costs does leaving the group involve? Four factors can be said to increase members’ dependence on a group. Dependence can be said to be increased by limits on the supply of nearby available substitutes outside of the group. Lack of information about the possible alternatives to the groups also heightens dependence. The actual cost of moving, (perhaps you are not repaid your entry fee when you leave the group) also affects members dependence on the group as do close personal ties if these have been developed between members of the group.

Lack of information is one of several outcomes of market imperfection. If markets were perfectly competitive, there would be no reason for forming cooperatives or any other types of firms either. This competitive ideal, where prices reflect the marginal costs, has however never been achieved, and one can perhaps say that herein lies one crucial justification for the existence of cooperatives. If a market is to be efficient there is a need for information, otherwise neither production nor exchange will be the best possible. If you for example have several possible buyers but not enough information about them, the mere fact that there is more than one buyer will do you little good.

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Since information only comes at a cost, this may be one reason for market imperfection.\(^\text{32}\)

The costs for leaving or joining a group are rarely zero and can be sorted under moving costs. Groups often demand some sort of entry fee. To become a member in a cooperative, you are often obliged to pay some sort of membership fee, which often is the same as buying a part in the cooperative. Cooperatives cannot demand that you leave assets behind if you want to leave the cooperative. There is, however, no “second hand” market for share certificates in a cooperative\(^\text{33}\); if a person wants to leave the cooperative, she or he is normally just repaid his or her deposit.

Personal ties among members or sociability is one intangible product that groups supply. How important these are, and therefore how much they contribute to the cost of exit, must to a large extent depend on the type of interaction that members have engaged in. How repeated is the interaction among members in the group? The likelihood that you are able to build up meaningful relations with members of the group must be higher if members meet regularly. The investment in what could be called social capital is not always possible to realise once you leave the group.\(^\text{34}\)

**Keeping a Group Together**

Dependence is theoretically one way to keep a group together. But the different aspects of the control capacity are theoretically equally important. What this means is that free-riding can be curtailed only if the group possesses some means of making the members comply with the corporate obligations and the members are to some extent dependant on the group. The ability to do so is, according to Hechter, a function of the control capacity of the group.\(^\text{35}\)

The control capacity is dependent on the sanctioning capacity. If the group does not have enough resources to reward or punish members, or at least to put up a credible threat or promise of such punishments or rewards, there will be no compliance or just semi-compliance. The group’s sanctioning capacity can be said to be the same as its potential for using what Olson in his theory of collective action calls selective incentives. These do not work indiscriminately towards all members of the group, but rather towards selected members.\(^\text{36}\) These incentives can be of a social, that is intangible nature, or of a material nature and can be either positive or negative. Social incentives have the advantage of being relatively costless, and their supply is therefore

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\(^{33}\) This is an important feature of cooperatives which will be discussed more in detail in Chapter 9.

\(^{34}\) Hechter (1987), p. 47.


practically unlimited. They, however, tend to work only in small groups where interaction among members is frequent. Negative social incentives could for example be to talk badly about/spread rumours about members who do not comply with obligations.

Material, i.e. tangible incentives, are more costly and therefore by nature more limited in their supply. They are, on the other hand, not dependent on group size. If for example economic benefits are granted members who are successful in living up to group obligations, the group or organisation can be said to practice positive tangible selective incentives towards their members. Negative tangible incentives could for example be fines imposed on deviant members.

It is also crucial for the group to have the resources necessary to identify whether members are complying or not. The ability to do so can be called the monitoring capacity of the group. This is bound to be more or less difficult depending on what type of group we are talking about, what the purpose of the organisation is, how often members meet and if members actually have an incentive to hide their actions or not. According to the line of reasoning above, non-compliance or semi non-compliance can have their roots in both ineffective or absent sanctioning mechanisms and a low monitoring capacity.

The question of group size has emerged in the discussion above, both in relation to personal ties and to social incentives. Olson argues that certain small groups are the only groups that can provide a collective good without some form of coercion or positive incentives. The explanation to why this should be the case is according to Olson simply that in a small group each of the participants gets such a substantial portion of the collective good, just because there are so few others in the group, that this makes it worth while. An example of such a situation could be when:

... the benefit to the group from having the collective good exceeds the total cost by more than it exceeds the gain to one or more individuals in the group.

But how small is a small enough group in this context? Even though Olson describes in detail the positive functions of small groups, he is not very specific on the delimitations of these small groups. This generates difficulties; it can for example make it difficult to know whether to look for the practice of social incentives at all in a group or whether to judge the group as too big to be likely to invoke social incentives and for members to be affected by them.

40 Olson (1965), p. 43.
41 Olson (1965), pp. 53-57.
Characteristics of Farmer Cooperatives

That there exists a myriad of definitions on what constitutes cooperatives seems to be at least one thing that those writing on the subject of cooperatives can agree on.42 The varying definitions are likely to be rooted in the different times and circumstances in which cooperatives have developed. The first cooperatives in a modern sense were for example consumers’ cooperatives, which started in North West Europe at the mid to late 19th century43 and which have very little resemblance to farmers’ producer’s cooperatives.

At the beginning of this chapter a general definition of cooperatives was given which concluded that cooperatives are an economic enterprise that is run for the joint benefit of the people, i.e. the members of the cooperative, and that is also owned and controlled by these same people.44 Turning to farmer’s cooperatives a more specific definition is given by John M. Staatz, who suggests three main characteristics for farmer cooperatives:

1) The stockholders, who are farmers, are the major users of the firm’s services. 2) The benefits a stockholder receives from committing capital to a cooperative are tied largely to patronage … 3) The formal governance of the business by the stockholders is structured democratically in the sense that: a) Voting power is not proportional to equity investment ….b) There are strict limitations on the number of non-stockholders who may serve on the board of directors.45

Concerning the membership one can distinguish analytically between members of a cooperative and patrons; the latter do business with the cooperative, for example purchasing goods and services. In cooperative business however, it is common that members are also patrons. Since the relationship between such variables as ownership, distribution of returns and control and the categories of member-patrons, patrons, members etc. are complicated46 and this distinction is not always made in the cooperative literature, I will not go further into this. When I talk about members, I refer to such persons or organisations that have paid for share-certificates; if they have stopped using the services of the cooperative or have never done so, I refer to them as dormant members. Since this thesis is concerned with membership and non-membership in cooperatives, I find this distinction sufficient.

The fact that members usually have to pay an entry fee, normally in the form of one or several share-certificates, is interesting in relation to the problem of free-riding which was discussed earlier in this chapter. That

members pay an entry fee ought to reduce the prevalence of free-riding.\footnote{If the entry fee is to have this effect, the sum must of course not be negligible for the members.} This conclusion builds upon the assumption that members who have paid to enter an organisation ought to be more concerned that the organisation does not collapse. They would therefore be more motivated to contribute to the running of the organisation compared to if they had made no monetary investment. This conclusion is further supported by the fact that there is no second hand market for the shares that one gets when one pays for membership in the cooperative.

The second characteristic mentioned above might be the most important distinctive feature of cooperatives.\footnote{Barton (1989), p. 3.} While firms or businesses return a net income on the basis of investment, cooperatives return net income to members. These returns should be, as is indicated in Staatz’s second characteristic, distributed proportionately to the amount of business the stakeholders have done with the cooperative.\footnote{Staatz (1987), p. 35.} The point which states that the stockholders are farmers, applies to the idea that only those who can use the services provided by the cooperative can be members\footnote{Hakelius (1996), p. 47.} (and therefore hold shares in the cooperative). Potential members of, for example, a dairy marketing/processing cooperative have to be dairy farmers.\footnote{Bjuggren – Skogh (1989), p. 57.}

The third point that Staatz mentions is linked to the more overarching description of cooperatives given at the beginning of this chapter, in that it indicates that a cooperative should be controlled by its members and that this control should be carried out in a democratic sense.

The fact that those who have invested in the cooperative are also those who use the services provided by the business, unlike in an investor-owned firm (IOF), has some implication for the function of cooperatives. One feature of cooperatives is that they tend to have low levels of equity capital; this is because members are hesitant to contribute to the equity funds of cooperatives. Since stock ownership is tied to usage or patronage of the cooperative, the potential amount of equity capital becomes severely limited. The cooperative does not have the possibility of selling stock to the public like an IOF can when it needs to raise equity capital. The other two routes to raise equity capital, attracting new members and getting already existing members to contribute more, can for different reason be difficult.\footnote{Staatz (1987), p. 39.}

The difficulty of comparing marginal returns on investments in cooperatives with those of other investments may be one reason why it can be hard to get members to contribute with equity capital. This is because the benefits, such as ready access to markets, refunds etc., are not always strictly
measureable.\textsuperscript{53} It might also be that members are operating their farms under conditions of “absolute credit rationing”\textsuperscript{54}, meaning that they have to invest primarily in their own farm in order to continue the enterprise at all.

**Individual Uncertainty – Shared Risk**

One can argue that joining a cooperative is one way for farmers to handle risks that they face in conducting their business. The individual uncertainty that farmers face can be lessened by sharing risk with other farmers.\textsuperscript{55} One aspect of this is income stabilisation. In a commodity system that is cyclical in nature, it might be that the total profits from production and processing are more stable than from these two separately. The extent of risk-sharing in a cooperative of course depends on the purpose of the cooperative. In an insurance cooperative for example, the only activity that the cooperative actually engages in is risk-sharing.\textsuperscript{56}

Seen from the perspective of the organisation, risk-sharing brings problems of primarily two kinds, one of which is the problem of moral hazard. Moral hazard is in this context mainly associated with processing and marketing cooperatives – producers’ cooperatives. Because of the averaging processes\textsuperscript{57} that these cooperative are engaged in, there is less incentive for individual producers to perform their best.\textsuperscript{58} This leads to a classical free-rider problem: all would benefit if each members did their best, but since the average quality might not be affected much by individual contributions there exist the temptation for each producer to shirk in their production efforts.

The second problem that risk-sharing entails for cooperatives is much the same as that faced by insurance companies, in that the concept of risk-sharing may attract those who constitute the greatest risk.\textsuperscript{59} Those who produce a low grade quality product may for example seek to join a cooperative in which the average quality of the processed produce is high.

How farmers pool risk by joining a cooperative and what risks the organisations face was discussed above. Does joining a cooperative also bring some risk to the farmer? When joining a processing or a marketing cooperative, the individual farming enterprise has to give up some of its independence. Farmers must for example be able to abstain from accepting last minute offers from other buyers, since it is necessary that the operations of the

\textsuperscript{53} Cobia – Brewer (1989), p. 244.
\textsuperscript{55} Hakelius (1996), p. 50.
\textsuperscript{56} Schrader (1989), pp. 131-130.
\textsuperscript{57} This means that since they are pooling the members’ produce and, when they are processing cooperatives, also refining that produce, the quality of the individual contribution is not always made visible.
\textsuperscript{58} Schrader (1989), p. 130.
\textsuperscript{59} Schrader (1989), p. 130.
cooperative are coordinated with the individual farms in order for the cooperative to realise the gains of coordination. This kind of discipline or control by the cooperative over its members is necessary also for the cooperative to be able to bargain with buyers to get better deals for the members. This is important because if the cooperative does not have control over its supply, that is the deliveries from the members, it does not really have any leverage to bargain with buyers. It might in some cases be that the interests of the individual farming enterprise and the cooperative do not always coalesce; some farmers may want to diversify their production rather than delivering more of the produce that the cooperative is dealing with, even though all members would be better off by a more optimal use of the facilities owned by the cooperative.

To invest in a cooperative can be seen as strategy for the farmer to strengthen his or her farm business. The investment ties the farmer more closely to a certain line of business, for example dairy production, rather than representing a diversification of the farming enterprise. This entails a certain risk since it makes the farmers more dependent on the performance of the cooperative. This in turn can make the whole cooperative more risk-averse compared to an IOF, since the farmers can persuade the board of directors and management to engage in less risk-taking business than an IOF.

Theoretical Reasons for Joining Farmers’ Cooperatives

The rational choice perspective on why people join groups in general was discussed earlier in this chapter, and the content of that discussion is that people join in groups, cooperate etc. when they want to achieve consumption of a joint good which is difficult or impossible to produce as individuals. The common explanation for the claimed popularity of cooperatives among farmers often looks like the one given by David Barton and very much resembles the essence of the rational choice explanation: “… through cooperatives farmers can pool their financial resources and carry out business activities they could not independently perform as efficiently.”

As one narrows the discussion of cooperation down to relate to farmers, the issue of joining a cooperative could be posed as follows: why would producers at one level of the commodity chain choose to expand their business into another level of this chain? Given certain assumptions, this behaviour is far from given. If one accepts the general idea behind economic growth, it can be profitable for firms to expand horizontally. The assumptions referred to here are that economic growth is associated with rising levels of specialisa-

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tion and business transactions between economic entities as well as the use of economies of size. This horizontal expansion means that firms start to produce more of a certain product rather than to go into the business of marketing or producing inputs for the product in question. Yet this linkage into other stages of the commodity chain is exactly what farmers’ cooperatives are all about.  

Barton lists six primary reasons for farmers to integrate economically, i.e. join a cooperative:

1) to obtain a fair or efficient price (i.e. to correct market failure); 2) to reduce costs through economies of size and coordination; 3) to provide markets, supplies and services that are missing or in danger of being lost; 4) to pool risk; 5) to capture profits from another level; and 6) to benefit from increased market power.

Farmers can join a cooperative to integrate forward in order to ease the marketing of their produce (marketing/processing cooperatives). They can also integrate backwards to be able to get better prices and availability for their farm supply purchases (supply cooperatives). These actions amount to some economic integration, and the most common types are vertical and horizontal integration. In the business chain, the returns are usually higher the closer you get to the final consumer, which is why cooperatives try to integrate forward towards the final consumer.

By applying this strategy, the cooperative enterprises can return a bigger portion of the profits to the primary producer – the farmer, in the case of farmers’ cooperatives. What horizontal integration means is that entities at the same stage in the chain of production decide to cooperate; they may not be completely merged, but may choose to cooperate just where it seems possible to rationalise.

Conclusion

In this chapter I have introduced how the problems of self-interest and rationality can and have been discussed by some authors. We have looked at how the free-rider problem is connected to and based upon the assumption of self-maximising individuals. Even given the assumption that people have a general tendency to look after their own interests first, there exist different theoretical approaches to solve the problem of how groups can achieve internal solidarity. For individuals, the strategies they employ and the choices

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they make are likely to be a balancing act between the drawbacks and benefits of remaining outside a group or joining one.

Michael Hechter’s theory of group solidarity, inspired by the writings of Mancur Olson, have been looked at in more detail because it appears to offer theoretical tools to analyse the types of group action that farmers’ producers cooperatives constitute. In relation mainly to Hechter’s theory, a differentiation between different types of groups and an effort to place the cooperative in this matrix have been attempted. This last task is not that easy since the relation of members to the cooperative does not really resemble that of employees to a firm producing goods for sale, who are compensated with wages, nor does it resemble members of a group producing only intangible goods, the use of which cannot be limited to contributors only. The cooperative is somehow a mixture containing elements from both types of groups.

There are both strengths and weaknesses with the theory developed by Hechter. The concept of solidarity is somewhat of a weak point in Hechter’s argument. Even if we accept his definition, that solidarity is the same as compliance without compensation, the necessary means and preconditions for achieving it that Hechter stipulates – dependence and control – do not seem to go well with what is traditionally implied by the concept of solidarity.\footnote{Concepts synonymous to solidarity are for example camaraderie, unity and shared aims.}

Those who polemicise against the utilitarian perspective have other problems with the concept of solidarity. Contrary to the rational choice theorists who appear to see solidarity (or at least the varying levels of it) as something to be explained, Fireman and Gamson look at solidarity as a variable that explains groups’ ability to mobilise, i.e. to act towards a common goal or interest. They present five factors that are supposed to form the foundation for the solidarity that an individual has with a certain group. However, since these factors are not very specific, but rather of a quite loose character such as “friends and relatives” and “participation in organisations”, they do not really help to get away from the tautology inherent in this approach: people show solidarity with the cause of a certain group because they already have solidarity towards the organisation.\footnote{Fireman – Gamson (1988), p. 8.}

If the concept of solidarity is somewhat of a weak spot in Hechter’s argument, his discussion on how groups can achieve cooperation or solidarity, despite the assumption of self-interested individuals, still remains interesting. This is because this thinking can generate research questions for the analysis of an organisation such as farmers’ cooperatives, where the problem of free-riding is likely to be found. What can the corporate obligation or obligations for example look like in farmers’ producers cooperative? What does the function of the control capacity look like, are there any sanctions against free-riding members and what possibilities does the organisation have of
monitoring members’ behaviour, if there indeed is any need for such monitoring?

The questions above can be connected to the theoretical understanding of the special features of farmers’ cooperatives. One example is the issue of risk and uncertainty. Theoretically farmers can, by joining a producer cooperative, improve their income stabilisation by reducing the uncertainty of the farming business. The income stabilisation provided could then be looked upon as a common good produced by and for the members of the cooperative. The way that members use the cooperative in question could probably tell something about whether this appears to be an important consideration for members.

The reasoning above is about reducing risk, but we have also here discussed whether joining a cooperative can bring risks to the individual farming enterprise. What has been pointed to here is the contradiction that can exist between the freedom of the individual enterprise and the good of the cooperative. This contradiction is something of a core in the free-rider dilemma of the producers’ cooperative.

The coordination between the individual farming enterprise and the cooperative that is necessary in order for the cooperative to realise the gains of coordination implies for example that farmers have to refrain from last minute sells to higher bidding buyers. If we have a scenario where a farmer is short of ready cash, which is not an unusual case in poor countries, her or his commitment towards the cooperative is certainly tested if a buyer comes in and offers a higher price or perhaps immediate payment for the farmer’s produce. To look into how these situations are handled, if they arise, by the cooperative as an organisation and by individual members should be very interesting, especially in relation to the policy goal of getting the Ugandan farmers better organised in associations and cooperatives.

The theoretical issues of sanctions and the control capacity of the cooperative are relevant here, but it would also be interesting to look into the expressed strategies of the individual farming enterprises: are there any indications on that one is willing to forgo immediate earnings in order to gain from the reduced risk offered by the cooperative? Is it the case that some individuals can both reduce their risk and gain by doing business on the side of the cooperative because of a lack of control and enforcement mechanisms? These are all questions that it should be possible to answer by performing a case study of one specific producers’ cooperative, where circumstances make it possible for producers to actively choose whether to join the cooperative or remain outside. If there is no real competition to the cooperative from other possible buyers, then the farmer who wants to sell his or her produce most likely by necessity, if not by preference, has to join and sell through the cooperative.
CHAPTER 7
The Milk Market in Uganda and the Nabuka Dairy Cooperative

Introduction

I have chosen the Nabuka Dairy Cooperative Society, located in the Mukono district of Uganda, as a case to explore the practise of a Uganda cooperative and the views of its members in relation to the theoretical framework discussed in Chapter 6. However, in order to perform such an analysis, one needs first to create an understanding of the organisation and the members that one is dealing with. The questions that will be answered in this chapter are therefore of a rather descriptive character, such as what is the primary purpose of the cooperative? What does the market situation look like for the commodity in which the cooperative deals? What type of cooperative are we looking at when it comes to for example size of membership and the size and type of production? What types of services does this particular cooperative offer or decline to offer its members?

In the Mukono district there are no other dairy cooperatives registered, so farmers who keep dairy cattle and who are interested in joining a processing/marketing cooperative must turn to Nabuka. The association called Nabuka has existed since 1992, but it was formally registered as a cooperative enjoying limited liability features in 1998, which means that the organisation as such has survived the period when, according to the literature, many farmers’ cooperatives in Uganda became dormant. This was for example the case of the other dairy cooperative, Bweyogerere-Balunzi¹, in what was then part of the Mukono district (since then this part has been made a district of its own, called Kayunga).

The perhaps most interesting and important aspect is, however, the ready availability of other outlets than the cooperative for the milk. This availability is due to the fact that Mukono town is situated in the densely populated peri-urban central part of Uganda, with ready access for producers to milk dealers and consumers. This makes the Nabuka Dairy Cooperative and its members interesting, since these circumstances mean that those who have joined at least in theory have had a choice whether to stay out or join the

¹ According to information from the UCA in 2005, this cooperative society was at that time being revived. E-mail correspondence with Mr. Ibyisi-Ntabyo, project manager/coordinator at UCA.
cooperative. After an account of the national dairy market, a more thorough
description of the special features of this area in relation to milk production
and marketing will be provided.

The description and analysis of the system in which milk is produced and
marketed builds on secondary sources such as reports and publications, and
these sources will be discussed in more detail below. The presentation of the
cooperative will be based on interviews with the current manager of the co-
operative, as well as with board members and regular members. I will also
use information from interviews with the staff of two non-governmental
organisations that have worked with this cooperative society. This presentation
will show how and why the cooperative was started and what business it
conducts today. Data on milk purchases by the cooperative will be presented
in order to see if there are any patterns in how members deliver milk to the
cooperative.

Milk Production and Marketing

In this section I will try to give an outline of what this sector looks like in
Uganda. I will also discuss the district in which the Nabuka Dairy Cooperative
is situated in relation to this national market. This task has been somewhat
complicated since it is difficult to find current and correct information on the
status of the agriculture in Uganda, and this has been the case since the last
census in 1991. The Uganda Bureau of Statistics has the following to say
about the situation:

… however, there are still data gaps in the agriculture sector which is a key
component of the country’s economy and a key determinant of the performance
of our economy. Reliable data has eluded this important sector of the econ-
omy and current efforts to provide up to date baseline data have not yielded
much success. Given the importance of agricultural sector in the national
economy, an agricultural module alongside the socio-economic module has
been included in the planned household survey 2005/2006.

What this means is that the aggregate data that figures in the existing docu-
ments and literature are all estimations with all the problems of reliability
that this creates.

Given this state of affairs in combination with very meagre published
material, I have mainly used two secondary sources and a few complimentary
documents to produce a description of the conditions under which milk is
produced and marketed in Uganda. The probably most overarching publica-

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ember 10, 2005).
3 For example Kasirye (2003), p. 8 comments on the lack of studies on agriculture, in this case
the market situation of the dairy industry.
tion on Ugandan agriculture comes NARO, which sorts under the MAAIF. For the dairy sector specifically, another important source of information is a report prepared by a consultancy company called K2-Consult for Land O’Lakes. The report investigates issues such as the gap between supply and demand and the competitiveness of the Ugandan dairy sector. Since the data for this study is broken down into five categories: north, west, east, and central region and urban/rural, it gives more detailed data compared to the few surveys that exist.

Primary Dairy Production

In Uganda milk is produced under differing production systems that vary with the regions of the country. One can divide these different ways of producing milk into four categories: free-range grazing, communal grazing, fenced farming systems and finally zero/semi-zero grazing systems. These categories can be said to make up a continuum, where the first two categories mainly fall within subsistence farming and where one finds such practises as semi-nomadic pastoralism; the animals kept in these systems are of indigenous breeds. The two latter categories, on the other hand, mainly represent a more commercialised production where the production is more intensive; the stock is often smaller in quantity compared to in the two former production systems, but are of either mixed breed (indigenous and purebred dairy cattle) or of purely mixed dairy breed.

This quite rough categorisation, however, fails to capture some types of farming systems which cannot be so easily labelled as either subsistence or commercial agriculture. Nathan Twinamasiko for example mentions a system which he calls “crop-livestock mixed farming”. This is mostly practised on small-sized farms (around 1.5 acres of size) where crop cultivation is the dominant agricultural activity. This type of farming is probably practised under farming systems which are predominantly for subsistence, as well as by those farmers who farm mainly for selling the produce from both animal and crop farming.

This schematic classification is (of course with exceptions) applicable to geographically different areas of Uganda. Since the possibilities and constraints vary considerably in the different parts of the country, it makes sense to consider the dairy sector from a regional rather than a national perspective.

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8 Land O’Lakes (2001), pp. 6 and 22.
An example of a zero-grazing unit.

The semi-nomadic way of life is practised in the various dry parts of the country, for example in the south-west and north-east. The communal grazing system, where cattle graze on unfenced land, is common in the east and northern parts of the country, where a majority of the land is still communally owned. The fenced and zero/semi-zero farming systems are found mainly in the south-west and in the central parts of the country, where the Nabuka Dairy Cooperative is situated; zero-grazing tend to be most common in urban and peri-urban areas and is often connected to a shortage of land. The crop-livestock mixed farming is mainly found in south-west, central and south-eastern Uganda. The districts that produce the highest volumes of milk are found mainly in western, south-western and south-central Uganda. One of the main characteristics of the national Ugandan milk sector is that production and thereby prices vary in connection with two major seasons, the dry season and the flush season. The amount of milk produced nearly doubles during the rainy/flush season. The dry seasons fall approximately between December and February and between June and August. The various

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parts of the country are affected by these seasonal changes to a varying degree. The western parts have the most marked differences in price between the wet and the dry season compared to the other regions. The western region produces the largest quantities of milk and has the lowest prices for milk all year round compared to the other parts of the country.\textsuperscript{13}

Marketing – Practises and Regulations

The estimated volume of milk produced in Uganda in 2003 was, according to the Dairy Development Authority (DDA), one billion litres. The DDA approximates that some 30 percent of this volume was consumed on the farms which leaves 70 percent for marketing.\textsuperscript{14} Just as the production system can be divided into different categories, so can the channels and markets

\textsuperscript{13} Land O'Lakes (2001), p. 41.
used for selling the milk. In the literature, reports etc. that exist on Ugandan milk marketing, what is called the informal and the formal market for milk and dairy products are always separated.\(^5\) The estimations in the DDA report of 2003/04 say that some 80-90 percent of the milk is sold through the informal market.\(^6\) Up until 1997 the Dairy Corporation, a parastatal, had the monopoly on collecting, processing and marketing milk.\(^7\) This changed with the new Dairy Industry Act of 1997, which among other things removed the monopoly of the Dairy Corporation in order to make way for other milk dealers.\(^8\)

The figure below shows in a schematic fashion the different ways that the raw milk can reach the consumers from the original producers, i.e. the farmers. This figure is based on the common categorisation of the Ugandan milk market, which as will be discussed below has certain inherent problems.

How the lines are drawn up between the sectors, that is on what basis the categorisation of actors as belonging to the formal or the informal sector is made, leaves room for discussion. Certain cooperatives and dairy associations for example end up the informal sector in the NARO publication *Agriculture*

*Figure 7.1 Marketing channels for milk*

\(^{5}\) Twinamasiko (2001), p. 28.
\(^{7}\) Kasirye (2003), p. 10.
\(^{8}\) Twinamasiko (2001), p. 33.
in Uganda. This would then place certain cooperatives in the box called the “pooling centre” in Figure 7.1. Since proper cooperatives are registered at the Registrar for cooperatives at the CDD and are subject to taxation, it does not seem that they should belong to the informal sector.

The rationale behind this categorisation, even though this is not explained in the NARO publication, appears to be to separate actors who sell unpasteurised milk from those who sell it pasteurised. I find this distinction somewhat insufficient for several reasons: to begin with, the concept of formal and informal makes one think of such issues as whether the phenomenon is regulated or not, if it is taxable etc. When it comes to the Ugandan milk market, these things are not that easy to sort out. The sale of unpasteurised milk is actually illegal since 2003, but due to the large number of agents handling unpasteurised milk and, one might suspect; lack of resources, the enforcement of this regulation is rather weak, bordering on non-existent. The issue of taxation also complicates this distinction; cooperatives and other agents evidently pay tax on the earning from their business of selling unpasteurised milk, which in a way must be said to legitimate this business.

The formal market as it is generally defined is mostly comprised of dairy processors where the majority own milk collecting centres located in areas that have a high production of milk, which is mainly in the western parts of Uganda. As is indicated in Figure 7.1 above, the “informal market” is not that easily described. The market includes the direct sales of milk by farm households to consumers, pooling centres and milk collected at the farms by milk traders and sold to consumers or other marketing agents. Those who collect the milk and take it around either to consumers or to selling points are called vendors; milk hawkers is another name that these actors goes by. These selling points can in some cases be milk collecting centres with a cooler. These can be run by for example cooperatives or dairy associations or be private businesses.

In the report to Land O’Lakes, vendors are divided into three categories, primary, secondary and tertiary vendors. The primary vendors buy directly from the farmers and can be farmers selling their own milk straight to con-

19 Since NARO is a research institute working on government mandate, I take their categorisation as representations of the official point view on this issue.
22 Interview with manager of Nabuka Dairy Cooperative, March 9, 2005.
sumers as well. The secondary vendors come from urban areas, most often Kampala, and buy milk from primary vendors at the roadside. Upon reaching the town, the milk is sometimes sold on to tertiary vendors who boil the milk and sell it in the evening, something which is also done by secondary vendors.26 This practise of selling milk in the open has been illegal since 2003, however, and the DDA is pursuing offenders of this regulation.27

In the central region in which Nabuka is situated, the “informal sector” is very active. That this is not necessarily the case in other regions, or even in the more remote parts of the Mukono district, is due to the fact that many other parts of the country are much more sparsely populated. In for example the south-west many farmers, in order to sell their milk at all, have to pool their resources in order to get access to milk coolers and transport to urban centres.28 In the study ordered by Land O’Lakes, it is asserted that the profit margins are higher in the “informal” compared to “formal” sector due to higher costs for transportation in the latter. Twinamasiko refers to lower overhead costs in general as the explanation for why the informal sector can often out-compete the formal sector.29 When discussing milk marketing and the profitability of the informal and the formal sector, it is important to remember that raw milk is a highly perishable product that is easily destroyed if not handled properly. This perishable nature makes milk marketing a very competitive business since this imposes time limits for marketing the product.30

Secondary Dairy Production – the Processors

In its 2003/04 report, which is the latest report available, the DDA lists the 14 formal dairy processing companies active in Uganda when the report was written. Together these companies had a processing capacity of 363,000 litres per day. With estimates on total milk production for 2003 being over one billion litres, these processors can far from cater for all the milk produced.31 This, however, is not a problem compared to the fact that the processors who are active only run at about 50 percent of their installed capacity.32 The estimations done by the DDA are that 10-20 percent of marketable milk was processed and packed before being sold and 80 percent was sold in loose and unprocessed form on the informal market.33

28 Interview with Dr. Kimbugwe, milk shed manager at Land O’Lakes, February 4, 2005.
32 Discussions with staff at the Dairy Development Authority, Kampala February 15, 2006.
Consumption of Milk

What the demand for milk and dairy products looks like of course strongly affects how producers of milk, the farmers, act in relation to the market. Figures from the year 2000 in the Land O’Lakes report indicate that households in the western region consumed the highest amount of milk (1.7 litres daily per household), while the north consumed the lowest amount (0.3 litres daily per household). In the central region, where the Nabuka Dairy Cooperative operates, the milk consumption was calculated to be some 1.5 litres daily per household. Different factors are claimed to be behind these figures. A good availability of milk and, in comparison, low prices for milk, as well as consumer habits, are the explanations given for the high consumption of milk in the west. In the central region, other factors are pointed at: relatively high household incomes seem to be the most important explanation.\textsuperscript{34}

At the national aggregate level, the biggest suppliers of unprocessed milk to households are vendors, while farmers come second. The most common reason for buying from vendors is reported to be the easy accessibility as well as the low price. Those who bought unprocessed milk from collecting centres and retail outlets mentioned the good quality of the milk and easy accessibility as the most important reasons for these choices.\textsuperscript{35} Since the enforcement of the ban on selling unpasteurised milk has been rather slow and difficult to enforce, vendors and collecting centres are, however, still deemed to be the biggest suppliers of milk to final consumers.\textsuperscript{36}

The Commodity System for Milk – Points of Interest

To sum up there appears to be certain structural problems which affect the production and marketing of dairy produce. The low demand for processed dairy products due to low incomes is one difficulty. This is important since the perishable nature of fresh milk puts a limit on how much of it that can be consumed, especially in the tropical Ugandan climate. The seasonality of the production, of course, also creates problems for farmers, collectors, processors and consumers. This is because it leads to the market being flooded with milk, lower prices and milk getting wasted during some parts of the year, while there is a shortage of milk and higher prices and competition among buyers during other months. This vulnerability to weather changes is increased by the low use of feed supplements.

\textsuperscript{34} Land O’Lakes (2001), p.13 and Twinamasiko (2001), p. 27. In the Land O’Lakes report, small household size is also mentioned as important for the high consumption in the central area; this appears to me as somewhat contradictory since the west is claimed to have the largest household in combination with the highest consumption of milk.


\textsuperscript{36} Discussions with staff at the Dairy Development Authority, Kampala, February, 15, 2005.
That this keeps consumption down is indicated in the Land O’Lakes report, where consumers claimed that they wished to consume more milk, but that mainly the price kept them from doing so. If the production costs could be lowered (and the means and possibilities of doing this probably vary greatly between the different production systems), this could lower the consumer prices and thereby raise the consumption of milk and other dairy products.

The Nabuka Dairy Cooperative Society

The Nabuka Dairy Cooperative is the result of the horizontal integration of three dairy associations in the Mukono district, Nakago, Bugerere and Kkanisa, the last one being the Luganda word for the Church of Uganda. The original goal with merging the three associations into one seems to have been to collect larger amounts of milk to gain some economies of scale. Separately the three associations had too small amounts of milk for it to be feasible to look for markets for the produce.

The district of Mukono, where Nabuka Dairy Cooperative Society is situated, is one out of the seventy-seven districts that Uganda is divided into. As is shown in the map below, Mukono district is situated in the central part of Uganda on the shores of Lake Victoria. It borders in the west onto the Kampala district and in the east onto the Jinja district. The district covers an area of 11,764 square kilometres (of which about one-third is covered by water) and is inhabited by 807,923 people according to the 2002 Population Census. This makes Mukono the fifth most populated district in Uganda.

Just as in the rest of Uganda, agriculture dominates among the economic activities with some 80 percent of the population being engaged in this occupation. In this agricultural system, matoke is traditionally the mainstay of the population. As was pointed out earlier in the section on primary production, the central-urban area to which Mukono belongs is characterised by a shortage of land, which means that zero-grazing system is becoming increasingly

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38 The local language in the region.
40 Interview with member A5, the chairman of the Nabuka Cooperative Society, March 19, 2005.
41 This is the number of district given by the information department at the Ministry of Local Government. Twenty-one new districts have been formed during the last few years; the number of districts otherwise usually mentioned is fifty-six. E-mail correspondence with Ministry of Local Government, March 1, 2006.
44 Matoke are bananas for cooking.
The cattle are then fed grass and feed supplements directly in their stalls. Land in the Mukono district is privately owned, so the grass for feeding the cattle is cut by hand either on the land owned by the farmers or along roadsides and on the land of neighbours after being given their permission.

From the capital of Kampala one reaches Mukono town by either minibus or car on the highway which connects Kampala with Nairobi in Kenya; the ride takes about forty minutes. The dairy is the locus of the Nabuka Dairy Cooperative Society, and it is situated along this highway which is also the main road of Mukono town, with a row of one-storey brick buildings con-

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46 Interview with board member A1, February 7, 2006.
taing a variety of enterprises such as clothing shops, grocery stores and beauty salons. The dairy itself consist of two small rooms fronting the street and the “dairy” behind where the milk-cooling tank is stationed, and this is where the milk is delivered. There are also facilities here for processing and packaging yoghurt. At the dairy there is also basic equipment for testing the quality of the milk. This testing is mainly about checking if the milk has been diluted with water or if it is sour.17

One of the front rooms is the office of the cooperative in which all administrative tasks are carried out, such as recording the amounts of milk delivered by members as well as paying them. The delivering members receive their payments twice per month. The other room is something akin to a kiosk, where milk and yoghurt are sold through a window.18 The name “dairy” might suggest a somewhat more sophisticated enterprise. However, calling the cooperative “a milk marketing cooperative” for example would be misleading since it performs some processing of the milk such as production of yoghurt. Dairy cooperative is also the name used by the members, and it will be used to refer to the physical establishment of the cooperative.

The front of the Nabuka Dairy Cooperative Society Ltd.

17 Interview with the manager of the Nabuka Dairy Cooperative Society, February 11, 2006.
18 Observations from field work carried out in February and March 2005.
The above-mentioned facilities are the physical property owned by the members of the cooperative together with a motorbike that the manager uses for transport; this vehicle is also at times used to collect milk at collecting points at some distance from the cooperative. An asset that the cooperative is missing is a standing generator; this makes the dairy susceptible to electric supply chocks. There is, moreover, no shop for farm supplies at the dairy, which means that it is each member’s responsibility to make such purchases.

When the main part of my study was conducted, the society had 250 registered members of whom 125 were claimed to be active. This figure should be regarded with some caution. According to the manager, the number of members delivering milk to the cooperative has never reached 100, meaning that some members use the cooperative on an irregular basis, making it difficult to state exactly how many are active. Of the active members, 98 are said to be male and 27 female. From these members, according to the manager, the cooperative collected 438,000 litres during the year of 2003, and the year after this figure had gone up to 504,000 litres. The capacity of the cooler in the dairy is 3,200 litres.

Because of the lack of statistics, it is not that easy to put these figures into a context. In its 2003/04 annual report the DDA lists 14 dairy processors in Uganda. This list gives some perspective on the size of the Nabuka Dairy Cooperative. The largest by far of these listed processors was the Uganda Dairy Corporation with a capacity of 130,000 litres per day. Maddo Dairies was the smallest with a capacity of 2,000 litres. This would indicate that Nabuka belongs to the small-scale dairy processors in Uganda. This conclusion is supported a FAO report written by an employee at the DDA, where Nabuka is categorised as a small-scale dairy processing plant in relation to amounts of milk purchased daily.

49 Interview with board member A1, February 7, 2006. What the interviewee explained was that this was practised partly as a temporary bait to get people interested in delivering to the cooperative, but also as a way to get milk to the dairy at times when the deliveries are low.
50 Brief from the manager of the Nabuka Dairy Cooperative Society, January 31, 2005.
51 The field-work that focused on Nabuka was carried out during February and March 2005 with a brief visit also in February 2006. I visited the cooperative and a few of their members briefly also in the spring of 2003 albeit with a slightly different purpose. Some of the information that I was given at that time has, however, also been used in this study.
52 Interview with the manager of the Nabuka Dairy Cooperative Society, February 11, 2006. The same answer to the question on how many active members the cooperative has was provided by the manager of the cooperative in the Mbarara district. Members moved in and out of that cooperative as well.
53 Interview with member A5, chairman of the Nabuka Dairy Cooperative Society, March 19, 2005.
54 DDA (2004), p. 10. The Nabuka Dairy Cooperative is not mentioned in this list.
55 For example Kasirye (2003), p. 29.
The Cooperative Act

As a registered cooperative society the Nabuka Dairy Cooperative Ltd. functions under the Co-operative Societies Statute of 1991. This act stipulates a variety of things: what type of societies that can be registered, the rights and liabilities of members, how the societies should be supervised etc. Regarding the issue of shareholding the statute, for example, says that “[n]o member … can hold more than one-third of the paid up share capital of a cooperative society.” It is also stated that each member only has one vote in regards to the affairs of the cooperative. In the 1991 statute there are no regulations on the composition of the board for the registered societies.

Because we are dealing here with a cooperative society that buys and sells produce from its members, the section in the act that stipulates the right of the society to contract with its members about the sale of the members’ produce should be of special interest. The act stipulates that:

A registered society, having as one of its objects the disposal of any agricultural produce, may contract with its members either in its bye-laws or by a separate document, that they shall dispose of all their produce, or such amounts or description as may be state therein, to or through the society.

The cooperative societies’ statute also leaves room for the society to impose fines on members who violate the bye-laws of the society, and it regulates how and when such fines may be imposed.

Members of the Cooperative

The more methodological aspects of the interviews have already been discussed, but here I would like to give a more thorough presentation of the members that figure in this study. I have interviewed 13 members of the Nabuka Dairy Cooperative. Eleven of the members that I talked to were men and two were women. Two of the members were on the cooperative board, one as chairman of the cooperative and the other a regular board member.

The dairy cattle keepers that I interviewed lived mostly in the outskirts of Mukono town, approximately some two to three kilometres from its centre. There are members living further away from Mukono town; the one who has the longest way to transport the milk, according to one of the board members, lives some 16 km away. Since the area is quite densely populated, many of the homesteads, including those of my interviewees, lie very close

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57 The Co-operative Societies Statute, 1991, p. 18. No such contracts were mentioned by the interviewees; the members are, however, supposed to indicate how much milk they will deliver when they sign up with the cooperative. E-mail correspondence with Mr. Ibyisi-Ntabyo, project manager/coordinator at UCA, October 3, 2006.
58 Interview with board member A1, February 7, 2006.
to each other, in some cases with only some fifty metres of space between one house and the next. All houses I visited were made of bricks, a sign of a certain economic well-being that is far from standard when you move deeper into the rural areas. Most of them have their plots of land adjacent to the house. This is not always the case, however, which makes it difficult for an observer to get an overview of how much land the households are actually cultivating.

Following the division of holdings made by UBOS into small-, medium- and large-scale, the size of my interviewees’ holdings was small-scale. The acreage they cultivated varied from about one acre up to five acres, according to their own estimations. All of them owned dairy cattle, but the number of productive cows varied (with one exception) from one up to around fourteen. There was also a large variation in the quality of the breed of the cattle. No one had cows of pure indigenous (low-yielding) breed only. What was most common among my interviewees was to keep crossbred cattle, with high percentage of exotic breeds, for example Friesian cattle. Only one farmer claimed to keep only purely exotic cattle. Following the UBOS’ categorisation of farmers on the criteria of animal stock, this means that four of the members could be classified as having a medium-scale holding, while the rest with one exception had small-scale holdings. One member stands out somewhat from the others in that he owned some 56 acres of land and around 38 cattle. This is substantially more than the other interviewees. This farm was also situated some 10 kilometres from the town, or measured in time; about one hour on bicycle, which is a common means of transporting the milk to the dairy. All members keep their cattle individually; there is for example no common grazing land or stalls provided by the cooperative society.

To become members of the cooperative, farmers have to buy share certificates in the cooperative, which at the time of my study cost 50,000 Ugandan Shillings which is roughly equivalent to US$ 27. To put these figures into some perspective, they can be compared to the price that the cooperative pays the farmers for their milk. This price has gone up from 300-350 to 400 Ugandan Shillings per litre since the first time I visited the cooperative in the spring of 2003.

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60 According to the interviewees the number of animals varies over the year. The farmers can sell or buy animals depending for example on their need for cash.


62 Interview with member A6, February 25, 2005.

63 Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005 and interview with member A12, February 18, 2005.
The cooperative has a board of directors made up of seven members, who are chosen by direct elections every two years. The board is responsible for establishing the specific operating policies, for the hiring of a manager and also for the supervision of the management. The manager works on the assignment and directions of the board; besides conventional managerial tasks, the manager is also responsible for selling the milk delivered at the cooperative.

The main purpose of the Nabuka Dairy Cooperative is said to be to collect and market milk from its members, as well as to support the members in developing their skill when it comes to managing their dairy herds. One goal is also to do some value adding to the milk, an ambition that appears to be not always possible to fulfil, however. When the data for this study was collected, the cooperative did not even pasteurize the milk, but rather sold it raw and unpacked, with the exception of the production of some small quantities of yoghurt. What can be deduced from the interviews on this issue is that the business of value adding depends primarily on the quantities of milk being delivered to the cooperative, but also on the demand for value added products.

Below follows an analysis of the amounts of milk delivered by members and milk sales by the cooperative, as well as an account of the credit scheme that this cooperative society offers its members to take part in.

**Amounts of Milk Delivered by Members**

Under this heading I will show what the deliveries by members looked like for the year 2003, the year for which I have data. Besides trying to show trends in the deliveries over a year, for example fluctuations, peaks and lows, I will also trace some individual members to exemplify different delivery patterns.

Figure 7.3 shows the amount of milk delivered per month during 2003. At most the amount delivered in a month differed by ca 7,000 litres. Between any two consecutive months, the amount delivered could differ by around 3,500 litres. January and February show the largest consecutive discrepancy, but that difference is partly compensated for if one considers that February has three days less than January.

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65 Interview with board member A1, February 22, 2005.
67 That information was collected in February 2005.
68 Interview with board member A1, February 22, 2005, interview with member A8, February 20, 2005 and interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
Figure 7.3. Total number of litres of milk delivered to the Nabuka Dairy Cooperative per month in 2003.

Source: Delivery charts for members of the Nabuka Dairy Cooperative Society, year 2003.

Figure 7.4 shows the delivery patterns of all members of Nabuka during the year 2003. The figure shows the spread of deliveries between minimum value and maximum value, as well as the value of the first quartile and the median values for each member. The members have been sorted left to right after recorded maximum delivery. A majority of the members have maximum deliveries of 10 litres or less per day, while some few large producers deliver a maximum of 140 litres per day. This means that there are very large differences in the size of the deliveries among the members and that they become even larger if one studies the average deliveries. The average size of delivery was 8.7 liters in 2003. There are three big suppliers who have average values of between circa 70 and 100 litres. Regarding the distribution of the individual members’ deliveries, there are about five suppliers with rather high maximum values whose delivery patterns show a large distribution. Half of their deliveries vary on an individual range from 35 to 90 litres. This could have influence on the stability of the total deliveries to the cooperative.

What is immediately striking with the Figure 7.4 is of course the large number of producers who have recorded at least one “zero delivery”, as well as the large number of producers who have delivered no milk on more than a majority of possible days they might have been able to deliver. The delivery register shows that members can be inactive for several months in a row and thereafter start to deliver again. From the register it is, however, not possible to establish whether a farmer is a new member or, in the cases when they disappear out of the register, if they have left the cooperative for good. The exceptions are those whom I have interviewed, who told me how long time they
Figure 7.4 Distribution in milk deliveries for all members of the Nabuka Dairy Cooperative during the year 2003 (min, 1: a quartile, median, 3: a quartile and max in litres)

Members of the Nabuka dairy cooperative society

Source: Delivery charts for members of the Nabuka Dairy Cooperative Society, year 2003.
have been members. During January 42 producers delivered milk to the cooperative. The number goes up to a peak of 61 deliverers in July, but thereafter stabilises for the rest of the year at around 50 members delivering to the cooperative.

The issue of zero deliveries is somewhat less interesting when the producers also have low maximum values. This is because it is likely in the latter case that the member has very few animals, which makes it easier to explain the zero deliveries. One cow may for example be about to produce a calf and the other might fall sick, in which case there will be no milk to deliver at the cooperative.

As can be seen from Figure 7.4, it is not only those who deliver low quantities that have recorded zero deliveries. A number of those who have the largest recorded deliveries also have zero deliveries as well as fairly low median values. What this means is that although the group of members who have “failed” to deliver generally seems to consist more of small-scale deliverers, there are a number of suppliers in the group whose maximum amount of delivered milk matches or tops that of those few who have never “failed” to deliver to the cooperative during the period being studied.

How then do the figures showing the delivery pattern of the individual producers correspond to the graph showing the total amount of milk delivered to the cooperative? If one just studies Figure 7.4, one might perhaps have reached the conclusion that the amount of milk supplied each month would vary substantially. This is not really the case, as has been shown above. One factor explaining this is most likely that a few large producers supply the cooperative with a big proportion of the overall milk supply.

The fact that the ten largest deliverers of milk to the cooperative are responsible for about 50 percent of the total amount of milk has of course effects on the stability of the volumes of milk delivered. The three members who produced the greatest total amount of milk together answer for about 20 percent of the milk delivered by the members during 2003. These three had no zero deliveries in their records and are found in Figure 7.4 among those three suppliers with the highest median values. This is theoretically interesting since it indicates that there might be a sort of symbiosis between the smaller and larger producers in the use of the cooperative.

It could of course be that there are fluctuations from day to day even if there is no great variation between the different months. Here the evidence is somewhat inconclusive: there are fluctuations, more marked in some months compared to others, but how serious these are for the cooperative is difficult to say.

As can be seen from Figure 7.5 the total amount of milk bought per day does not seem to vary as much as one might anticipate from studying the delivery patterns of the individual members as well as from statements by members and the manager of the cooperative. These give the impression that
Figure 7.5. Total number of litres bought per day from members in August 2003.

the supply of milk to the dairy varies and that this poses a problem in relation to the customers of the cooperative. The manager even asserts that he at times has to try to buy milk even from non-members far out in the rural areas.69

The amount of milk delivered by the members in for example the month of August as shown in Figure 7.5 varies by some 200 litres over a couple of days. Considering that the total amount for this month never reaches over 1,000 litres per day, that variation should not be considered insignificant, but this month is actually more volatile than several of the other months in 2003. Going by the information given in the interviews, these fluctuations are apparently considered problematic by the manager and one interviewed board member.

One should note that the figures that I have are for one year, 2003; however, there is nothing to indicate that this year was any more or less stable than other years and that the problems with milk supplies had arisen later. I conducted my first field work in 2003, and although Nabuka was not my main focus I received indications that some members were not delivering as steadily as the management would have wished.70

69 Interview with board member A1, February, 22, 2005, with former member B10, March 14, 2005 and interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.

70 Interview with member A1, April 29, 2003, who at that time was acting manager for the cooperative. Former member B10 who talked about members at times selling milk to private traders instead of to the cooperative had stopped delivering milk to Nabuka in 1999, indicating that this type of problem existed also at that time.
The Customers of the Cooperative

The Nabuka Cooperative Society has different categories of customers. One group is larger customers that get deliveries from the cooperative: these are mainly schools in the vicinity, especially boarding schools. Another group is vendors, i.e. small-scale traders for whom the cooperative acts as a wholesaler. Finally the cooperative acts as a retailer in the urban centre of Mukono, where it has what can be called a kiosk, but which in the auditing papers of the cooperative is referred to as a lock-up. They also sell out of a “window” straight from the dairy. Yoghurt is sold to Jinja where the cooperative has a sales representative. Milk is also sold in the neighbouring district of Kayunga where the cooperative also has a collecting centre.

The two figures below show that in September 2004, the Nabuka Dairy Cooperative, sold 34,116 litres of milk and 1,693 litres of yoghurt. According the sales statistics from the cooperative, an additional 741 litres of milk was sold to schools. The categorisation of outlets used below is, according to the manager, only made for internal evaluation purposes, to keep up the accounts. What is interesting from a market organisation perspective is the dominance of vendors as an outlet for the product, which will be discussed further in the following chapters. It is also apparent from the figures that the vendors are less active in selling yoghurt as compared to milk.

*Figure 7.6.* Sales of milk from the Nabuka Cooperative per outlet (lock-up, vendors and window) in litres for September 2004.

![Pie Chart](image-url)

Source: Cash analysis sheets from the Nabuka Dairy Cooperative for the year 2004.

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72 Note that the sales figures are for 2004 as opposed to those of the deliveries to the cooperative which are for 2003.
Figure 7.7. Sales of yoghurt from the Nabuka Cooperative per outlet (lock-up, vendors and window) in September 2004.

Source: Cash analysis sheets from the Nabuka Dairy Cooperative for the year 2004.

The Credit Scheme

The cooperative runs a credit scheme that according to a board member was started in 1999. This respondent was also the person responsible for initiating the credit programme, having earlier experience from employment in credit and savings societies. Members join by giving permission to the cooperative to deduct one litre everyday off the individual member’s milk delivery. This works as a sort of savings and makes up the funds from which loans are then extended to members of the cooperative and the credit programme. According to the current manager, some members save more, up to five litres per delivery. Participation in the credit programme is voluntary for members. This credit scheme as it is outlined above is separated from the regular business of the cooperative; for example the financial statement for the credit programme is separate from that of the dairy business. This separation is necessary since it is not compulsory for members to enrol in the scheme, and not all members have chosen to do so.

73 Interview with board member A1, February 22, 2005.
74 Interview with board member A1, February 22, 2005 and interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005. It is important to note here that this credit scheme is not a so-called micro-finance institution which frequently figures in literature on African development. Those are generally characterised by lending where peer pressure substitutes for other securities on loans, something that is not practised at the Nabuka Dairy Cooperative. For a discussion on micro-finance in Africa, see Mosley – Rock (2004), p. 468 ff.
75 Interview with the manager of the Nabuka Dairy Cooperative Society, February 11, 2006 and Financial Statement for the Nabuka Dairy Cooperative LTD. Savings and Credit Programme for the year 2004. At the end of the financial year 2004, 120 members had savings in
The maximum duration of a loan should be six months according to the manager. He and others admit, however, that if there are special circumstances, this period can be extended. How large a loan you are granted is said to depend mainly on two things: how much you have saved in your account, as well as your ability to pay back the loan. You might for example have joined the programme late, but if you are delivering large amounts of milk, you are still considered creditworthy.76

Repayment of the loan is done in the same way as members save, by deductions on the milk deliveries. The interest on these loans is 2 percent per month while the percent credited to the member’s savings account is five percent per year.77 The largest loan that the cooperative had granted at the time of my study was, according to the initiator of the programme, three million Ugandan Shillings.78

There is definitely a higher demand for credit than the amounts available.79 This means that the cooperative board must engage in credit rationing.80 Here different people, the manager, board members and regular members, seemed to have approximately the same idea regarding what the procedure for this looked like. First of all the cooperative applies the principle of “first come, first served”.81 But even this is not as clear cut as it might seem, because the purpose of the loan is said to be of outmost importance. Respondents with insight into this process gave quite detailed descriptions of the procedures.

“… there are some very urgent needs, when one can apply, when his demand is very urgent … I mean the cow is sick he wants a lot of money….82

According to this respondent’s explanation, this is not an ordinary case:

“…but if it is just a normal loan come first – first served … almost every time we have at least members waiting, when the board passes the applications …”83

These loan applications are passed once every month at the board meeting.84 The manager attends these board meetings although he does not have any

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76 Interview with board member A1, February 22, 2005, and interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005
77 Interview with board member A1, February 22, 2005; on this point the respondent seemed a bit vague since he answered that the interest had never been lower than five percent per year.
78 Interview with board member A1, February 22, 2005.
79 For example interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
80 Interview with board member A1, February 22, 2005.
81 Interview with member A8, February 20, 2005.
82 Interview with board member A1, February 22, 2005.
83 Interview with board member A1, February 22, 2005.
84 Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
mandate in them. The manager by his own account seems quite involved in the screening process of these loan applications:

… what we do, its like this, depending on the amount, once the manager … in the first instance to consider the balance, the savings amount of the applicant has, that is one, two he [the manager] has to consider the number and the amount of volume of milk he [the member] delivers to the dairy, he [the manager] has to consider the past records, whether he has ever defaulted, … he has to consider how much amount of litres he will be in position to pay while he [the member] remains with some of the milk which will be in position to run the farm … You have to consider the period which he will spend with the money”

It makes sense that the manager should be involved in this procedure since he is the one who deals with the members on a day-to-day basis and therefore has insight into their financial positions.

Credit for What Purpose?

What then is it that members want credit for, and how well is the board able to control that the real purpose of the loan is that which is stated in the application? There often seems to be a discrepancy between what members actually want to use the credit for and the purposes that the board accepts. Some people want credit for what can be called “social purposes”; this can be occasions such as weddings and funerals.” These are not purposes that the cooperative board favours; the loans are primarily supposed to go to “productive uses” such as expanding the farm, buying a new cow, creating better fences etc. There were also respondents who said that these latter types of purposes was what they mainly wanted credit for.” School-fees, which are a recurring and substantial part of the members’ expenses”, appear to be treated somewhat more generously compared to other social purposes.”

The reason for this somewhat confused view on what purposes credit is really granted for is, according to the manager, grounded in the different agendas of the members. He described the situation as somewhat of a “tug of war” between the initiators of the credit programme, who want credit to go

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85 Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
86 Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
87 Interviews with for example board member A1, February 22, 2005, and interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005
88 Interview with member A6, February 25, 2005, and interview with member A10, February 22, 2005
89 Interviews with members H1 and H2 of the Nabuka Dairy Cooperative Society, April 7, 2003.
90 Interview with board member A1, February 22, 2005
only to “farm improving purposes” and newer members who want to receive credit also for other purposes.\textsuperscript{91}

The means to control that the credit is used the way it was supposed to be is mostly that the manager or board members check up on members; giving some credit in kind is another means. If for example a member wants credit to be able to buy milk cans, it happens that he is given milk cans directly instead of money to buy them.\textsuperscript{92}

From what the manager explained about the savings and credit programme, the savings part of the programme cannot be considered to be savings in any typical meaning of the concept. This is because the original idea with the savings is only to create funds for members to be able to access credit. This means that you cannot withdraw money from your savings account if it is not in the form of credit.\textsuperscript{93} This information was corroborated by a long time member who explained that she has stopped saving in the programme since the money cannot be accessed other than in the form of credit. The money “just helps us to borrow” as she put it.\textsuperscript{94}

To sum up, the credit programme appears to be guided by roughly the following principles. If you as a member get any credit at all depends firstly on how much you have saved in your account. Secondly your ability to pay back the loan is considered. You might for example be a new member supplying the cooperative with large amounts of milk; this could grant you credit even though you have not managed to save much when you apply for the loan. Thirdly the purpose of the loan is considered; productive investments are supposed to be given priority. Finally your past conduct within the cooperative is looked at; of importance here is for example the issue of defaulting on previous loans.\textsuperscript{95}

For the cooperative as an organisation, this credit programme ought to be a very important tool to secure deliveries of milk or to tie members to the cooperative, to put it another way. Since you save for your possible future loans and repay your loans by letting the cooperative deduct from your deliveries, this assures the cooperative of deliveries from members who have been granted credit.

\textsuperscript{91} Interview with the manager of the Nabuka Dairy Cooperative Society, February 11, 2006.
\textsuperscript{92} Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
\textsuperscript{93} Interview with the manager of the Nabuka Dairy Cooperative Society, February 11, 2006.
\textsuperscript{94} Interview with member A8, February 6, 2006.
\textsuperscript{95} Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
Insemination and Veterinary Services

Another service that the cooperative offers its members, and which bears similarity to the credit scheme because of the way it is structured, is the insemination service. Here the cooperative administers the farmers’ payment for this service in much the same way as in the credit scheme, that is by deducting from the payment for the milk deliveries. In this system the cooperative can also, according to the manager, extend a certain grace period if the farmer claims that he cannot have that money withdrawn immediately.66

At the time when the majority of the interviews with the members were conducted, the cooperative could not provide any veterinary services for its members. One board member said that the cooperative used to hire a veterinary doctor and that the members could use him at a discounted price. After this veterinarian left the country, the cooperative could not found any replacement and the prices for the veterinary services have therefore gone up.67

Concluding discussion

The perhaps most important implication that can be drawn from the account of the production and marketing systems for milk is that the Nabuka is situated in an area where the informal market is very active. This means that the cooperative faces competition from vendors over the farmers’ milk.68 On the other hand, as the quantitative analysis of the sales figure from the cooperative shows, the vendors are apparently an important outlet for the cooperative since they are often the biggest buyers of milk and the second most important outlet for yoghurt from the cooperative. This creates a situation where the cooperative at times finds itself in a competitive situation vis-à-vis the vendors in getting milk from the farmers, at the same time as the vendors are an important outlet for the cooperative.

This competitive situation should have various implications for the running of the cooperative and for the loyalty of the members. These issues will be dealt with more in detail in the following chapters. But it could be of interest here to briefly reflect on in what ways Nabuka can compete with the milk vendors?

What Nabuka can primarily offer is stability; the members can always be sure that the cooperative will buy their milk. The cooperative, moreover, runs a credit scheme for its members. The cooperative can also give advances on the payment for the milk which can tide members over an acute need for cash. The milk vendors have no cooling facilities and operate solely on a

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66 Interview with the manager of Nabuka Dairy Cooperative Society, March 9, 2005.
67 Interview with member A1, February 22, 2005.
profit basis. Therefore in times when milk is in plenty, they will not be as reliable buyers as the cooperative. The cooler owned by the cooperative constitutes perhaps its most significant advantage over the vendors since the dairy does not have to sell the milk immediately. The dairy also has the possibility of converting surplus milk into yoghurt, which has a longer sell-by date. The cooperative is not able to compete with the vendors on one crucial point and that is on the price paid to farmers for their milk. Because the vendors ought to have lower overhead costs, they can offer a better price to the farmers. The vendors apparently also offer another advantage to the farmers by collecting the milk directly at the farm gate. This relieves the farmer of the trouble of having to transport the milk to the dairy or to other possible customers.

The fact that the milk vendors are both competitors and clients to the cooperative could indicate that these two categories in some ways complement each other. By buying from the dairy, the vendors are not forced to move around collecting milk at the different farms which should save them quite a lot of time. They should make less profit (since they have to buy the milk at a higher price at the dairy compared to buying it straight from the farmers), but it is possible that this could be offset by the time saved. Since I have not specifically studied the milk vendors, these thoughts are of a hypothetical nature.

The discussion on how the milk market is structured nationally showed that whether a cooperative or a dairy association is categorised as an informal or formal actor depends on mainly on the issue of pasteurisation. The operation of Nabuka Dairy Cooperative shows that this definition can be somewhat misleading. This cooperative is properly registered at the Department for Cooperative Development. It runs a business which is audited yearly by the Uganda Cooperative Alliance. If the cooperative at times does not pasteurise the milk, this still hardly qualifies the business to be regarded as belonging to the informal sector.

The quantitative analysis of the milk bought by the cooperative from the members points to several interesting issues. It is clear that the deliveries from the majority of the members fluctuate substantially. There are, however, a few big suppliers who have a more stable delivery pattern. The fact that the ten largest suppliers to the cooperative in 2003 answered for around 50 percent of the total deliveries goes some way in explaining the relative lack of fluctuations in the total deliveries.

Besides the activity of buying milk from the members, one service that has been dealt with in some detail in this chapter is the credit scheme that the

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99 For example interview with member A6, February 25, 2005 and interview with member A12, February 18, 2005.
100 I have not studied the practises of the vendors in this area, but bicycles as means of transportation of milk by vendors are mentioned by Kasirye (2003), pp. 33 and 43 and Land O’Lakes (2001), p. 68.
cooperative offers its members to take part in. The reason for describing this in some detail is that it is used by the cooperative as a way to tie members to the organisation and in this way ensures that they continue to deliver milk to the cooperative. The reason to why it should be necessary to provide this, so to speak, additional value can possibly be found in the competitive environment which this cooperative faces. But it should also be viewed as a service generated out of the members’ articulated needs.
CHAPTER 8
The Nabuka Dairy Cooperative – the Organisation

Introduction

The perspective on groups, individuals and free-riding that was discussed in Chapter 6 can in this chapter be used as tools to analyse more closely the cooperative society that makes up my case; what problems does the organisation face and how does it seem to handle these problems? What do the corporate obligations of Nabuka look like? By studying Nabuka as an organisation, can one say anything about whether it possesses a control capacity over its members? Does the organisation of the Nabuka Dairy Cooperative and the surrounding milieu provide those incentives for farmers to integrate economically that were discussed in Chapter 6?

Control Capacity and Corporate Obligations in the Nabuka Dairy Cooperative

Control capacity and members’ dependence were mentioned in Chapter 6 as central in order to achieve cooperation. The control capacity of Nabuka has to be looked at from several different angels: We must establish what it is that needs to be controlled; what do the corporate obligations around which the cooperative must create loyalty consist of? How extensive are the corporate obligations that members must comply with in a cooperative such as Nabuka?

The most important corporate obligation for the members is to deliver milk to the cooperative and thereby make sure that the cooperative can keep up a viable business. I maintain that this can be called a corporate obligation since you as a member are supposed to perform it, even though there at times can exist short-term gains by not adhering to this obligation. This is a duty that all members of the cooperative have, regardless of whether they are for example members of the credit scheme or not. The compliance with this obligation can be divided into three categories: compliance, semi-compliance and non-compliance. Compliance is then to always deliver your marketable surplus of milk to the cooperative; semi-compliance is that you continuously deliver some of your marketable surplus of milk, that is you do not stop your deliveries completely (expect for such cases where, for reasons not controlled
by the farmers, there is no milk to deliver); and finally non-compliance, which is the total free-raider who goes back and forth between the cooperative and other buyers and only delivers to the cooperative what is not sold to other buyers. Admittedly these distinctions are not always that easy to make. If you are a small producer, an interruption in deliveries can occur in all three categories without necessarily being a sign of non-compliance. Moreover, since I do not have data on the production capacity of the different farms, it is difficult to say exactly how much they are due to deliver at the cooperative.

What does the control capacity of Nabuka look like then in theory? The two important functions of the control capacity are sanctioning and monitoring capacity. It was stated in Chapter 6 that the ability to provide selective incentives is the same as the sanctioning capacity. Nabuka ought to possess sanctioning capacity. It should be possible to exclude members who do not comply, even if that may be costly; the cooperative would probably have to repay shares and would lose the possible source of income that the milk deliveries from these members brings in. Other and more likely negative sanctions that Nabuka could resort to are to impose fines or simply to refuse to take milk from deviant members. These sanctions ought not to be that costly, since the cooperative has an employed manager who should be able to administer this.

What about positive sanctions, rewards, to complying members? These ought to be more costly since this money has to come from somewhere. This cost could, on the other hand, perhaps be outweighed by bigger and more reliable deliveries to the cooperative. I have not found any consistent ways of rewarding complying members, but bonuses that are distributed at the end of the year can perhaps be seen as one way of doing this, although one could argue that this is just what members who comply are entitled to. The way the credit scheme is used could fall under the category of positive sanctions; this function of the credit scheme will be discussed below.

At a basic level, it ought not to be very costly to monitor that this obligation is fulfilled; if a member stops delivering altogether, this is very visible. In this way the cooperative must be considered to possess a monitoring capacity. What becomes much more difficult to monitor, however, is when members practise some sort of semi-compliance, meaning that they comply to some degree, i.e. they deliver some, but not all their milk continuously to the cooperative and sell the rest privately. To determine whether a member practises semi- or full compliance is difficult, in that this requires a detailed knowledge about how much milk each producer is producing at all times.

All in all it seems that the corporate obligations in Nabuka are not that extensive; what is demanded is really only that you deliver your milk and

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1 Interview with Mr. Ssebunya, UCA field extension officer in Mukono, March 9, 2005.
also that you as a member preferably show commitment by attending meetings, which are not that frequent, but do take place at least once a year.²

Corporate Obligations in Practice – the Issue of Member Solidarity

Does my study then tell us anything about how well or to what degree the members actually comply with these corporate obligations? This is a difficult question, since it was not possible to ask outright whether my interviewees were selling their milk somewhere else than at the cooperative. Instead I tried to see if there existed any opinions among the members on whether this was a common practise or not. The patterns of milk deliveries that were presented in the preceding chapter give reason to believe that members comply to a varying degree, and this is something that I find interesting. It appears as if individuals value the benefits and drawbacks of complying with corporate obligations (in this case to deliver milk which in turn should mean having a sure outlet for the produce) differently both within the group and in the community as a whole, given that not all cattle-keepers are members.

The willingness or unwillingness to comply with corporate obligations may, however, not be a decision based entirely on free choice. It may be influenced by factors external to the cooperative, such as the ability of the individual member to find reliable buyers on the private market, i.e. a sure outlet for the produce. Different respondents in the study apparently perceived the possibilities and the attraction of selling outside of the cooperative quite differently. One member of the cooperative, who can be classified as farming a small-scale holding according to the UBOS’ categorisation, had the following opinion on the private traders, the so-called vendors:

... there is times when there is lot of milk production, you know it is seasonal, but when such a period comes when you have a lot of milk and you run back to them [the cooperative], because these vendors are not, I told you they are not reliable....³

Another respondent, this one also a member of the cooperative expanded his thoughts somewhat more on this same theme. He explained that before he joined the cooperative, he at times had to spend a lot of time in taking the milk to various customers.⁴ He also complained that these customers were

² Interviews with member A10, February 22, 2005 and interview with member A8, February 20, 2005.
³ Interview with member A12, February 18, 2005.
⁴ This way you get paid better for the milk; see the discussion on payments in Chapter 9.
not always honest, so that it could become an issue to get payment for the milk.

On the other hand, one other cattle keeper (who like the member quoted above farmed a small-scale holding), who had chosen not to become a member, did not see any difficulty in selling her milk to private buyers:

… I still sell it to vendors, because for the vendors I sell them at 400, there at the plant … [referring to Nabuka] they sell it at 300 … so I find it very easy to sell to vendors and also to local market, like the neighbours who take it, who pays me monthly, because I want that monthly income. These vendors they give it to me every day they take [collect the milk], they pay me.…

Only two of the interviewed members (one of them not delivering at all to the cooperative at the time) were positive about selling to private buyers such as vendors, but also to friends and neighbours. It could be that the members experience a varying availability of other buyers besides the cooperative and that the variation in compliance may not be due to different preferences only, but may be somewhat involuntary.

Regardless of the underlying reasons, the quantitative material on members’ milk deliveries to the cooperative as shown in Figure 7.4 in Chapter 7 still shows that some members deliver quite irregularly to the cooperative compared to others. It was also shown in Chapter 7 that “small producers” are not the only ones responsible for “zero deliveries” to the cooperative. Looking at deliveries over the year as is done in Chapter 7 does not rule out that a big producer may have joined or left the cooperative sometime during the year, thereby giving the impression of unstable deliveries. I have therefore chosen in Figures 8.1 and 8.2 below to take a closer look at the delivery patterns of some of the larger producers. Of the four members whose delivery patterns are studied in Figure 8.1, three are volatile producers and one a stable producer over the year 2003.

Figure 8.1 takes a closer look at the delivery patterns of these “big producers” The thick unbroken line shows the most stable producer delivering to the cooperative. Over the course of the year, this producer is the one who delivered the largest total volume of milk. Two out of the three producers who have failed to deliver during the whole year belong to the top ten producers when it comes to volumes supplied to the cooperative during 2003. Figure 8.1 shows the variation in deliveries per month over the year. Just as was discussed above, it is difficult from such a figure to say if this pattern indicates that these members have joined the cooperative, as in the case of the

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5 Interview with member A7, February 20, 2005. This respondent was not referring to vendors but to final customers.

6 Interview with respondent B5, February 15, 2005. See also for example interview with respondent B8, March 11, 2005 and with respondent B7, February 11, 2005.

7 Interview with member A2, February 20, 2005 and in February 1, 2006 and interview with member A13, March 8, 2005.
Figure 8.1. Delivered quantity of milk in litres per month for four high producing members, one stable and the others volatile, for the year 2003.

![Graph showing delivered quantity of milk per month for four members, one stable and the others volatile, for the year 2003.](image)

Source: Delivery charts for members of Nabuka Dairy Cooperative Society, year 2003.

lowest line, or if they have left the cooperative totally, as the dotted line ending in July could indicate. Even if this still means that the deliveries to the cooperative could be affected, it does not indicate free-riding behaviour. However, the producer who looks as if he joined the cooperative in July had actually been a member for several years when he, for reasons that he referred to as issues of payment, withheld his milk for several months.9

By looking at the daily deliveries for one month, it should be possible to see if these “unstable” members also fluctuate in volumes delivered when they actually do deliver to the cooperative. The delivery patterns of two of the unstable members are therefore compared in Figure 8.2.

The delivery pattern of the more volatile supplier in Figure 8.2 is difficult to make sense of; it can apparently vary by about 35 litres over one week, which means that the yield from approximately three milking cows has not been delivered in one day. The delivery pattern of the other member is relatively high compared to other members in the cooperative with only moderate fluctuations for this month.10 Both of these members, however, stopped their deliveries totally during 2003 which indicates that even if a member is a stable deliverer when he or she is actually active, this is no guarantee that this member will not stop delivering.

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9 These members have been selected basically to show how volatile the pattern for a number of high producing members can be.
10 Interview with member A6 over the phone on March 1, 2006.
11 See Figure 7.4 in Chapter 7.
That free-riding, even if this is not a term used or recognised by the interviewees, or at least varying levels of milk deliveries, is perceived as a problem for the cooperative is clearly expressed in some interviews. Most expressive is a statement from one board member on how this issue affects the business of the cooperative:

… I think it was the … last general meeting, ok, there are even some members doing this. Dry season, when milk is scarce, when many people are looking for the milk, they don’t bring the milk at all, at the cooperative and when … they have it in plenty they bring it when we have lost, in fact lost even the buyers because we get buyers who go away because we don’t have enough milk and when they [the members] have lot of milk, they come back – when we have lost the buyers, we have those members and mainly we are concerned, at the last general meeting and we are suggesting that those who are keeping their milk away during the scare day that when they come back, that they should be paid different price….11

This description directly corresponds to the discussion in Chapter 6 on individual uncertainty and shared risk. The situation above is one where the cooperative cannot take advantage of the benefit of coordination, since one does not know from one point in time to another what amounts of milk will be available for sale or processing. This is a typical free-rider problem, where

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11 Interview with board member A1, February 22, 2005.
all members would probably be better off if they delivered to the cooperative even when they are tempted with high prices from other buyers. There is clearly a perception that this behaviour makes it difficult for the cooperative to tie in buyers in order to make sure that there is always a market for the milk that members deliver.

Member Dependence and the Use of Sanctions

What can be said about the rate of dependence among the members of Nabuka, what are the indications of whether dependence is either high or low? This is another question that seems difficult to provide a clear cut answer to. Expressed loyalty towards the cooperative could be one indicator of dependence; you have to mind your relation towards the cooperative because otherwise you have nowhere to sell your milk or to get credit in case of need etc. However since the cooperative has never invoked the possibility of punishing those who do not perform their corporate obligation, it is difficult to use “loyalty” as an indicator. Those who appear loyal – that is they claim that they deliver what they can, and where this can be cross-checked – may actually be dependent and would therefore be severely harmed by a punishment in case that this were to be executed.

The answer to why the cooperative is so hesitant to invoke sanctions, to employ negative selective incentives towards deviant members, is crucial, but not that easy to answer. The manager of the cooperative had apparently tried to convince dormant members to resume their deliverances to the cooperative; this is, however, far from the same thing as punishing those who free-ride. Among the members there appears to exist some confusion, or at least very varying ideas, on if or how the cooperative reacts to such practises as selling outside of the cooperative. According to one of the interviewees who is a long-time member as well as a member of the board, the bye-laws of Nabuka stipulate that members are to sell all their milk to the cooperative. This does not seem to be the conclusion drawn by another member, who responded in the following way to the question if anything would happen if a member sells outside of the cooperative:

No, they have got no problem – it depends, you know in something we call a cooperation … everybody is free to enter or to leave the cooperation, you are

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12 One member accordingly pointed out that when members choose to sell outside, it negatively affects the business of the cooperative when the volumes get too low. Interview with member A3, March 1, 2005.
13 Interview with member A13, March 8, 2005, and interview with member A2, February 20, 2005.
14 Interview with board member A1, February 22, 2005.
free to deliver or to sell somewhere else, for them they [referring to the board] don’t force you….

A similar line of reasoning is put forward by another interviewee, who moreover hinted that the prices paid for the milk was the reason for selling to other buyers: “… you are free to sell even if you are a member … to sell, the price there at our cooperative, the price is low….”

This can be interpreted as that it is actually acceptable to sell outside and that the cooperative therefore has no reason to take any actions against members who do this. This conclusion could be seen as supported by a statement from the current chairman of the cooperative, who on a direct question if the cooperative takes any actions against members who sell to private traders, answered that “no we don’t”. His explanation for why no sanctions are enforced regarding such members is that it would be too costly. He claimed that the cooperative does not have resources to devote time to such measures." This lack of action could be the reason to why some members believe that the board is not opposed to members selling outside of the cooperative.

This picture of a total absence of actions against deviant members is not supported by all of the interviewees however. One of the interviewees described a scenario of what can happen when a member sells milk outside of the cooperative and then returns to the cooperative:

… when there is a bumper harvest of milk, that time they [the other buyers] will never come to you, so you can stay with your milk and start running back to Nabuka, those people will say “no such and such time you were not bringing your milk, we are not going to take your milk for such a period – as a punishment”….

The same idea that the cooperative can refuse to accept your milk if you do not deliver what you have during the dry season is voiced by another member:

The cooperative always detects that some members are not bringing what they should have to deliver, but as a member they always try to attract them to continue delivering milk as a member should do, but there is no other way or method that they use … In the wet season they give the first priority to their committed members and then the dishonest members are considered later.

15 Interview with member A3, March 1, 2005.
16 Interview with member A2, February 20, 2005.
17 Interview with chairman A5, March 19, 2005.
18 Interview with chairman A5, March 19, 2005.
19 Interview with member A12, February 18, 2005.
20 Interview with member A10, February 22, 2005.
Somewhere in between the two ideas that the cooperative does not mind where you sell your milk and that they punish you for doing so, there seems to exist the opinion that the cooperative does not approve and points this out, but that it really does not take actions like denying you to deliver your milk at the cooperative or punishing you with fines. “… they approach you and say but where did you take your milk but they have, there is nothing more than that.”

That this conclusion could mirror the practise of the cooperative is further supported by an interview with a field officer from the UCA who works with farmers groups and does the auditing of the Nabuka Dairy Cooperative. He acknowledges that the cooperative does not take any actual actions against deviant members.

An employee working at Land O’Lakes asserts that those actions discussed above are not unique for Nabuka. In the south-western parts of Uganda, dairy cooperatives can refuse to accept the milk of those who do not deliver to the cooperative when there is a scarcity of milk on the market.

The Use of Social Incentives

What has been discussed above is mainly the use of tangible negative incentives such as fines and exclusion from the cooperative. One can think of other incentives, for example those that Mancur Olson calls social incentives. It was noted earlier that the advantage of social incentives is their “endogenous source of supply”, but that they are usually only effective when the group is small enough to allow frequent face-to-face interaction among the members.

Are there any indications that social incentives, negative or positive, are used in order to get members to comply, and do members in that case take any notice of these measures?

That the board of Nabuka has a fairly good insight into the doings of its members seems to be without much doubt (it is for example difficult to pretend that you are delivering a certain amount of milk if you in fact are not). The level of interaction between the regular members is more difficult to establish. As was described in Chapter 7, the members are dispersed over a relatively large geographical area. Some of them are of course neighbours and therefore have some knowledge about each other’s doings. Those members who are on the cooperative board have meetings once a month, but

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21 Interview with member A8, February 20, 2005.
22 Interview with Mr. Ssebunya, Uganda Cooperative Alliance Field Officer in Mukono district, March 9, 2005.
23 Interview with Dr. Kimbugwe, milk shed manager at Land O’Lakes, February 4, 2005.
24 Olson (1965), p. 60.
25 See interview with member A3, March 1, 2005, and interview with member A12, February 18, 2005.
26 Interview with board member A1, February 22, 2005.
ordinary members only have one scheduled meeting per year which is the
annual general meeting. The dairy is a meeting point, but in some cases it is
not the member who delivers the milk to the cooperative but rather someone
employed to look after the cows.  

Are there any indications then that the cooperative tries to enforce any
social incentives? Statements in the interviews indicate that the cooperative
tries to create some sort of code of conduct among the members, saying that
it is a bad thing to deliver their milk to other buyers. One young farmer an-
swered the following upon my question if other members consider it bad if
one were to sell outside of the cooperative: “… Ah, there are many there
who are saying it is very bad to sell the milk … outside, they even complain
‘now why are you selling outside?’”  

This quotation, along with the statements above, about the hypothetical
consequences of delivering outside of the cooperative could be seen as signs
that the leadership of Nabuka cooperative tries, and to some extent has man-
aged, to establish this representation of “good member conduct”.

The Credit Scheme and its Function as an Incentive

The basic function of the credit scheme run by the cooperative was described
in Chapter 7. Even though credit scheme is the word used by members and
the manager, it might be more correct to call it a credit and savings scheme,
since it is not possible to get credit unless you have first saved at the coop-
erative. On the other hand, it is credits that are the main purpose with the
scheme, since it is not possible to withdraw from your savings account except
in the form of credit. The credit scheme is claimed by the manager to be one
of the most important baits that the cooperative uses to attract new members
and to keep and tie in those who are already members. One could say that
the credit scheme is used as a selective incentive, both positive and negative,
towards the members. It can be seen as a positive incentive when loans are
extended to members who have shown in different ways that they are reliable
and “good co-operators”. One member describes this in the following way:

They have included savings and credit services sort of if you are, if you are
faithful to them by taking the milk to them and getting the loan and you save,
it is a good service.

There are also examples of when the cooperative has used the credit
scheme in the opposite way, that is as a negative incentive. One member,

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27 Interview with member A6, February 25, 2005, and interview with member A2, February 20,
2005.
28 Interview with member A2, February 20, 2005.
29 Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
30 Interview with member A8, February 20, 2005.
who had been dormant for about six months when I visited him, described how he was denied a loan because he was not currently delivering any milk to the cooperative. According to the interviewee, the cooperative wanted him to resume his milk deliveries and keep them up for about six months before he could be considered for credit. This can be seen as a strategy by the cooperative to try to bring back dormant members, but also to make a sort of statement about what is considered to be good membership and what is not. This conclusion is further supported by a statement from a member, who answered the following on being asked about the practises of selling outside of the cooperative:

… in Nabuka now we get loans from there, from that society so if they started knowing that … you are selling part of your produce outside they can refuse to give you the amount you want…

The savings and credit scheme is apparently popular among the members. As was described in Chapter 7, the purpose of these loans is primarily to give farmers a chance to improve their farms and so in the long run be able to deliver more milk to the cooperative. However, as was also pointed at in Chapter 7, it is difficult for the cooperative board and the manager to control that these loans are actually used the way they were meant to. One board member points out that since they all know each other in Nabuka, it is easy to see if the money is used the way it is supposed to be. The way this board member speaks on the behalf of all members should be regarded with some caution. The view that they all know each other is here expressed by someone who as a long time member of the board has a better overview and intimate knowledge about the membership compared to the regular members. That this is so is indicated by for example statements from two long time regular members, who claim not to have so much knowledge about the doings of their fellow members in the cooperative.

What about the repayment of these loans? Borrowers repay through their milk deliveries to the cooperative, and this is partly why the scheme can be used to tie members to the cooperative. How then does the cooperative handle situations when members do not fulfil their repayment obligations?

It appears as if the leadership at the cooperative gives some leeway to these farmers, depending on the reasons for the decreased or halted deliveries as indicated by the excerpt below:

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31 Interview with member A13, March 8, 2005.
32 Interview with member A6, February 25, 2005.
33 Interview with board member A1, February 22, 2005.
34 Interview with member A11, February 19, 2005, and interview with member A8, February 6, 2006.
OK, one can say that you deduct five litres per day as a payment of the loan and he [the member] finds that after some months that the milk drops down what we do, we don’t want to deduct all the farmer’s milk because we know he has problems at home, looking after the farm…35

This is the attitude when there is an excuse for this behaviour. When members are apparently misbehaving, the attitude from the board is said to be different. First the farmer is to get three letters reminding him about his debt, and if there is no reaction the manager is to bring the question to the attention of the board; those who persist in not paying their debt can finally be brought to court: It is stated that this has happened once since the credit scheme started.36

What Can the Nabuka Offer as a Cooperative?

If people choose to belong to a group such as a producers’ cooperative primarily because they are dependant on other members for access to some desired joint good, what then is that joint good in the case of Nabuka? Is a sure outlet the only joint good that the cooperative produces? At the end of Chapter 7, a number of theoretical reasons for farmers to join marketing-processing cooperatives were presented. Does Nabuka as an organisation provide the same incentives for farmers to join this cooperative?

One reason mentioned for farmers to join marketing cooperatives was to get a fair price for their produce. The price incentive is, however, not likely to be the reason for farmers to join Nabuka. Quite the opposite actually, since the interviewees seemed aware of the discrepancy in the price paid by the cooperative as opposed to that paid by vendors37, even though they the payment had just recently been increased.38 Although both the price paid by private vendors and that paid by Nabuka fluctuates, it was claimed that the one paid by the cooperative is constantly lower.39

Does the cooperative promote economies of size and coordination that reduce costs for the individual members? This is a question that covers many aspects of the costs both in terms of time and money for the farmers. Inputs are one thing that could be made cheaper by economies of size. The cooperative has had a sort of store for farm supplies where farmers could buy

35 Interview with board member A1, February 22, 2005.
36 Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005, and interview with member A10, February 22, 2005.
38 Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
39 Interview with member A12, February 18, 2005, and interview with member A10, February 22, 2005.
supplies at a reduced price; this service however collapsed. The ownership of the cooler, which allows the milk to be bulked and sold onwards sometimes in a refined form as yoghurt, is another such advantage through economies of size.

Transport is another cost that one would assume joining a marketing cooperative would reduce. Because the Nabuka cooperative does not own a truck to collect the milk from farmers, this cost is not shared among the members. The cost for moving around trying to find buyers is certainly decreased for the individual member, and this aspect is connected to the third reason given by Barton, that farmers join a processing/marketing cooperative in order to provide markets, supplies etc. This point appears to be relevant for Nabuka, as this is primarily what this cooperative does: it pools and markets the member’s produce.

Does membership in Nabuka mean that members pool risk? The members pool risk in the sense that it is not up to them as individuals to market their milk. If the milk for some reason is not sold, they collectively share this burden, rather than farmer X alone having to take the consequences of not getting his milk sold. The fact that you as a member benefit from the cooperative having a cooler, which reduces the risk of the milk being spoilt, can also be seen as a sort of risk pooling.

What about “capturing profits from another level”, another one of Barton’s reason for farmers to join processing/marketing cooperatives? In this respect, Nabuka must be said not to have reached very far. The cooperative still mainly sells unpackaged milk, and this makes it difficult for them to advance into new markets. Besides producing some yoghurt, the amount of which is still small compared to that of the raw milk, they do not process the milk in any way. One of the members who had been a member from the start explained that the cooperative had tried to process the milk into butter and ghee some years back, but that this venture was not a success. According to her there were several reasons for this failure:

… and even if they processed some of the products like butter, ghee, we thought they would be bought readily but they weren’t, so that processing came to stand still … by being determined by peoples demand there was no demand for ghee, there was no demand for butter … we said that this is not a viable business, lets sell milk only and perhaps yoghurt.

The chairman also brings up the problems of demand when he discusses milk processing in relation to Nabuka:

40 According to one board member and several of the regular members, this facility was not adequately supervised, which meant that goods at times were removed without proper recording and payment. Interview with board member A1, February 22, 2005, interview with member A12, February 18, 2005, and interview with member A13, March 8, 2005.

41 Interview with member A8, February 20, 2005.
… now we are not processing flavoured milk, but we are going to start soon, and even … how to drink milk, people, to teach people to drink milk was also a problem …

It is quite clear that the cooperative has not advanced very far in the process of capturing profits that can be reaped in other markets. Besides the problem of demand, there are probably other reasons for this, and they are most likely related to some of the more general problems that this cooperative is facing. When asked about pasteurisation, board member A1 said that the low volumes of milk were at the time the reason for why the cooperative was not pasteurising the milk.\footnote{Staatz (1987), pp. 44-45.}

The difficulties in raising money to invest in a new generator most likely holds processing back, since this demands a stable power supply. The situation at the time when I conducted my study was that power cuts at times destroyed milk. During 2004 around 17,000 litres were destroyed. This lack of capital, which for example prohibits the investment in a lorry, also affects the possibilities of transporting larger quantities of milk to more distant markets.

In the theoretical discussion in Chapter 6 about the characteristics of farmers’ cooperatives, it was pointed out that it is often difficult to get members to invest in the cooperative business. There it was discussed that it can be difficult for individuals to compare the returns on hypothetical investments in the cooperative with that of other investments. Another reason why it can be difficult to make members contribute with investments is the absence of a second-hand market for cooperative stock. Because of this, members need to get most of the benefits from ownership through their current use of the cooperative. This can affect the will to invest since the members want to increase their current earnings, rather than future earnings that could be achieved through investments.\footnote{Interview with board member A1, February 22, 2005.}

The issue of investing in the cooperative was one question where it was difficult to get members to explain their strategies. Only two of the interviewed members expressed negative opinions on the more general matter of investing in the cooperative, while the rest showed a positive attitude: \footnote{Interview with member A8, February 20, 2005, and interview with member A13, March 8, 2005; positive quotes in for example interviews with member A6, February 25, 2005, with member A9, February 20, 2005, and with member A1, February 22, 2005.}
… yes it is good and it is – from such shares [one invests in the cooperative by buying shares], it is one of the privileges to help you to … acquire such a big loan…”

Although the majority were positive about investing in more shares, not all had done so; two of the interviewees referred to their strained financial situation as a reason to why they had not up to now invested further in the cooperative. The view of the chairman of the cooperative was that although it is not easy to get members to invest, it can be done by discussing and informing the members about the purpose of the investment. Given the situation as described by the chairman and the attitude expressed by the respondents, it remains a question why the cooperative has not managed to raise enough capital to buy for example the needed bigger generator or even a second hand computer.

This question of the difficulty of financing investments is somewhat clarified by one of the board members. According to him it has not been possible to raise the cash needed to buy the generator because this would have meant raising ten million shillings at one go. An investment that the cooperative has been able to initiate is the purchase of a plot of land and the start up of the construction of the dairy. This is possible to do according to the same board member because this type of venture demands smaller sums on a more continuing basis as opposed to the purchase of a generator.

The last of Barton’s points has to do with market power. One of the purposes of founding Nabuka is stated to be:

> [m]arketing members’ milk so that they have a solid bargaining power on their produce and [to] reduce exploitative attitudes of vendors….”

It is difficult to see if this purpose can be considered fulfilled. What one can say is that if farmers feel exploited by vendors, then at least they have an alternative to these buyers. What makes this picture more problematic is, however, that people at times appear to be tempted by the higher prices that vendors offer compared to the cooperative, especially during the dry season. The conclusion here must be that the cooperative has not been able to compete with the vendors when it comes to the price paid for the milk.

46 Interview with member A 12, February 18, 2005.
47 Interview with member A2, February 20, 2005, and interview with member A10 February 22, 2005.
48 Interview with member A5, the chairman of Nabuka Dairy Cooperative Society, March 19, 2005.
49 The issue about the need for a computer was revealed to me in an interview with member A1, February 7, 2006.
50 Interview with board member A1, February 22, 2005.
51 Brief from the manager of Nabuka Dairy Cooperative Society, January 31, 2005.
These aspects are very interesting since making farmers stronger, putting them in a better bargaining situation and allowing them to reap a larger part of the profits on their produce are what politicians hope that farmers’ organisations and cooperatives will accomplish. Given the problems that have been discussed in this and the preceding chapter, coupled with the structural specificities of the milk market, it seems difficult for the cooperative to compete with vendors who do not have the same overhead costs as those carried by the cooperative.

Concluding Discussion

What then has this analysis of this specific cooperative organisation shown? The deliveries of milk on which the cooperative depends for its survival have been discussed from the perspective that this is the most important corporate obligation that the members of Nabuka have. By looking at statements in interviews, I have tried to show the varying attitude members seem to have regarding this obligation and thereby the ensuing free-rider dilemma within the cooperative. More evident is the variance in how members perceive that the cooperative reacts (if they are aware of any reaction at all) to practices of free-riding. The question of price discrimination towards unfaithful members had, according to one board member, been up for discussion, but not put into practice. Even though it appears as if the cooperative has tried to instill a feeling in the members that it is not proper behaviour to deliver to buyers other than the cooperative, it is highly questionable whether the practises of the members mirror these attempts.

The competitive environment in which this cooperative finds itself could be one explanation as to why no actual sanctions are enforced against members who are disloyal towards the cooperative. Judging from the behaviour of the cooperative board on this issue, it appears more important that the members deliver some milk than that they deliver very regularly. The lack of sanctions could also be explained by the composition of the membership which was discussed in Chapter 7. As long as a few big suppliers make sure that the volumes of milk delivered to the dairy do not fluctuate too much, it might be more costly to enforce sanctions on the small producers. The reason for this can be that these latter do not appear to affect the stability as much as their large numbers at first glance could lead an observer to believe.

What benefits does this organisation then seem able to provide for its members? The pooling of risk is one benefit that the cooperative offers its members. If milk sours or if no buyers can be found for the milk, this burden is collectively shared by the members. The farmers are also relieved of the task of marketing their milk. Access to credit is another benefit that the cooperative can offer its members, although the credit programme has quite a few limitations.
As have been discussed in this chapter, there are many potential benefits that the cooperative is not able to provide to its members. The perhaps most important one is to provide transport of the milk from the farms to the dairy, thereby releasing resources, in time or money, for the members. To buy inputs in large volumes and then sell onwards to the members at favourable prices is another such potential benefit that the Nabuka was not able to realise when this study was conducted.
CHAPTER 9
To Join or not to Join the Cooperative – the Question of Benefits and Drawbacks

Introduction

It was stated in the first part of this thesis that politicians and donor agencies have again come to see the organisation of farmers into groups and cooperatives as an important stepping stone for reaching the goal of a modernised and commercialised agricultural sector. As has been showed in the first part of this thesis, there exists a general feeling among various policy makers that the Ugandan cooperatives did not for various reasons perform very well in the past. This makes a study that focuses on the views of the members of an existing cooperative interesting. How do the dairy cattle keepers interviewed for this study look upon membership in a cooperative?

The key themes for this chapter are the expected and experienced benefits as well as drawbacks of membership because these considerations ought to be central for why farmers initially choose to join a cooperative or not.

The following empirical questions will be considered in order to explore the different aspects of membership in the Nabuka Dairy Cooperative: What initial expectations did the interviewees have regarding the cooperative? What benefits do the members express that they are experiencing? Do the interviewed members express any disappointments or unfulfilled expectations with how the cooperative works? Is there any crucial differing feature in the perceptions of members and non-members when it comes to the expected benefits of membership in the cooperative? What, if any, drawbacks in relation to membership in the cooperative do members say that they experience? To try and answer these questions by using the information assembled in the interviews is an attempt to give a sort of “from below” perspective on the issue of farmer organisation.

In this chapter the focus will be on the thirteen interviewed members and also on a group of nine interviewed dairy cattle keepers who were not members of the cooperative. Those who were not members were not the main focus for this study, but were used more as a sort of control group, to see whether there were any crucial differences in how they looked upon cooperation. It was not all that easy to get answers on this since some of them were quite unaware of cooperatives in general and also of the Nabuka in
Two of the non-members did not even know if their neighbours were members, and the rest of the non-member respondents knew only one or two who had joined the cooperative. This lack of knowledge tells something about the actions taken by the cooperative, or rather the absence of actions, in trying to attract new members.

I have also used information gathered from interviews with four employees of the organisations Land O’Lakes and UCA respectively. Three of them were interviewed because of their experience in field assistance to this particular cooperative, as well as for their practical knowledge of other Ugandan cooperatives. For the fourth interviewee, only the latter reason is relevant. The information that these interviews provides is valuable in several ways. These employees have an insight into how members function within these cooperatives and what difficulties the organisations face.

**Expected and Perceived Benefits**

What originally induced the current members to join the cooperative and what benefits do they state that they have achieved by this move? By studying this more closely, one can hopefully capture aspects that members perceive would be difficult to achieve with not being a member. This approach could thereby show what purpose the Nabuka fulfils for its members.

What my interviewees seemed to have hoped for when they joined and the benefits they say they have received can be seen to fall into two categories of tangible and intangible benefits. In the category of tangible benefits belong more directly pecuniary benefits such as credit in cash or kind and access to a stable market. Examples of intangible benefits could be to gain knowledge from colleagues, i.e. other farmers, and to get access to education in farming through seminars arranged by the cooperative. The latter category is smaller, meaning that fewer respondents mentioned intangible benefits either as an expectation or as a perceived benefit, as compared to the number of statements regarding tangible benefits.

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1 Interview with respondent B1, February 11, 2005, and interview with respondent B5, February 11, 2005.
Tangible Benefits

A Secure Market

One of the stated purposes of the Nabuka is to collect and market the milk of its members; seven out of the thirteen interviewed members specifically mentioned that the prospect of a sure outlet for their produce had been an important inducement for them to join the Nabuka. "OK, my main expectation was – you know, I was looking at keeping many cows, so, the problem was, get the market for the milk...." Not to have to worry about having an outlet for the produce was apparently an important consideration for these members when they decided to join. One interviewee seemed to connect the decision to join with levels of production. He expresses that at the time of joining the cooperative he had an ambition to expand his stock and had perceived that it could be difficult to find a market for those increased volumes of milk. That the volumes of milk produced or expected volumes can have relevance for whether to join the cooperative or to continue delivering to it is indicated by a statement from another member:

For some time my cow has failed to produce so I have taken much time without taking the milk [to the cooperative] because we get few litres, that is two litres that are used for home consumption....

Out of the six who did not refer to the need for market access, four had joined the Nabuka through their respective dairy association that merged into it. This changed the focus in both the question and the answer somewhat, as for example in the interview with the current chairman:

Interviewer: … and … if you are one of the founders, do you remember how, why did you decide to join these three societies? Respondent: … had only one goal … we had little milk in our association and Bweyogerere [another association] had little milk, and to… look for the market, we had to join [come together], we had to join so that we get market for our three associations.

One big difference can be seen between the members and the non-members when it comes to the expected benefits of joining the cooperative, and this is

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4 Interview with member A1, February 22, 2005; also in interviews with for example member A12, February 18, 2005, and member A9, February 20, 2005.
5 Interview with member A5, the chairman of Nabuka Dairy Cooperative Society, March 19, 2005.
the view of the marketing situation for the milk. Among the non-members there was no mention of the benefit of getting a stable market through the cooperative, even though at least four of them produced the same amounts or more compared to the interviewed small-scale members. According to these non-members, they had access to a market despite not being members of the cooperative. The market issue was, on the other hand, one of the most commonly expected benefits of those who had actually joined the cooperative. What can account for this difference in the interest in getting a reliable market for the produce?

In the discussion on member loyalty and corporate obligation in Chapter 8, there were suggestions that the tendency to sell outside of the cooperative could be influenced by the possibility or not of doing so. What is meant by this is that different individuals might find it more or less easy to find outlets for their produce besides the cooperative. They may have better connections in the neighbourhood enabling them to find reliable buyers there. That this explanation has some bearing here is indicated by the statements from both members and non-member which were discussed in Chapter 8.

An aspect that five of the non-members brought up was that they did not produce enough milk to be worth the trouble of taking it to the cooperative. They considered it easier to sell to neighbours and friends, and one of them said that all the milk was consumed in the household. Three of the nine interviewed non-members were of the opinion that one had to deliver “a lot of milk” in order to become a member of the Nabuka; these three, however, also stressed that they had a market for their milk despite not being members of the cooperative. These ideas on who it is that joins the cooperative will be discussed further in Chapter 10.

The amount of milk produced can probably to some extent explain the tendency of selling to vendors and neighbours, but it is far from an adequate explanation. I consider it insufficient as an explanation because there are non-members whose estimated production volumes match those of many members of the Nabuka Dairy Cooperative. That they, moreover, were neighbours makes the distance to the cooperative (and thereby possible problems of transporting the milk there) invalid as an explanation for the choice of joining the cooperative or not.

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7 For example interview with respondent B7, February 11, 2005, interview with respondent B5, February 11, 2005, and interview with respondent B9, March 8, 2005.
9 Interviews with respondent, B1, February 11, 2005.
11 Bearing in mind that the production volumes for these respondents are their own approximations, four of the non-members stated that they daily produced the same amounts or more as compared to a number of the interviewed members.
If we turn from the *expected* benefits to the *perceived* benefits, seven members mentioned that one important benefit of being a member of the cooperative was to get a stable market for their milk.

… at times they [the vendors] might need milk like in the dry season but in the wet season the milk is always in plenty so I may find difficulty in walking around selling the milk, yet with a member [as a member] you just take it to the dairy, regardless of the season be it dry or wet season.¹²

That being a member of the cooperative protects you as a producer against the demand and supply shifts on the free market is clearly expressed by this small-scale farmer quoted above. That the assurance of having a stable buyer for their produce is valued highly is elaborated further by one of the interviewees who is also a member of the cooperative board:

… principally I sell my milk, … they have never said that you can’t take your milk here … there are times when there is lot of milk but they [the cooperative] are compelled, I mean they have to because I am a member, you know everybody who takes milk there has to be a member so they have to struggle to get the market, it is not me to struggle … it is the cooperative to struggle to get the market for the milk….¹³

This statement is interesting mainly for two reasons. First, the way that the respondent emphasises that the cooperative is “compelled” to buy the milk points at the problem with fluctuating levels of milk production among the producers, fluctuations that it is up to the cooperative to handle. Secondly the interview describes that the respondent, by joining the cooperative, has shifted the work of finding buyers for his produce from his business to the cooperative. The word “struggle” used in relation to marketing the milk indicates that having someone else to do this task is a service that this particular member really values. This view was expressed by two other members as well¹⁴: “… cause it first of all save time to do other activities … I don’t have to waste market time going and selling my milk that is the major ….!” That being relieved of the job of getting the milk sold is important to the member in the quote above make sense since besides running a farm enterprise with some 40 to 50 animals, he is also a business man running some shops.

These statements on how the interviewees see the benefits of having a sure market for their produce highlight the way in which the cooperative reduces the risk for the individual producer. These farmers clearly see the

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¹² Interview with member A10, February 22, 2005; also in interview with member A8, February 20, 2005.
¹³ Interview with member A1, February 22, 2005.
¹⁴ See interview with member A12, February 18, 2005, and interview with member A13, March 8, 2005.
¹⁵ Interview with member A6, February 25, 2005.
benefit of having an outlet for their produce that has to accept their milk and struggle to market it even when the demand periodically dips.

Payment

In the concept of having a sure market, the reliability of payment is of course central, and being sure of the payment for the milk was accordingly mentioned by three members as an incentive for joining:

… so if you supply your milk rather your product to the area like this village here the payments are very less and even at times some people can even fail to get you money so in the dairy cooperation they give you a salary … without any problem, without bending …

In the quote above the respondent indicates that when selling to private buyers you may encounter problems when it comes to receiving payment for your milk. This problem surfaced also in two quotes in Chapter 8 when member loyalty was discussed. The quotes there regarding the “dishonesty of customers” and “unreliable” vendors are in line with what member A3 above says about the failure to receive payment for the produce. From this statement it can be inferred that the respondent perceives that selling his produce through the cooperative lowers the transaction costs associated with the sale. He, however, also hints at another reason for not selling to vendors and also this reason could be said to be linked to transaction costs. He said the following apropos selling to vendors: “Someone can come and can buy … two litres, half a litre – you find that there is no way you can use that money….!” His statement indicates that these milk vendors cannot always buy large enough volumes for it to be worth while for the farmer to sell any milk to them.

Two of the interviewed members brought up the mode of payment as an important benefit of being members. What these interviewees discussed was that they considered it an advantage to be paid in lump sums, compared to being paid smaller amounts more often. These members emphasised that they preferred this system of payment:

… before we are selling our milk freely on these vendors but after realising we are not getting money in bulk, we decided joining, the services we are getting now in this society – they are good…."

The interviewee above gives the bulk payment as one very important reason for joining the Nabuka. Another interviewee actually considered the bulk payment as a reason for why members continue to deliver milk to the coop-

\[16\] Interview with member A3, March 1, 2005. See also interviews with member A7, February 20, 2005, and with member A4, February 11, 2005.

\[17\] Interview with member A3, March 1, 2005.

\[18\] Interview with member A6, February 25, 2005.
erative even though they get a lower price compared to that offered by the vendors:

I think all members who moved to Nabuka have seen the value of being paid in lump sum and not being cheated by their other buyers ... and they prefer even this lower price but paid once in a lump sum. 19

That the issue of payment is complex could be illustrated by the practise of one currently dormant member who produces, in this context, a fairly large amount of milk, some forty litres per day according to his own estimations. When I interviewed him, this farm had been selling all its milk outside of the cooperative for some six months. Earlier, about half of the production had been sold to the cooperative. Not all the milk is sold to vendors however; one of the children takes the milk around on a bicycle to neighbours, because if you deliver milk straight at the door, the milk fetches a higher price. This farmer also explained that he does not prefer to be paid every day, but that he wants to be sure when the payments will be made. This, he claimed, had not been the case with this cooperative society. 20

In relation to this statement, it might also be interesting to consider how one of those interviewees who had chosen not to join the cooperative has chosen to organise her dealings with her buyers. She specifically pointed out that she sells both to neighbours and to vendors in order to get both lump payments and daily payments. The vendors pay whenever they collect milk from her, but the neighbours pay on a monthly basis. She claims that she also wants lump sums of money to be able to "do something big." 21

The fact that the cooperative did not, at the time of this study, own a standing generator was brought up as a problem in relation to payment by two of the interviewed members. This was considered a problem because when milk goes bad this has at times meant less payment for the farmers:

... there are times we can get some losses like ... they can say today for this month the payment should be very low just because we also ourselves [the dairy] face losses due to power supply, you know the problem here in Uganda the power is not stable it is ever off and on... 22

This issue of problem with payments was brought up also when I more briefly interviewed a few members of this cooperative in 2003. One member who had at that time totally stopped his deliveries to the dairy explained in

19 Interview with member A8, February 20, 2005. See also interview with member A3, March 1, 2005.
20 Interview with member A13, March 8, 2005, and informal discussion with member H1, April 7, 2003.
21 Interview with respondent B5 February 11, 2005.
22 Interview with member A3, March 1, 2005; also in interview with member A6, February 25, 2005.
the following way through an interpreter why he did not deliver his milk to the dairy:

It has mainly to do with payments. The cooperative keeps changing the prices on the milk deliveries. We have an agreement with the cooperative we are to be paid 350 Ush/litre for our milk. However, lately [approximately two years, clarifying comment] the manager have constantly come up with excuses for not paying us the agreed upon amount. They say the milk has gotten sour, that they have received more milk than they need etc. So, they sometimes pay as little as 280 Ush/litre.23

Spoiled milk is also here pointed to as a reason given to members as for why payments are not made according to agreements. I have not had any other real indications on that getting bigger deliveries than there are outlets could be a problem for the cooperative. This could, on the other hand, be the logical outcome of fluctuating milk deliveries.

**The Issue of Credit**

As has been discussed in the two previous chapters, credit is considered by both the manager and those two interviewees who were on the cooperative board to be a bait for attracting and keeping members within the cooperative. Three interviewees mentioned credit or prepayment on the milk payment as one of the reasons for originally joining the cooperative.24 One of them was a man who had joined the cooperative a year earlier and who had kept cows for only two years. Through my interpreter he gave the following reasons for joining the cooperative:

… the cooperative always promises its members veterinary services in case of need and even loans, … if a member wants to get a cow they can provide that loan. 25

That credit was not among the initial expectations of all members is most likely explained by when they joined the society. One of the initiators of the credit programme dates it back to 1999,26 when several of the interviewed members had already joined. Since credit was not part of the services before this, this could not be a reason to join: “… by [at] the time I joined, we, they were not extending loans….”27

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23 Interview with member H1, April 7, 2003.
24 Interview with member A2, February 20, 2005, interview with member A3, March 8, 2005, and interview with member A9, February 20, 2005.
25 Interview with member A9, February 20, 2005. See also interviews with member A13, March 8, 2005.
26 Interview with board member A1, February 22, 2005.
27 Interview with board member A1, February 22, 2005.
Three interviewees explained that they had expected to get some financial assistance when they joined the cooperative. This assistance was not expressed as formalised proper credit:

… I also expected that whenever there is a need … financially or something you can run to them.…

… if you want money if you have problem, even if your wife is sick, even if you the farmer you are sick, you can go there and say “no I have some problem I want some money.…

Even though the quotes above can be interpreted as that the cooperative gives out money to all members in need, this would be a misinterpretation. According to the manager, this kind of “assistance” is an advance on milk payments.28 This practise is also described (through my interpreter) by one of the long time members. Her description thereby corroborates the explanation given by the manager.

She has said that in case, … a member wants to do something and she [the member] is not having enough money she can contact the cooperative, they get her the money and then they charge her as she takes the milk [leaves the milk at the dairy] 29

The importance of the credit aspect for the decision to join is also stressed by the UCA employee:

They think that if they join a cooperative, chances of getting loans … are many, so most people want money, want to borrow money, say I need the money, join a cooperative, cooperatives usually give out loans.…

Although credit might not have been the reason for most of my respondent members to join, the statement from the manager that the credit programme “works as a bait to attract farmers”30 indicates that this is important for those who have joined after the programme had started. In 2004, 120 members were enrolled in the credit programme.31 Given that the number of members delivering to the cooperative has never, according to the manager, exceeded 90 persons and that entering the programme is voluntary, 120 members is quite a high number. This indicates that the prospect of credit attracts many

28 Interview with member A12, February 18, 2005
29 Interview with member A2, February 20, 2005.
30 Interview with the manager of the Nabuka Dairy Cooperative Society. February 11, 2006.
31 Interview with member A11, February 19, 2005.
32 Interview with Mr. Ssebunya, UCA field extension officer in Mukono, March 9, 2005.
33 Interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.
34 Nabuka Dairy Cooperative Society, “Savings and Credit Programme, Financial statement for the period ended 31-12-2004.”
members. It could also be that farmers have become members to be able to enrol in the credit scheme, but then never really started to deliver any milk to the cooperative.

The possibility of getting credit either in kind or in money appears also to be attractive to some of the non-member respondents. One of them explained through my interpreter how she thought that the cooperative could assist her:

For her [the respondent] she thinks that when she joins, she can get help with treating the animals, when you need treatment but you don’t have money that right time, she thinks you can get it.  

What the respondent above describes through my interpreter would be credit in kind in the form of veterinary services where you get the treatment without having to pay for it on the spot. Another of the non-members also had ideas that the cooperative could provide loans, although these ideas were rather vague:

… I think they can also provide loans, but I don’t know much about it. I would just think that they can help me with a loan to put up the shed for the cows, as you can see now they are in the open place.  

The last statement is perhaps most interesting because this person stated that she is actually a member of two micro-finance institutions and yet she would be interested in a loan from the cooperative society to put up a shed for the cows. When asked about why she had joined these micro-finance institutions, the answer was that she wanted money primarily to pay school fees, but also because she wished to purchase a cow.  

What appears to be perceived as a problem by those who are interested in getting credit are the interest rates and reimbursement period of loans set by banks and commercial micro-finance institutions. The interest rates are considered too high and the repayment period on the loans to be too short. How high or low interest people are willing to pay of course varies, but there are examples among the non-members of individuals who apparently fear to get into debt. One of them had run a ROSCA (rotating savings and credit association) with some friends for a long time, and she preferred this rather than taking loans from banks or commercial micro-finance institutions.  

Another respondent claimed that if he got credit he would not really know how to

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35 Interview with respondent B9, March 8, 2005.  
36 Interview with respondent B2, March 10, 2005.  
37 Interview with respondent B2, March 10, 2005.  
39 Interview with respondent B9, March 8, 2005.
handle it and that the talk around him was that most people who got credit ended up with “problems”; therefore he wanted to rely on his own efforts.\textsuperscript{40}

When the interviewed members of the cooperative were discussing current benefits, access to credit was something that several of them mentioned. An overview of the credit programme was given in Chapter 7. There it was stated that there is a high demand for credit, and this is mirrored in the fact that several of the interviewed members mentioned that they appreciated the credit scheme.\textsuperscript{41}

The section on the credit scheme in Chapter 7 contained an account of what loan purposes the board favours when they consider loan applications and also what they regard as the most common purposes for which people apply for loans. I have had earlier experience of the difficulties in getting people that one only meets once or twice to talk about the details of their financial situation. In some situations the respondents were willing to talk more openly about this, and I have used that information to complement that which was gained in the interviews with the manager and board members.

What can be seen from the statements by the respondents is that they mainly mention loans that have direct relevance for their farming activity. This could, for instance, be credit for such purposes as constructing a shed to shelter the cattle.\textsuperscript{42} Credit can also be taken to make improvements on the farm generally, and then for example specifically to improve on the feeds grown for the cattle, but it is also possible to take on loans in order to actually buy a new animal.\textsuperscript{43}

The same respondents who mentioned that he took loans to improve on the farm also mentioned that credit was sometimes used to pay school fees for what he called the “extended family”.\textsuperscript{44} This particular respondent saw it as a positive thing that the cooperative does not demand that one provide a land title as an security for the loan.\textsuperscript{45} This statement is well in line with the practices for screening borrowers as described by one board member and the

\textsuperscript{40} Interview with respondent B7, February 11, 2005.


\textsuperscript{42} Interview with member A10, February 22, 2005, interview with member A8, February 20, 2005, and interview with member A10, February 13, 2006.


\textsuperscript{44} Interview with A6, February 25, 2005. To take loans to pay school fees was mentioned also by member A7, February, 13, 2006.

\textsuperscript{45} Interview with member A6, February 25, 2005.
manager of the cooperative, where the ability to deliver milk is what qualifies the members for borrowing within the cooperative.\textsuperscript{46}

That being a member of a cooperative brings what could be called added value to the members by providing them with a sort of safety net was an opinion put forward by one board member. To exemplify, he compared the situation for non-members with that of a member in the cooperative:

\[ \text{… they [the non-members] take their milk to those restaurants and sell their milk there, what they are paid, is not the same as what we pay them, … they are paid much more, yes, but we have been telling them that, ok. with them once one takes the milk [to other buyers] that is the end, he is being paid and that is the end but with Nabuka, you stay member of the family, if you have a problem you stay a member of the family … if he [a member] would sell the milk to an individual, an individual could not extend a loan.}\textsuperscript{…}

Although the quote contains language that at first might lead the thoughts to less pecuniary matters, it is clear that it is access to credit that the respondent is referring to. The same can be said about one other member who also used the family as a symbol for his relationship to the cooperative.

\[ \text{… this society of ours is like a father and a - whenever, as a farmer whenever I get, say, the problem, the whole problem is financial problem – because you cannot keep cows when they are not in good health … and with such problem for us where we have children who go to school [referring to the cost of school fees]… at times, you don’t have any money and your calf or heifer falls sick, you have to run to the society, those people maybe they can contact a veterinary officer, doctor to come and treat it. After which you pay later.}\textsuperscript{47}

This quote tells of a need for what could be called a financial buffer, a need that the Nabuka apparently fulfils for this member.

The credit scheme, however, has also been criticized by the members of the cooperative. The time it takes to access a loan and the sums that one is entitled to borrow in the savings and credit scheme were concerns raised by the two of the members.\textsuperscript{48} One member points at the long time that can elapse between losing a cow and when one can get a loan large enough to replace the animal that was lost.\textsuperscript{49} This complaint can be connected to the thoughts of one of the older long-time members on the availability of credit. This farmer was of the opinion that the money that the cooperative was paying in rents

\textsuperscript{46} Interview with board member A1, February 22, 2005, and interview with the manager of the Nabuka Dairy Cooperative Society, March 9, 2005.

\textsuperscript{47} Interview with board member A1, February 25, 2005.

\textsuperscript{48} Interview with member A2, February 20, 2005, and in interview with member A8, February 20, 2005.

\textsuperscript{49} Interview with member A2, February 20, 2005.
for the dairy could be made available to members if the cooperative instead owned a dairy plant.\textsuperscript{51}

There also seems to be a somewhat of a catch-22 built into the credit scheme. The amount of money that one can receive as credit is dependent on how much milk one can produce and therefore on how large a stock of cattle one owns. This means that it might be difficult to secure a loan to expand the farm in order to be able to keep more cattle, which is stated to be one of the purposes of running this savings and credit scheme.\textsuperscript{52}

From the above, one can conclude that the most important expectations of tangible benefits appear to be a stable market (i.e., outlet and payment) for the produce and financial assistance in the form of some sort of credit. These expectations were listed by an employee of Land O’Lakes and were mentioned by the field extension officer at Uganda Cooperative Alliance, which indicates that these answers can be seen as representative for this cooperative and that these are common expectations also in other dairy marketing cooperatives.

\textsuperscript{51}Interview with member A7, February 20, 2005.
\textsuperscript{52}Informal discussion with member H4, April 3, 2003.
\textsuperscript{53}Interview with Dr. Kimbugwe, milk shed manager at Land O’Lakes, February 4, 2005.

... availability of market that is the main thing, and two, they also hope that by joining they will be able to get things like milk cans, like drugs that they use on their animals and some of them join because they think that they can be able to run to a cooperative and borrow some money and be able to pay for school fees and pay slowly through their milk, so normally they would join because of access to market and gaining access to funding either through credit or otherwise....\textsuperscript{53}

Intangible Benefits

As was pointed out above there were much fewer remarks about what can be considered to be intangible benefits of joining the cooperative. It should be noted that I as an interviewer did ask more generally about the benefits and drawbacks of the membership. There were more remarks about those benefits that I have categorised as intangible when members were asked about the perceived benefits of membership, as compared to when they were asked about expected benefits. This could be an indication that this way of asking could have influenced how the members answered with respect to their expectations.
Contacts – the Cooperative as a Source of Social Capital

To get to know people, and presumably some important people as is indicated in the statement below, was a reason for joining the cooperative given by one respondent.

Maybe the third one [reason for joining] I can say that, you go knowing people, who is this one, who is … this one, … I think there at the cooperative Nabuka Dairy maybe I am the youngest farmer there, I see people with big stomachs.…

The respondent’s discussion on why getting to know people can be beneficial is quite interesting in relation to such questions as equality within the cooperative and self-interest contra egalitarian motives. This quote, however, needs some clarification and must be put in the context of the fuller explanation given by the interviewee. To begin with, the “big stomachs” that the interviewee is referring to are rich people within the cooperative. The respondent explains that especially one rich farmer, who he claims stands for about half of the milk deliveries, gives hand-outs to some of the other members as a reward and encouragement for them patronising the cooperative:

They are choosing like that [who to reward], that there are some farmers who are coming from very far away and … they bring … the milk to the dairy, who is the heart of the cooperative, … he [the member] wants to do what, cooperate … he [the rich farmer] saw this man comes from far, far, … so that he [the rich farmer] brought everything there, dairy mill, salt everything to feed what, the animals, “I know you come from very far away, I have given you what, the dairy mill” …

It is clear that this respondent is appreciative of this practise. That the respondent believes this to be a special treatment is made evident by his answer to my question if they, [these rich farmers] treat all members equally?

“… [N]o they go and pick on what this one, this one, like that, they can’t give to everyone.” Those few other respondents who had actually heard of such thing happening said that it was very rare. What is described by this member looks very much like a patron – client relationship between this “rich farmer” and the interviewee who is a young small-scale farmer.

The network of dairy farmers that membership in the cooperative provides can be attractive to non-members. One example of this is one female respondent

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54 Interview with member A2, February 20, 2005.
55 In 2003 10 percent of the milk that was bought from the members came from the member that this respondent is referring to.
56 Interview with member A2, February 20, 2005. Dairy mill is a food supplement given to the cattle.
57 Interview with member A2, February 20, 2005.
58 Interviews with member A8, February 6, 2006, with member A12, February 9, 2006, and with member A11, February 19, 2006.
who explained that she was interested in acquiring a new cow and that she thought that the cooperative could help her with this. This interviewee’s wish for a cow of better breed was not about wanting the cooperative to give her a cow (which one of the interviewed non-members claimed that he wanted), but rather to help her with information about where to get one. She explained that when buying a cow it is difficult to know whether it will produce as much as the seller claims. The information that the members of the cooperative possess would therefore be valuable to her. That those who are members make use of this network that the cooperative provides is indicated by statements from one of the members that he uses his connections within the cooperatives to find buyers for his animals.

**Fellowship**

The very word cooperative suggests that people join together because they want to cooperate. Given this, it might be expected that more than three of the thirteen interviewed members would express that they saw in the cooperative an opportunity to unite and cooperate with their nearby colleagues. The member who was no longer delivering to the cooperative said the following on being asked about his initial expectations: “…I joined because I wanted to, to come together with my fellow farmers … Yes I expected … to, sit with my fellow farmers share our problems…” Rather than mentioning problems, another and younger member pointed out that by joining the cooperative and sharing information with other farmers one’s knowledge of farming will increase.

One other member respondent who had earlier experiences of being a member of a cooperative society expressed his view on cooperatives in relation to a question on how cooperatives are faring today in Uganda:

> Even before they [the cooperatives] were abolished I always thought that they were one of the groups or organisations that could bring up people at the low level to be like those who are well off, that is togetherness would help us improve and develop our farming activities.

Since this member joined the cooperative with earlier experience, it is likely that this is also what he expected of the Nabuka, which is indicated by a

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59 Interview with respondent B7, February 11, 2005.
60 Interview with respondent B7, February 11, 2005.
61 Interview with member A7, February 20, 2005. See also interview with ex-member respondent B10, March 14, 2005, on the practise of selling animals and with respondent B2, March 11, 2005, about the meetings in the cooperative as a source of information.
62 Interview with member A13, March 8, 2005.
63 Interview with member A3, March 1, 2005.
64 Interview with member A10, February 22, 2005.
statement earlier during the interview: “Formally I was a member of a coop-
erative as I told you, so when I joined [the Nabuka Dairy Cooperative] I knew
I would be helped....”

This lack of answers indicating such expectations might again have been
a result of the way my questions were posed. But the fact that members
mentioned tangible benefits – these kinds of benefits were mentioned by all
members – to much greater extent than intangible benefits could also be an
indication that the members that I talked to did not see cooperation per se as
the prime inducement for joining the cooperative.

Gaining Education in Dairy Farming Techniques

That there is some knowledge also among the non-members about the fact
that the cooperative provides some education in cattle-keeping is indicated
by the assertion of one interviewee that she went to a demonstration arranged
by the cooperative on how to make molasses.66 Another non-member said the
following on being asked how she thought she could benefit from joining the
cooperative: “Yes, I think by joining there I could get seminars concerning
farming ... looking after the cows ... maybe there are those services there.”67

To get information or education through seminars was the most commonly
mentioned intangible benefit among the interviewed members: “... the coop-
erative provides us with seminars, gives us knowledge which in case is put
in practice that can help us perform better”.68

There are several indications in the interview material that this cooperative
actually functions as a disseminator of information about improved dairy
farming techniques. The cooperative collaborates in this mission with develop-
ment initiatives in the region run by various NGOs.69 It may not always be
the cooperative society as such that organises for example seminars, but
members say that the cooperative can help farmers to facilitate such seminars.

… when there is a need we ask our leaders in Nabuka to look for people who
can teach us such activities70 and they are always cooperative and sometimes
we are using Uganda Cooperative Alliance, they also do help us to get us
some trainers or teachers to, in case we need to.71

65 Interview with member A10, February 22, 2005.
66 Interview with respondent B4, March 13, 2005.
67 Interview with respondent B5, February, 11, 2005.
68 Interview with member A10, February 22, 2005. See also interviews with member A11,
69 Interview with member A5, chairman of the Nabuka Dairy Cooperative Society, March 19,
2005.
70 The respondent is referring to the procedure of hay making, discussed earlier during the
interview.
71 Interview with member A12, February 18, 2005.
It seems, however, that one can benefit from the work of the cooperative to arrange these seminars even if one is not a member. One young member describes that he used to attend some of these seminars even before he joined the cooperative society. That this is possible to do is also corroborated by a non-member interviewee (see below). To what extent the “openness” of these occasional training sessions affects the motivation for non-members to join the cooperative is of course difficult to tell. To the extent that this education can be looked upon as a common good provided by the cooperative, there however appears to exist somewhat of a free-rider problem if also non-members have access to this common good.

To return to the other expected intangible benefits, they also concerned such issues as gaining knowledge about dairy farming:

When I joined, first of all I thought if I get stranded that cooperative would assist me and to get more knowledge about the cows cause I hope to develop, and to enlarge my farm.\(^\text{72}\)

Like member A4 above, who when I interviewed her had joined the cooperative just a month earlier, knowledge was important also for commercial farmer member A6 who had been a member since 1994. This respondent explained that one of the inducements for joining was the free seminars that the Nabuka offers its members.\(^\text{73}\)

Problems with Fulfilling Members’ Expectations

I have tried to look into what members considered as weak points with the cooperative, services that they are missing or things that had not turned out according to expectations. Of course it is only to be expected that not all members are happy with everything. To have a look at the complaints can, however, be interesting because they can be compared to the difficulties for these organisations that were discussed in Chapter 8.

The services that members are missing are mostly those that have once been in effect, but that have been withdrawn. These “missed services” cannot be compared to the expectations of all members since some members joined before these services were actually offered and consequently they were not part of their original expectations.

… the other expec [sic], the other activities we started later on like the getting a doctor [a veterinary] … there are some services … which they used to do at the cooperative which they are not doing at the moment, we used to have a drug shop … at the moment we don’t have one…\(^\text{74}\)

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\(^{72}\) Interview with member A4, February 11, 2005.

\(^{73}\) Interview with member A6, February 25, 2005.

\(^{74}\) Interview with board member A1, February 22, 2005.
This issue about the “shop” that was run by the cooperative was something that several members returned to. It is obvious that the convenience and reduced prices that came from buying feed and drugs for the animals through the cooperative is something that those interviewees miss. One long-time member complains that it nowadays takes time to shop around for the drugs and special feed compared to when the members could just collect them at the dairy. She also asserts that these goods are more expensive compared to when they were sold through the cooperative. According to this member, providing such a service is what the members expect of the cooperative.

Just as services might have started after members had joined, other services which may once have induced people to join are no longer provided:

… and before, … there, we had a sort of a farm supply shop, we used to get feeds, drugs from that shop … those things are the ones that encouraged me to join cause there was, we were benefiting, so beneficial to us….

That there is disappointment over services that are no longer provided is not so surprising. Interestingly, however, members also complained about the quality of those services that they claimed that they benefited from and that had induced them to join the society. The issues with which the interviewees expressed some dissatisfaction concerned for example marketing the milk and paying the farmer for their produce. The two perceived problems of marketing and payments appear to be inter-connected. They were both mentioned in relation to the problem of ensuring the quality of the milk by cooling it properly. This problem is then in turn connected to the issue of the unreliable electricity supply.

Conclusion

The promise of a reliable market for their produce is one benefit that had influenced a number of the interviewed members to join the cooperative. On the other hand, the ready access to other buyers besides the cooperative is the reason given for not joining by the non-member respondents. This creates a somewhat contradictory picture in regards to the marketing situation.

To get access to credit appears to be another positive aspect of being a member of this cooperative society. That the credit programme has attracted

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1 Interview with member A12, February 18, 2005 and interview with member A13, March 8, 2005.

2 Interview with member A11, February 19, 2005.

3 Interview with member A12, February 18, 2005. At the end of the quote the respondent is referring to other benefits as well, such as veterinary services and financial aid. See also interview with member A11, February 19, 2005.


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people to join the cooperative can be seen in its financial statement. The number of people that have joined the programme is higher than the number of people who deliver steadily to the cooperative. It is obvious, however, that the credit programme is not to the satisfaction of all the interviewees. Some have not gotten the loan they applied for, and others complain that the sums one gets are too small.

From the statements in the interviews one can say that the cooperative lowers the transaction costs on the milk sales borne by each individual farmer. Not having to take the milk to different buyers (which would be the alternative to selling to the cooperative according to some interviewees) saves time that can be used to engage in other activities. The way some of the respondents reason also shows that membership also lowers the uncertainty faced by the farmer, in this case the uncertainty of not getting the milk sold at all and the uncertainty of being paid for the produce.

The way that the cooperative functions as a disseminator of information on better cattle keeping practices benefits not only those who are members, but rather a wider group of cattle keepers in the area as well. In this way one could argue that this cooperative fills one of the purposes that policy makers envisage that cooperatives should have in the Ugandan society.

It is difficult to say from the data I have if the way in which the cooperatives open up their seminars and training also to farmers who are not members affects the cooperative in either a positive or a negative way. The motive stated for keeping these seminars and training open also to non-members is to entice these farmers to join the Nabuka. If keeping these seminars open to non-members has had this effect would, however, need further study. It is possible that this strategy has the opposite effect; farmers may feel that they can benefit from the activities of the Nabuka without in any way contributing to the financing of these activities.

There were few answers that indicated that the cooperation with other farmers per se was a positive experience or a reason for joining the cooperative. There were, on the whole, not that many accounts of intangible benefits brought about by membership in the cooperative. There is a clear focus on tangible benefits when the members discuss what they have gained by joining the society.

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80 Interview with board member A1, February 7, 2006.
CHAPTER 10
A Joint Endeavour? The View of Members, Non-members and Professionals on Power and Decision-making within a Cooperative

Individual Influence on How the Cooperative is Managed

In the first part of this thesis, it was shown that in the official rhetoric the lack of member control because of political interference in the cooperatives was considered to have contributed to the problems of the cooperatives. In the second part, where the theoretical foundations of cooperatives were discussed, the democratic aspect of cooperation was mentioned, but not discussed at any length. There exists without doubt an egalitarian ideal in the idea behind cooperative organisations which is perhaps best expressed in the one member–one vote tradition. When probing into why the cooperative movement as well as distinct cooperatives in Uganda experienced difficulties in the past, one explanation put forward is, as was discussed in the introduction, that the control was separated from the ownership of the cooperatives.\footnote{Ngategize – Kayobyo (2001), p. 264.} Given that the Nabuka did not exist as a proper cooperative society before the 1991 Cooperative Act, it has not been possible to see whether this act has brought any changes in regards to how the cooperative is run.

One possible way of approaching the question of control is to look at if and how members feel that they can influence the decision-making within the cooperative and if they feel that their concerns are taken into consideration. These issues are in turn connected to the issue of equality within the cooperative. Producers’ cooperatives usually consist of members of varying production capacity, and the Nabuka is, as have been shown in the foregoing chapters, no exception. As was discussed theoretically in Chapter 8, there might be instances where members of a cooperative do not aspire to the same goals or the same solutions. These are important questions since they should have bearing on the ability of cooperatives to take the interests of different categories of farmers into consideration.

When trying to discuss these issues with the members, my focus was on how they experienced their power to influence decision-making in relation to other members and the leadership of the cooperative. On the more general questions such as if the members’ voices carried the same weight within the
cooperative or if all members were treated equally, five of the interviewed said that this was the case. Three of them said that some members were listened to more than others, and two could not answer the question. A majority of the interviewed members still felt that they could influence the decision-making within the society. One member expressed that differences in for example wealth among the members did not play any role within the cooperative:

… there is no, for us in Nabuka when we are members, we are all members regardless of who has what – whether you have a thousand head of cattle or you have one cattle, we are all members…

This statement by one of the small-scale members indicates a sort of egalitarian ideal; statements of this character are however rare in the interview material. The positive view expressed above is totally contradicted by another interviewee:

… in cooperatives there are always those that are listened to more than others and mostly they are those with many cows and delivering much milk, they always dominate members who deliver fewer litres of milk.…

These two statements come from members within the same category of small-scale farmers. They belonged to the same generation, they joined the Nabuka at about the same time and they both have earlier positive experience of membership in cooperative societies. The reasons for their different attitudes to this question can therefore not be found in their socio-economic position within the cooperative. The respondent holding a more pessimistic stance on the equality issue ventured to give an example on how this dominance of the bigger farmers can be expressed in this particular cooperative:

It happens when there is a certain amount of money we are raising, those with many cows may decide that we contribute 5000 Ush, yet for us who have

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2 This question was not put to the two board members, nor to an older member who claimed not to know anything about how members took part in meetings etc.
6 Interview with member A12, February 18, 2005.
7 Interview with member A10, February 22, 2005.
fewer cows may be able to contribute 2000 Ush, So at the end of it all those with many cows are considered and we all end up paying what they decided."

This member above clearly feels that when decisions are taken within the cooperative, the interests of the smaller farmers are considered to be less important compared with those of the larger, more affluent farmers. On the other hand, this was the only member respondent who articulated this feeling so clearly. Another member was, however, of the opinion that the voices of the members who are on the board, as well as those of the founders of the Nabuka, carry more weight compared to those of “regular” members. Others had more muddled view on what could be called the equality issue within the cooperative or could not answer these questions. One respondent for example indicated that members who owns few cows, what she refers to as “weaker members”, are not the prime beneficiaries of the cooperative business:

… They [the cooperatives] would protect the weaker members that is one of the objective, the objectives of a cooperative, protect the weaker members, but sometimes the weaker members are just exploited."

However, on being questioned on how this works within the Nabuka, she admits that the cooperative probably tries to “maintain” its farmers. So this respondent could not give any specific example on when the smaller farmers were disregarded.

That there are differences between the “high” and the “low” in Ugandan cooperatives, and that this can intimidate those who feel that they for reasons such as wealth, literacy etc., belong to the less well-off members, is discussed by those of my interviewees who have worked with the support and development of cooperatives and their members. One of the employees at Land O’Lakes for example had an opinion on this which very much mirrors the one expressed by the respondent claiming that some members are more influential than others:

… actually the number of cows [referring to number of cows that an individual owns] is a very big, it is the measure of richness, the measure of the importance, so you have one [cow], then nothing, you have many, yes we can listen, you can talk and we respect you of what you are saying so. … It is always

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8 Interview with member A10, February 22, 2005.
9 Interview with member A4, February 11, 2005.
10 Interview with member A13, March 8, 2005 and interview with member A9, February 20, 2005.
11 Interview with member A8, February 20, 2005.
12 Interview with Mr. Ssebunya, field officer at the UCA, Mukono, March 9, 2005; interview with Mr. Galiwango Cooperative/Association Development Specialist at Land O’Lakes, February 4, 2005, interview with field officer at UCA, March 7, 2005.
there, so you find these big guys tend to dominate even when they are saying nothing sensible…13

I find the quote from the member who expressed a feeling of certain inequality in influence and that of Dr. Kimbugwe interesting in the way they say almost the exact same thing. Even though these are single statements, the fact that they come from very separate sources does give them some more weight, especially since the interviewed NGO worker has gained much of his experience in the western parts of Uganda which have another tradition in cattle holding and where the cooperatives are many times larger than the Nabuka.

The two quotes from the members above are representative of the picture one gets when trying to summarize the view among the interviewees on whether the opinions of all members carry the same weight; some appear to think that this is the case, while others do not. One way to explain this somewhat confusing result is that these questions might have conjured up different thoughts among different respondents and that dominance by one group over another can be manifested in different ways.

One example of this is the thoughts on equality within the cooperative expressed by one younger interviewed member. On the more basic question if the chairman of the cooperative listens to all members equally, the respondent affirmed that this was nowadays the case. However, when discussing if there were some farmers that he would prefer not join the cooperative, he explained that some members used to cause trouble by more or less intimidating the staff at the cooperative into giving them cash advances.

With these guys, they want money, if they see the money in the bank account [at the cooperative] they want to finish their problems every time, … if you are a worker, they fear those people, I told you we have some people who have big stomachs they come in Pajeros [four-wheel drive] when they bring … the milk, a worker, … can’t stop that man.14

According to this respondent such malpractices no longer occur. I would not want to emphasise too much the exact course of events as described by this interviewee, but the way he describes how these rich members bypass the regular channels for conducting affairs with the cooperative is still interesting. It can also be compared with one account of what happened with the farm supply shop at the dairy. One explanation given by a member is that failure to supervise this facility made it possible for some farmers to remove goods from the shop without paying for them.15 It is worth noting here that the analysis of the delivery pattern to the cooperative in Chapter 7 indicates a

13 Interview with Dr. Kimbugwe, milk shed manager at Land O’Lakes, February 4, 2005.
14 Interview with member A2, February 20, 2005.
15 Interview with member A12, February 18, 2005.
dependence on these big suppliers to be able to secure a steady supply of milk. This could make these big suppliers more influential, regardless of democratic structures set up for the ruling the cooperative.

The problem described above relate to the issue of control capacity which have been discussed in the earlier chapters but then in relation to delivery of milk to the cooperative. Here the cooperative board appears to have lacked the capacity or will monitor the behaviour of the members in relation to the common property in this case the goods in the shop. This monitoring capacity, which is important according to Hechter in order to keep the group together, appears to have been lacking in this case.

Which Members are Eligible for Cooperative Board Appointments?

One indicator of how the members experience their possibilities to influence the decision-making within the cooperative could be how they view their possibilities of being elected to the cooperative board. This question was not applicable to every respondent; two of them were for example already on the board. From the way in which the interviewees responded to the question of eligibility, it appears as if most of them had not given it that much thought. It was a question where some respondents were rather vague or avoided giving an answer. 

According to the chairman, it is not difficult to get people to accept a nomination to a position on the board. Three members clearly stated that they thought they could be elected. In this group one member explained that he had been asked once, but had not accepted the nomination because of time constraints caused by his work. Of those members who said that they did not know if they could get elected, one had been on the board of one of the original associations that merged into the Nabuka. According to her this had not been a positive experience: “It is putting in too much and you devote your time … when you have your cows also to feed and you get nothing out of it other than blames.”

Only one member clearly stated that he did not believe that he could be elected to the board. His view was that to get elected you have to have shown success in your business of keeping dairy cattle.

They cannot elect me because they always say that you have to be experienced … There are those with much experience like considering the time or

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17 Interview with member A5, March 19, 2005.
18 Interview with member A3, March 1, 2005, interview with member A7, February 20, 2005, and interview with member A12, February 18, 2005.
19 Interview with member A7, February 20, 2005.
20 Interview with member A8, February 20, 2005.

168
the period they have spent in farming and how they have kept on changing
their deliverance of milk at the cooperative you find those who were delivering
8 litres and now delivering 15 litres, so I haven’t improved like they have
done.21

Besides this statement there is nothing in the interviews to indicate that the
members themselves feel that they could not get on the board because of not
belonging to wealthiest category of farmers. This conclusion is further sup-
ported by comparing the delivery patterns in 2003 with those who were on
the board in 2005.22 This data covers five out of the seven board members,
and, among those, two delivered under a yearly average while the other three
delivered more. This state of affairs ought to be a positive sign regarding the
capacity of the cooperative to take the interests of the different categories of
farmers into consideration. The impression that socio-economic position, for
example the wealth and education of the farmers, plays an important role for
the chances of getting elected is otherwise an impression that one gets when
discussing these issues with the staff of organisations working with coopera-
tives.23

At least two of the board members, one holding the important office of
chairman, had been re-elected three times, for two year mandates when my
study was conducted. Those persons were also among the members who
founded this cooperative society. It is worth noting that these persons felt
that it was well worth the time spent to stay on the cooperative board.24

When it comes to how members look upon the actual decision-making
within the cooperative, no complaints surfaced in the interviews that this was
undiemocratic. Interestingly the member who expressed that he as a small-
scale producer felt dominated by the bigger producers in the cooperative,
viewed the decision-making procedures in a much more positive fashion.
According to him the board does not try to make decisions over the heads of
the other members:

[W]hile in meetings if the executive comes up with what we don‘t like, like
what we feel that it is somehow exploiting we always refuse it and in the end
of it all we end up voting for it, we don’t just accept what ever is brought up
by the executive.25

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21 Interview with member A12, February 22, 2005.
22 Delivery charts for members of the Nabuka Dairy Cooperative Society, year 2003 and inter-
view with board member A1, February 7, 2006.
23 Interview with Dr. Kimbugwe, milk shed manager at Land O’Lakes, February 4, 2005 and
interview with Mr. Ssebunya, field extension worker at UCA, March 9, 2005.
24 Interview with board member A1, February 22, 2005 and interview with member A5, chair-
man, March 19, 2005.
25 Interview with member A12, February 22, 2005.
That there are more informal ways of getting things done is indicated by the statement below from one of the members. He describes that if the members for example have an issue with payment from the manager, they can take this question directly to the chairman who deals with the problem himself:

… if the manager fails to raise the money we can talk directly to the chairman and the chairman can come down and see the manager what is the problem…26

In a quote earlier a member describes that some members could intimidate the staff at the dairy into giving them cash advances. In the quote below he tries to describe what the procedure should really be like, and also here the chairman takes a key position.

… here we have, there is a General Meeting, if they have a problem they go … to the chairman, then they tell the chairman … the problem. But … there are some who are big in the dairy and don’t wait for the chairman, go to the accountant straight, say “I want money”.27

The point in the quote is that some members did not feel that they had to take the matter even to the chairman. These were people that the respondent describes as being “big in the dairy”. On being asked to clarify what type of farmers he was referring to, he explained that these were “big farmers”.28

The Cooperative as a Joint Project

In Chapter 9 it was pointed out that the members seemed to focus on tangible benefits when they were asked about the positive effects of joining the cooperative. In the theoretical discussion in Chapter 6, the conclusion was drawn that cooperatives can generally be considered a mixture of compensatory and non-compensatory groups. The difference between the two categories is that compensatory groups can compensate their members for showing group solidarity. A question that is hard to grapple with is if this focus on tangible benefits generated by the cooperative affects how the members act in relation to the cooperative.

Hechter, writing from the rational choice perspective, is very clear regarding the order of priorities that individuals make; he writes:

26 Interview with member A6, February 25, 2005.
27 Interview with member A2, February 20, 2005.
28 Interview with member A2, February 20, 2005.
Whenever people are faced with two divergent courses of action – one in pursuit of some individual end, and the other in pursuit of some collective end – I will assume that they invariably choose the former."

Few would probably totally agree with such an assumption. It can, however, open up for a discussion about the motivations that my respondents give for how they act as members in the cooperative. How do members for example look upon the principal corporate obligation: that is, to deliver milk to the cooperative? How do they discuss the issue of delivering to the cooperative and of selling to other buyers?

The fact is that just as with the thoughts that members had on whether the cooperative takes any actions against members selling outside, the members themselves have highly varying attitudes to the practise of selling outside of the cooperative; some regard it as totally wrong, while others do not take it seriously at all:

… there are those who are dishonest for example you may find that instead of taking five litres he delivers only two at the cooperative and the remaining three litres are sold to private buyers, such people are there, but I myself can’t do it."

For the member in the quote above the behaviour he describes is clearly immoral, since he considers members who engage in such behaviour as “dishonest”. Another member was of the opinion that when you have joined the cooperative, you are not supposed to think about the higher price paid by other buyers. She states, however, that some members do sell part of their milk outside of the cooperative. One of their colleagues in the cooperative expresses a very different attitude to the practise of selling to other buyers: “… outside of the cooperative, I sell … there are some friends who say that ‘you bring for me’ … they pay me at a big price.”

During a second interview it became clear that this member also sells to vendors on a monthly basis. These people buy around ten litres out of his production of about fifty litres. This member appears not to see his actions as problematic and does not reflect on this issue in the more value judgemental fashion of his fellow farmer who talked about dishonest members. These two members are both small-scale farmers and also neighbours who

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30 Interview with member A10, February 22, 2005.
31 Interview with member A4, February 11, 2005.
32 Interview with member A2, February 20, 2005.
33 Interview with member A2, February 20, 2005.
know each other.\textsuperscript{34} Both of these members also expressed an awareness that the leaders of the cooperative are negative towards such selling practises.\textsuperscript{35}

Another member of the cooperative declared that although there are vendors who come shopping for milk, “... it is not his principle to sell to them.”\textsuperscript{36} When asked about selling milk to neighbours, he said that this can happen occasionally, but that “... it is not good.” The reason why this was not good appears not to be related to this being a disloyal act against the cooperative. His negative attitude to selling to neighbours appears to have more to do with problems of getting paid for the produce. The same actually seems to be the case for the principle of not selling to vendors. Although he says that it is not his principle to sell to them, the main argument that he put forward for not doing so is that they take too small volumes and thereby pay too small amounts at the time.\textsuperscript{37}

What these statements indicate is that there does not appear to exist one way of thinking about these issues that is shared by all members of the cooperative. The decision to sell exclusively to the cooperative seems rather to be based on individual rationales.

\section*{Attitudes Toward Cooperatives}

One interesting aspect with this area in relation to the cooperative is that there are many more prospective members compared to the number who have actually joined. Since many of these members and prospective members have very similar socio-economic circumstances, it is not likely that such differences can account for the choice of whether to join the cooperative or not. Asked about their neighbours’ reasons for not joining, the members commonly referred to dissatisfaction with the price paid for the milk. Two of the interviewed members, one of them being the chairman, claimed that some people do not like cooperatives. He could not explain why these farmers were negative towards the cooperatives; he claimed not to know their reasons.\textsuperscript{38}

The other interviewee referred to the fact that some people have earlier negative experiences of the cooperative movement.\textsuperscript{39} Another explanation given by two respondents was that those who had not joined were not satis-

\textsuperscript{34} Interview with member A2, February 20, 2005.
\textsuperscript{35} See quote from member A2 in Chapter 8 on the use of social incentives and interview with member A10, February 22, 2005.
\textsuperscript{36} Interview with member A3, March 1, 2005.
\textsuperscript{37} Interview with member A3, March 1, 2005.
\textsuperscript{38} Interview with member A5, chairman of the Nabuka Dairy Cooperative Society, March 19, 2005.
\textsuperscript{39} Interview with member A12, February 22, 2005.
fied with the price paid by the cooperative. There was also one observation that the entry fee, in combination with the ready access to a market, deterred prospective members.

Among those interviewees who had not joined, the answers were quite homogenous. Most of them claimed that they could see no reason to join when they already had a market for their milk without having to pay the entry fee to join the cooperative. There also seemed to exist an idea among those who were not members that one was supposed to deliver a certain amount of milk to qualify to become a member. None of the respondents said that this information had come directly from the cooperative, but rather that this was more of a rumour, which is illustrated in the quote below:

Interviewer: Do they tell prospective members that they want a certain amount of milk? I haven’t realised that. Respondent: I have never been there; I just get the information from other people. Interviewer: OK, and they are saying that they want a certain amount of milk? Respondent: Yes.

Another respondent was more specific on what she meant by delivering large amounts of milk: “... for us we think that it is joined by those who get a lot of milk like 40 litre per day ... that is what we think.” That they did not produce enough milk to be interested in taking it to the cooperative was otherwise what most of those who had not joined the cooperative gave as their prime reason for making this decision.

Earlier Experience of Cooperatives

Earlier experience of cooperatives that the interviewees might bring with them could perhaps explain the choice to join this particular cooperative or not. Five out of the 13 interviewed members had some earlier personal experience of cooperation. Four more said that they had some ideas about cooperatives before they joined. Except in the case of one member, those

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40 In for example interview with board member A1, February 22, 2005, and interview with member A2, February 20, 2005.
41 Interview with member A8, February 20, 2005.
42 See for example interview with respondent B7, February 11, 2005, and interview with respondent B9, March 8, 2005.
43 Interview with respondent B2, March 10, 2005.
44 Interview with respondent B5, February 11, 2005.
who had earlier experience of cooperatives claimed that this had been positive. Three of those who had ideas about cooperation, which could for example have been passed on from their parents, claimed that these were positive ideas.

One member explained that a close relative to him used to complain about the Nabuka, saying that it “… was stealing people’s money.” This begged the question on why this member still had been interested in joining a cooperative society. His explanation was that cooperatives in the past were not properly governed by rules and constitutions. He is of the opinion that members these days have much better insight into the doings of the cooperative board and that board members who misbehave are expelled.

Out of the nine non-members interviewed, two stated that they had knowledge about cooperatives, one personally and through his parents and the other one only indirectly through her parents. These two interviewees had diametrically different experiences though, where one with personal experience of membership in a livestock cooperative was very positive, while the other seemed to have inherited a negative notion about cooperatives:

But they don’t say good things … In those past cooperatives, they say they were, they lacked transparency so their [the members’] money was wasted there….

A third non-member interviewee had the same slightly negative idea, that those who she now refers to as older people do not generally have good experience of cooperatives. Her comments on this are very similar to the account above, saying that the leaders took advantage of the common members so that the latter did not benefit from the cooperation as much as the former. She does not, however, relate any more precise or personal experience of these tales.

These varied answers indicate that it is not really possible to generalise about people’s experiences, unless one were to make a statistically robust value survey on attitudes towards cooperatives. This picture of personalised attitudes is supported by the experiences of the interviewed NGO staff in their interaction with farmers. They do not appear able to make out any trends in how people consider cooperatives either. But what they point to is the “luggage” of negative perceptions on cooperatives which some people appear to carry:

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48 Interview with member A2, February 13, 2006.
49 Interview with member A2, February 13, 2006.
50 Interview with respondent B3, March 10, 2005 and interview with respondent B5, February 11, 2005.
51 Interview with respondent B5, February 11, 2005.
52 Interview with respondent BI, February 11, 2005.
Interviewer: … when you talk to farmers, … how do you feel that they, that they react to cooperatives as a concept, are they in general positive towards cooperatives or do they have a negative notion? Respondent: OK, … some are positive of course there are those who are negative … they reflect on the past cooperatives, some say “we are not being paid” … but you find that maybe some cooperatives did not … feel that obligation of paying the farmers, so such a kind of farmer if you talk of cooperatives, say “no I cannot, they ate my money”…

This hesitant attitude, grounded in historical experiences, towards cooperatives described above was mentioned as one limitation for cooperative development also by an employee at Land O’Lakes in Kampala.

Conclusion

Regarding the question of equality in the cooperative, there are indications that some members choose to act in a self-centred way, which has had negative consequences for other members. One way of interpreting how the members discuss this issue is that a lack of control mechanisms has made this behaviour possible. This behaviour could also in turn indicate that some members feel that they stand above other members.

In this chapter I have looked into how members view issues of member control and equality within the cooperative. As one way of investigating this, the members were asked about their perceived chances of being elected to the cooperative board. The answers to this question were mixed, but only one member stated outright that he did not believe that he could get elected. Among those who expressed the belief that they could be elected, one person had already been asked to stand for election. This latter member can be classified as running an agricultural enterprise of a medium-scale holding. This was, however, not the case with the two others, who can be classified as small-scale farmers.

Given that not only “big producers” had been elected earlier, their assumptions about their “eligibility” seem reasonable. The fact that at least two of the board members had been elected three times in a row indicates, however, that there is not that much rotation on the board. This should have some effect on the chances for new people to be elected to such a position.

What can be concluded from this study is that there are no shared ideas about what constitutes proper behaviour towards the cooperative when it comes to the issue of selling to other buyers. Some talk about this negatively

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53 Interview with Mr. Ssebunya, field-extension officer at UCA in Mukono, March 9, 2005.
54 Interview with Mr. Galiwango, Cooperative/Association Development Specialist at Land O’Lakes, November 6, 2003.
and in moralistic tones, while others rationalise this behaviour by referring to the higher price paid by others.

In this chapter I have discussed the reasons why producers who share so many traits with members of the cooperative have chosen not to join. What has been shown here is that those interviewees who had not joined expressed no strong aversion towards cooperatives. When they referred to negative experiences, these were the experiences of their parents or more generally of an older generation. These statements are well in line with the official discourse on the problems faced by the cooperatives in the past, where for example managers are blamed for taking advantage of the ordinary members. Overall, however, the respondent’s answers must be characterised as rather pragmatic. They appeared not to see that they would become much better off by joining the cooperative.
CHAPTER 11
Theory and Practise of Cooperation – Concluding Remarks

The second part of the thesis began with a theoretical chapter which has provided the foundation for analysing the Nabuka Dairy Cooperative and the views of some of its members. My initial interest lay in the question of why certain farmers choose to join the cooperative in question while others, seemingly sharing the same conditions, choose not to. This problem seemed to boil down to the issue of individual choice in regards to economic cooperation. This in turn led to questions about what mechanisms further this type of cooperation and what aspects are problematic.

Theoretical Suppositions
Because the type of cooperation that is studied here is a form of economic cooperation, farmers join together with their individual enterprises; I have looked upon the issue of cooperation as steered by benefits and drawbacks for the individual members. This supposition stemmed from the rational choice school of thinking: that individuals join together in order to attain a joint good that they cannot attain as individuals, or at least not as efficiently as through a group. This is also the basis for a theory on group solidarity designed by the sociologist Michael Hechter. In this theoretical framework, individual choice takes centre stage for explaining the outcome of group actions, which can be contrasted to approaches where society, norms and rules are used to explain human behaviour in groups. Given the nature of the questions I was interested in, this appeared to be fruitful theoretical approach.

One central question when it comes to the issue of joining a group such as a cooperative is the issue of free-riding. This is a problem that can exist on two levels. First, it can affect the decision in the first place to join or not to join; why join the group if you can get the benefits from group action without contributing any of your own effort? This is the classical free-riding dilemma, and it is discussed more thoroughly in Chapter 6. But the issue of free-riding can also affect how members (when they have chosen to join the

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1 Hechter (1987).
cooperative) actually act within the cooperative. Also here the issue is about contributing, or trying to free-ride on the efforts of other members.

There exist arguments which hold that because organisations such as farmers’ cooperatives contain values such as solidarity and idealism, they are not ridden with the problem of free-riding. I have argued here that although such values may play a role in keeping a group or organisation together, it does not explain how these values of solidarity came to exist in the first place.

Another argument for the idea that the free-riding problem should not be a serious problem for cooperatives is that they produce something called private joint goods: that is, goods are shared by members, i.e. contributors only. But that again would be to limit both the concept of free-riding and the possible activities of cooperative societies more than what is called for. For one thing, this interpretation of free-riding excludes the possibility of this behaviour within the organisation as was discussed above. For another, it assumes that organisations such as cooperatives do not produce goods that also non-members can take advantage of. For example this interpretation discounts the possibility of these cooperatives reaching a size where they could force the general price level upwards for a particular line of products, something that also non-members could benefit from.

In his theory Hechter discusses certain theoretical concepts that I have made use of in the case study of an existing cooperative society and its members. A corporate obligation of group members in relation to the group is one such concept. In my use of the concept, which in some aspects differs from the way Hechter uses it, corporate obligation means something that group members have to adhere to in order to get access to the common good that the joint effort of the members generate. This could be to always buy inputs from a supply cooperative, even if another supplier could occasionally offer a lower price. To do this would be to carry out a corporate obligation in order to preserve the ability of the cooperative to bring benefits to all members (i.e., the joint good) in the longer perspective. If one supposes that there may exist temptations for individual members to behave in a way that is sub-optimal for the group, the group’s capacity to make members comply with the corporate obligation are of outmost importance. The ability to do so is linked to the rate of dependence of the members on the group, as well as the group’s ability to monitor and sanction the members’ behaviour.

The Case – Nabuka Dairy Cooperative

In order to say anything about what could induce farmers to join or not join the cooperative and what mechanisms that could keep the organisation together, it was necessary to consider both the organisation of the cooperative as well as the setting in which it works. It was necessary to explore what
benefits the cooperative could offer to prospective and current members. The main activity in which this cooperative is engaged is to buy milk from the members, bulk it, cool it and sell the milk onwards. The cooperative also runs a savings and credit scheme which members take part in voluntarily. The cooperative does not offer any transport of the milk from the farms to the dairy.

The Nabuka Dairy Cooperative is based in a densely populated area in a town that is a busy commercial centre with many small shops, restaurants, hotels, schools etc. This in turn means that since the milk market is open to basically anyone, the market situation is competitive. The availability and price of milk fluctuate with the dry and rainy seasons. According to the interviewed members, the milk vendors are more active in trying to buy milk from the farmers during the dry season when milk is scarce. The relation between the milk vendors and the Nabuka Dairy Cooperative is somewhat complicated. On the one hand, the vendors can try to buy milk from the members, which, if they succeed, mean less milk for the cooperative. On the other hand, the vendors constitute an important outlet for the cooperative. On the other hand, the vendors constitute an important outlet for the cooperative.

Services Offered by the Cooperative – Tangible Benefits of Membership

What the cooperative can primarily offer is a secure outlet for the milk; the members can be sure of getting their milk sold. The general opinion among the members was that this was not the case with the vendors. Since the latter work purely on a profit basis, they could choose not to show up in times when there is plenty of milk around. The cooler owned by the cooperative and the ability to process milk into yoghurt give the cooperative the advantage of not having to sell the milk immediately. The possibility of bulking and handling bigger volumes should also make it possible to tie in buyers, which further increases the stability of the cooperative and its ability to buy all milk from its members at stable prices. However such things as running the dairy with the cooler, paying wages etc. gives the cooperative expenses not faced by the vendors. The vendors can therefore offer the farmers a better price per litre of milk. The vendors can also buy the milk at the farm gate, which saves the farmer the trouble of transporting the milk to the cooperative. The latter offers no such service, meaning that each member is responsible for bringing the milk to the cooperative.

The interviews confirmed that what the interviewed members appreciated most with being members of the cooperative was the security of knowing that they always have a market for their produce. This was one aspect that had induced several of the respondents to join. However, the farmers who had not joined did not have any problems selling their milk outside the cooperative. They did not express the same reluctance as the former of being
dependent on other buyers. There seemed to be a general knowledge among the members that the cooperative pays a lower price compared to vendors. The price issue was also what they mainly believed kept other farmers from joining the cooperative.

The price and transport issues gave the impression that at the time when my study was conducted the cooperative appeared to be in a quite weak competitive situation vis-à-vis the milk vendors. However, the cooperative could compete with the vendors by providing a secure outlet for the milk. In addition, the cooperative could also attract members by offering them to take part in a savings and credit scheme. This is actually more of a pure credit scheme since the savings are used only to provide credit. Going by the number of members who have at least joined the scheme, this is a popular innovation.

The possibility of getting credit and advances on the milk payment were regarded as positive aspects by the members. The interviewed members stated that credits were mainly used to invest in their farming business, but were also at times used for domestic purposes such as paying for school fees. The credit scheme also met with some criticism. This mainly concerned the time spent waiting for a loan and the amount of money received. The demand for credit surpassed the availability, which meant that credit rationing had to be practised.

Analysing the quantitative delivery patterns to the cooperative revealed some points of interest. For one thing the deliveries from most of the individual members fluctuated substantially over the span of one year. A majority of the producers had at least on one occasion not delivered anything to the dairy. The analysis also showed that a few big suppliers were very important for the stability of the volumes of milk handled by the cooperative. Ten producers out of between roughly fifty to eighty active members were responsible for around 50 percent of the total amount of delivered milk in 2003.

Handling the Issue of Free-riding

I identified the issue of delivering milk to the dairy as the corporate obligation that the members of the Nabuka would have to adhere to in order to keep the cooperative running. It is revealed in the interviews that members at times sell to vendors and other customers such as neighbours. This means that one of the theoretical questions regarding whether members are willing to forgo immediate earnings in order to gain from the more long-term benefits of cooperation can be at least partly answered negatively. Some members appear not able to resist the immediate earnings offered by sales outside of the cooperative.

Going by the interviews with the board members and the auditor of the cooperative, there are no actions taken against members who sell some of their produce outside of the cooperative. Lack of resources was the explana-
tion given as to why no sanctions were employed against such members. There were some statements from the members that the cooperative could punish someone for selling outside, especially to vendors. Other members were, however, equally certain of that no such punishments were adminis-
tered, but that there could be questions asked and complaints made by the board and/or the manager.

Given the type of business that this cooperative is engaged in, it seems unlikely that it would require that many resources to monitor if the members fulfil their obligations toward the cooperatives. The information needed is readily available in the delivery records kept by the cooperative. It could, however, hypothetically prove costly to punish deviant members. This could be the case mainly because the members’ dependence on the cooperative (at least that of the smaller producer) appeared to be rather low. The cooperative faced the risk that the farmers would simply turn to other buyers if punished for unwanted behaviour.

Besides possibly being costly to punish members who sell outside, it could be that this behaviour does not pose a large enough problem for the cooperative to be worth dealing with. The kind of products that this cooperative sells and the type of outlets it uses could go some way in explaining why the cooperative board chooses to overlook the practise of selling outside of the cooperative. Regarding the products, when they are refined at all, it is in very basic way: generally the milk is only cooled and then sold onwards. If the cooperative were engaged in making for example cheese or UHT (so-called long-life milk), it could not sell its products to vendors only, but would need to target larger supermarkets, hotels etc. In order to secure contracts with these types of buyers, the cooperative would have to be able to guarantee the deliveries. This could prove difficult if the deliveries of milk to the cooperative are not stable from week to week. It is likely to be easier to tell a milk vendor, who acts both as buyer and a competitor anyway, that there is no more milk available on a particular day than to default on a long term contract with a supermarket.

The members themselves expressed quite varied opinions on the practise of selling outside of the cooperative. Some take a moralistic approach, saying basically that once you have joined the cooperative you are not supposed to sell to other buyers and that it is dishonest to do so. Others express more pragmatic feelings, referring to the higher price paid by others as a rationale for selling outside of the cooperative. This indicates that there does not exist a general feeling among all members that there is something problematic with wanting the stability brought by membership in the Nabuka, but at the same time getting some higher profits by selling to other buyers.
Intangible Benefits

One of my standpoints was that farmers cooperatives can also produce intangible benefits for their members and possibly also for non-members. To get an education in dairy farming was one thing that members of the cooperative expressed that they appreciated. Interestingly from the discussion on private versus public goods, these seminars, training etc. were generally open also to non-members. The reason for this was said to be to induce this latter category to join the cooperative. Since farmers have apparently taken part in this training without joining the cooperative, this could work in the opposite fashion, i.e. that potential members do not feel the need to join as strongly since they get this service, so to speak, free of charge.

Member Equality and Attitudes towards Cooperatives

One theoretical aspect of farmers' cooperatives is that the interests of different members in how the cooperative should be run may not always coincide. The Ugandan cooperatives have moreover historically experienced problems with inadequate member control over the societies. I therefore tried to probe into how the members perceived issues of equality and decision-making within the cooperative. Again it is striking that the members' experience of this seemed to be personalised. Members who ought to face the same reality within the cooperative could express diametrically different opinions on questions about the equality of members.

One way to reveal what members thought about the equality issue was to have them discuss their chances of being elected to the board. Only one member stated outright that he did not think he could get elected. That only one respondent held this belief and that there were no references made to wealth or education as a barrier to board appointments ought, in relation to feelings of equality among the members, be a positive result. I have no full picture of what the composition of the board has looked like, but the fact that two of the members have been on the board for over five and ten years respectively indicates some lack of rotation in these positions.

It requires a more focused study to reveal peoples attitudes, in this case to cooperative societies. In the interviews I have nonetheless tried to explore how members and non-members look upon cooperatives by having them discuss the issue of joining, as well as their previous experience of cooperatives. It is clear from the answers given by the non-members to the question of joining that the cooperative does not appear to have tried very actively to recruit members in the neighbourhood. Those who had not joined the cooperative did not know much about what benefits it could bring or who in the neighbourhood had joined the cooperative.

The explanation given by the chairman of the Nabuka as to why more dairy farmers had not joined was that some people do not like cooperative
societies. Only one more of the interviewed members brought this up as an explanation for other farmers’ decision not to join. Two out of the nine interviewed non-members did express negative ideas about cooperatives. But they referred not to the Nabuka, but to cooperatives societies in the past. These ideas were not based on their own experiences, but rather on things they had been told by their parents and the older generation generally. The answers from both members and non-members on the issue of farmers not joining the cooperative were dominated by rather pragmatic answers relating to the issue of the price paid for the milk. Both members and non-members said that the lower price paid by the Nabuka Dairy Cooperative deterred people from joining.
CHAPTER 12
Agricultural Modernisation and Farmers’ Cooperatives – Concluding Discussion

In this study I have set out to investigate if the purposes that official representatives see that cooperatives could fill for Ugandan farmers coincide with how the latter perceive that they use these organisations. What enticed me to pose such a question in the first place was the political initiative to encourage people to form cooperatives and more generally to revive the cooperative movement in Uganda at the beginning of the 21st century. One important reason for why this caught my attention is the troubled history of cooperative “initiatives”, not only in Uganda but in the wider East African context as well. Because of this history, it seemed important to explore what the official expectations were and if they were so to speak “attached to the reality in the field”, to the views of those who were the target of this “cooperative initiative”.

This case study of a cooperative society and its members, as well as the study of the official discourse on cooperatives especially and on rural development more generally, shows that such a coherence does exist to quite a great extent. The members of the cooperative ask for many of the services that the officials want the cooperatives to provide. The studied cooperative also apparently tries to accommodate the members’ expectations, although, as will be discussed below, with varying degrees of success.

An understanding of Uganda’s recent political and economic history revealed that there were other aspects of this drive for cooperatives that made it an interesting issue to study. Since the late 1980s Ugandan politics has been very much in tune with the directions of the international donors and financing institutions. The type of economic policy pursued relies to a very large extent on market solutions to problems of economic development. Cooperatives as a way of organising the production and distribution of goods are interesting in this context because they have flourished in both socialist and market economies, albeit in somewhat different forms. Against this background it was interesting to explore how cooperatives were fit into the policy on poverty alleviation and the ambition to transform the agricultural sector in Uganda.

The political initiative of “agricultural modernisation” and the new focus on cooperatives were explored in the first part of the thesis. I was interested in understanding how the initiative to “modernise agriculture” had been mo-
tivated and what was intended with this initiative, i.e. what it was supposed to achieve. Regarding the initiative to encourage the formation of cooperatives, I was interested in primarily two aspects of this initiative. Given the troubled history of the Ugandan cooperatives, I wanted to analyse if and how this history was portrayed in the official rhetoric. I also wanted to explore how politicians, people within the administration and donor staff discussed the role of cooperatives in the struggle for rural development and poverty alleviation; what were cooperatives hoped to achieve?

To answer the questions posed in this first part of the thesis, both written and spoken rhetoric concerning the policy of “agricultural modernisation” and the revival of the cooperatives in Uganda was analysed. The material used to answer these questions has consisted mainly of published and unpublished documents from government agencies and departments and donor agencies. Examples of such documents are “country strategies” and “evaluation reports” produced by donors such as the World Bank and the USAID. Transcripts of interviews that I have conducted with people employed at such agencies have also been an important source of information. This material has systematically been searched for statements that concern the questions discussed above.

Having created an understanding of how representatives for donor organisations and the ruling administration discussed the policy of agricultural modernisation and the revival of cooperatives in Ugandan, I was interested in capturing the voice of the farmers. How did Ugandan farmers discuss the possible benefits and problems of cooperation? What needs do they see for organisation; how do they discuss such issues as access to markets and credit?

A dairy cooperative was chosen as a case for the second part of the study. Due to the delicate nature of the product (milk needs to be collected and sold or processed quickly so as not to be destroyed), milk marketing is a competitive business where the arrangements for distribution are of great importance. The chosen cooperative is situated in Mukono town and surrounded by a densely populated countryside, at least in a Ugandan perspective. In 1997 the milk market was de-regulated. This has opened up a thriving market in areas such as Mukono, with many agents buying and selling milk. This has in turn meant that the cooperative is not the only outlet to which farmers could take their milk.

This setting provided good conditions for conducting a study that would provide insights about farmers’ choices and prioritisations in selling their produce. In order to find out what had induced farmers to join the cooperative, what benefits they felt that they derived from it and what possible drawbacks the membership entailed, interviews were conducted with 13 members of the Nabuka Dairy Cooperative. The organisational aspects of the cooperative were also studied in order to see what limitations and possibilities the cooperative has for improving the situation for its members. In
order to explore the latter problem, interviews with the manager of the Nabuka Cooperative, as well as with professionals working with cooperatives in Uganda, played an important role. Also business documentation, such as the record of the members’ deliveries and the cooperative’s sales figures, were important for understanding this organisation. In order to create a deeper understanding of what strategies the dairy farmers in the reception area of the studied cooperative claim to make use of and why, nine farmers who had not joined the cooperative were interviewed.

This study was carried out with the theoretical understanding that there are certain inherent difficulties that must be overcome in order to secure a successful economic cooperation among individual farmers. I was interested partly in finding out if and in that case how these difficulties were overcome. Besides the very general theories about cooperation, there are also more specific theories about what benefits a cooperative engaged in processing and marketing can provide for the individual farmer. In this study these theories have been used to point to interesting issues to analyse when studying benefits and problems for members of an existing cooperative society.

Defining the Problem

The picture of Uganda as presented by the Ugandan government and the donor community is that it is a country which has succeeded in reaching high levels of economic growth, but not in eradicating poverty. The donor community has since the latter part of the 1980s been very willing to support Uganda, and it is a country highly dependent on foreign aid. It is generally acknowledged that the Ugandan government and the donor community in general have a very close relationship. One example of this “relationship” is that several important strategy documents are co-authored by for example Uganda’s Ministry of Finance and the International Monetary Fund. The Ugandan government that came into power in 1986 quite quickly embraced the political-economical agenda of the multi-lateral donor and financing institutions.

Given this close collaboration between donors and the Ugandan government, it is logical that the political initiative to “modernise” Ugandan agricultural production came at a time when rural poverty became an important priority on the international development agenda. “The Plan for Modernisation of Agriculture” (PMA) is stated to be a part of the more general policy of “poverty eradication”. The main thought behind this initiative is that small-holder agriculture should become more productive and thereby function as an engine for the whole of the economy. The origin of this line of thinking can be traced back to the more generally positive attitude to the possibilities
of peasant farming which took hold in the 1960s.\footnote{Jonsson et al., (1993), p. 5.} As was discussed in Chapter 1, development strategies from that time and onwards have been focused on “modernisation” and commercialisation, while the strategies to reach these goals have, however, shifted.

Rather than being very specific on how the goal of for example increased productivity in agriculture should be reached, the Ugandan discussion centres on what could be called structural or institutional deficiencies. This way of analysing the situation can be called a “lack of” rhetoric, and in the Ugandan case it focuses on the lack of financial services for rural producers, lack of access to markets and the absence of private investments in agriculture. It is actually stated by the USAID that “[a]ccess to finance is one of the most critical problems limiting rural … growth.”\footnote{USAID (2001), p. 46.} The difficulty for the private sector to fill such roles as suppliers of agricultural credit and to act as buyers of farm produce in the more remote rural areas is apparent from this “lack of” discussion. The lack of farmers organisation is also pointed to as a problem in this discussion about what it is that hinders a rise in agricultural productivity and thereby poverty eradication. The discussion on poverty and the overall strategy to alleviate it contains one important and interesting contradiction. It is acknowledged that people classified as poor do suffer from having “limited assets, skills and knowledge and restricted access” to what is called “different basics” such as “infrastructure” and “information services”. Still it is maintained that interventions to alleviate this poverty should be based on the resources these poor people already possess.

The renewed focus on cooperatives from the political leadership in Uganda came in 2002, two years after the final draft of the PMA had been presented. This study has shown that there has been a shift in the general political attitude towards a more positive approach to cooperatives. What is striking about the way that this initiative was presented is the effort made to create a distance to what is described as “the cooperatives of the past.” In the analysis of what caused the problems of the cooperative movement, three variables, membership, the management and the more general societal environment, are mentioned as important. These three variables are interconnected in the discussions. A general lack of democratic role models, politicians who interfered in the running of the cooperatives, uneducated members who could not hold managers who lacked in management skills accountable are all said to have contributed to the problems.

Explicit historical examples of ways in which cooperatives have played a role in advancing rural interests are rather few in the official rhetoric. However the former vice president, Dr. Kazibwe, in the statement quoted in Chapter 4 makes a strong connection between rural development and the existence of cooperative societies. Taken out of the context in which they are
used, such concepts as “agrarian revolution” and “economic empowerment” may not seem that significant. However, given that Uganda at the time when this statement was made had embarked upon the policy of “agricultural modernisations” as one way of reducing poverty, gives the statement another weight. The words Dr. Kazibwe chooses when she makes this statement is interesting also in other respects. To say that other countries have “used” the agrarian revolution indicates a belief that this is a process that can be initiated and steered by political will. To state that these countries have “in their history the development of cooperatives” gives an impression that cooperative societies are an inescapable part of rural development.

There is a clear focus on the benefits of savings and credit societies in the official rhetoric surrounding the initiative to revive the cooperative movement. There was also a steep rise in the number of registered savings and credit cooperatives between the years 2002 and 2004, which is as far as the data collected here covers. Except for the discussion on the benefits of savings and credit cooperatives, there are however generally very few distinctions made between different types of cooperatives in the rhetoric studied here.

Seen in a wider perspective, solutions that are based on ideas about self-help, i.e. that poor people should help themselves by combining their meagre resources, are far from a new idea. They have, however, apparently gained new strength in the wake of economic liberalisation and de-regulation of the agricultural sector. Other authors have argued that the void left when government agencies were rolled back resulted in various outcomes to which this renewed interest in self-help solutions and the role of civil society more generally can be related. One was that private trade in agricultural goods increased in areas where this was attractive from a business point of view. Another was that areas far from urban centres lost out on the access to markets. This problem caught the attention of politicians and donors and resulted in the discussion on the importance of creating marketing channels for these small scale producers.

The private trade is less homogenous but more competitive, compared to that managed by the parastatal institutions. This has led to a debate about farmers loosing out on the prices paid to them in their relations with private buyers. This in turn has accentuated a need for organisations that can cater to the interests of farmers and give them bargaining leverage. It has also led to a discussion about a deteriorating quality in the agricultural produce because the private buyers are said not to be that particular about the quality of the produce they buy. According to this line of reasoning, this in turn ought to also negatively affect the prices paid to the farmers.
Cooperatives – Ways They Could Solve Problems and Ways They Do Solve Problems

It can be seen from the account above that the problems that the Ugandan agriculture is officially claimed to be experiencing are generally related to various structural problems. What has this study then shown about the possibilities of an existing cooperative to solve these inefficiencies, and what limits seem to be inherent in the cooperative organisation for accomplishing this?

Marketing

The problems facing both farmers and cooperatives in a semi-urban area such as the one investigated here are very different from those facing farmers and cooperative organisations working in areas further away from urban markets. Compared to such a cooperative, the Nabuka has much lower expenses when it comes to transporting the milk to customers. It does not have to secure transport with refrigerated vehicles to distant markets. Besides lower transportation costs, the availability of outlets also makes it possible for a cooperative such as the Nabuka to charge higher prices as compared to a cooperative far away from urban markets.

The generally very busy market for agricultural produce in this semi-urban area also creates some problems, however, for an organisation such as the Nabuka. Other actors on the market can compete with the cooperative in a way that is more difficult in less densely populated areas, where bulking and sheer size is crucial for getting buyers. This marketing situation makes the farmers less dependent on the cooperative, which in turn makes it more difficult to reach the economies of scale that the members could benefit from. One negative aspect for the cooperative here is most likely that it does not provide any transport of the farmers’ milk to the dairy, nor does it provide any supplies at reduced prices to induce members to join and stay on as members.

Interviews with farmers, both members and non-members of the cooperative, show that on a liberalised market those who pay the highest price for a product have an important competitive advantage in relation to other buyers. The interviews also indicate, however, that in choosing between price and stability the possibility of getting a higher price is compared to being sure about always having an outlet for the produce. Since the regulations that are supposed to govern the milk market are not currently very well enforced, the highest bidders in semi-urban areas are generally milk vendors. If the regulation that inhibits the sale of milk that has not been pasteurised were to be properly enforced, this would stop the vendors from selling milk that has been bought straight at the farm gate to consumers. This would to a greater
extent “force” producers to sell their milk to buyers who possess pasteurising facilities.

One important aspect that it is officially hoped that farmers’ cooperatives could accomplish is, as this study have shown, to link small-scale or subsistence farmers to markets. There are indications in the interview material that producers need to have reached a certain volume in their production to feel that they would benefit from a membership in the Nabuka Dairy Cooperative. This is based on how both members and non-members discussed low levels of production as a reason for not joining the cooperative, as well as what the non-members perceived the cooperative wanted from its members in terms of volumes of milk. The business records show that, for the cooperative as a business organisation, the large producers are comparatively important for the stability of the milk supply. Taken together this situation points to possible difficulties for this type of cooperative to fulfil this hope of commercialising these small-scale farmers.

Capital Formation and Investments in Agriculture

Cooperative societies come in as an institutional device for making use of whatever resources are already possessed by the poor. It is hoped that people will come together in cooperatives and by saving and borrowing in these societies contribute to capital formation in the rural areas. Creating self-employment possibilities by access to one’s own savings is one way in which it is hoped that this strategy will reduce poverty.

The cooperative society studied here was not a so-called credit and savings cooperative, which is a form of cooperative frequently mentioned in a positive way by donors and politicians. The members of the Nabuka Dairy Cooperative had, however, still set up a savings and credit scheme which members could join voluntarily. The interviews with farmers, both members and non-members of the cooperative, as well as the financial statement from the savings and credit programme run by the Nabuka show an interest in gaining access to credit. It is not possible to say for sure how the credit provided through the cooperative is used. What the members state that they want credit for is, however, in tune with how it is hoped that this possible credit should be used. Some members explained that they had taken on loans to improve on their farms. These were improvements that had the purpose of making the farms more productive and could be such things as planting better feed or buy a higher yielding type of cattle. It is important to note that these are questions of rather sensitive character, and since it is clear that the purpose of the loans should be investments, members might be inclined to answer in the fashion noted above regardless of how they have used the money.

These uses of credit are well in line with official expectations on the cooperatives as source of credit for investments into agriculture. Besides these
strategic projects, the framers also express a need for credit arrangements that can cover more urgent matters such as unexpected domestic expenses. The credit arrangements that this cooperative offers have one special feature in that the collateral is constituted of the member’s capacity to deliver milk enough to pay off the debt. This is one example of how a cooperative can provide ways for members to produce collateral that would not have been acceptable to a commercial bank. This way of organising a savings and credit scheme parallel with another activity shows that a strong focus on the pure savings and credit cooperatives could be a somewhat narrow perspective on ways to improve access to financial services.

The Price Issue and Bargaining Capacity of Farmers

This study has shown that the official rhetoric expresses a hope that by organising themselves, farmers could gain a stronger bargaining position vis-à-vis the buyers of their produce. It is also hoped that through group pressure it would be possible to raise the quality of the agricultural produce. It is believed by donors and politicians that members who bring low-quality produce to the cooperative would be pushed by their fellow members to improve on the quality lest the whole group looses out. What appears to be lacking here is, however, a more thorough analysis on why it is possible to sell low quality produce in the first place. Where in the chain from producer to the final buyer is low quality accepted? If this is about getting the products sold at all, albeit at a lower price, then there is no guarantee that the extra effort for raising the quality is compensated for in the form of a higher price.

This problem of the structure of demand is not circumvented just because farmers bulk their produce and market it as a group. The cooperative that has been explored in this study works to ensure the quality of the produce by testing it for bacteria. This appears, however, not to give any payback to the members in terms of better prices for the milk. The structure of demand is probably far from the only explanation for this state of things. The fact remains, nonetheless, that if customers chose not to buy raw milk that has not been properly checked before sale, the cooperative (and other more organised milk dealers) would face less competition.

One of the justifications for arguing for the need for stronger farmers’ organisations is, as this study have shown, that farmers are said to be weak bargainers in relation to private buyers of their produce. One variety of this rhetoric has been found (although to a quite limited extent) among the interviewed farmers as well. When these farmers discuss this issue, it is, however, not about them gaining a stronger bargaining position against buyers, but that they by joining the cooperative do not have to rely on these other buyers. A number of the interviewees claimed to find them unreliable. If the dairy farmers in Mukono have an issue with private buyers, it is not about the latter trying to push the buying price for milk downwards. It is rather
about being sure of getting payment at all and being sure that the buyers
always manage to buy the milk. These farmers do not give evidence of being
weak in relation to these buyers; if anything, some of them appear to take
advantage of the competitive situation by selling to these buyers when prices
are high.

Information and Education
The ambition to “modernise” agriculture as expressed in the PMA contains
an ambition to change agriculture into something new and thereby implicitly
better, more productive. One role that it is hoped that farmers’ organisations
will play in this process is to disseminate information about new practises in
for example handling cattle, but also to provide economies of scale in these
efforts. This study has shown that this is a service wanted by both members
of the cooperative and farmers who have chosen not to join. Farmers who
have not joined the cooperative can and do take part in the educational semi-
nars arranged by this cooperative. The decision to let these non-members
take part can be looked upon as a choice between two “goods”. Were it not
to let them attend, the cooperative could hope that they would actually join
the cooperative, i.e. pay the membership fee, in order to get access to these
benefits. The other “good” refers to the societal benefits of letting also non-
members take part in education. Looking beyond the interests of the coop-
erative, it is of course positive that the cooperative can function as a dis-
seminator of information about improved farming technologies.

Obstacles Facing Cooperation in Theory and Practise
The theoretical discussions and the empirical information from the cooperative
studied both point at the importance of tying members to the cooperative. This
amounts to a rather circular problem. For a producers’ cooperative such as the
Nabuka that is engaged in marketing the produce of its members, it is impor-
tant to be sure of the supply of the good you are marketing – if the supply is
unsure, it becomes harder to find reliable customers for the produce that
needs to be sold.

Loyalty and Sanctions
This study has established that the Nabuka Dairy Cooperative Society ex-
periences that members free-ride. The quantitative analysis of the delivery
patterns of the members over one year shows that almost all members have
recorded “zero deliveries”. This analysis, moreover, showed that also the
large suppliers have rather fluctuating supply patterns that could not indis-
putably be explained by natural factors (such as weaning of calves etc.) The
type of free-riding that concerns this cooperative is mainly internal free-riding, i.e. that members take advantage of the efforts of other members. The cooperative is not in a position to push the prices paid for milk in the area upwards, something that non-members could have benefited from, leading to a wider free-rider problem. The free-riding that can occur is then about members occasionally selling their milk outside of the cooperative to buyers offering higher prices and yet taking advantage of the services of the cooperative.\(^3\) To what extent this occurs and what actual harm it does the business is difficult to judge.

What induces people to act as free-riders in this specific context? There are several features of this cooperative and the surrounding environment that makes it reasonable to expect this behaviour. The members appear to face a situation where free-riding is somewhat of a win-win strategy. The prices paid by the cooperative are usually lower compared to those offered by other buyers. The board has apparently discussed the possibility of applying sanctions against this kind of behaviour, for example paying a lower price to unfaithful members. A few of the interviewed members indicate that there are “informal” sanctions against such behaviour, for example not to be considered for a loan application. But there is no formal punishment enforced against free-riders, meaning that it is possible for members to go back and forth between the cooperative and other buyers. This situation actually makes it sensible to take advantage of the security offered by the cooperative, while at the same time maximising current earnings by selling on the side.

The crucial question then appears to be why the cooperative does not punish members who switch between different buyers? It could be that the Nabuka Dairy Cooperative is actually constructed as insurance against the fluctuations on the “informal market.” The possibility of free-riding, that is of delivering to the cooperative the surplus milk not sold to other customers and being guaranteed that someone always has to buy your milk, works as a sort of insurance. This only works, however, as long as you are not excluded from delivering milk because of non-compliance with the so called corporate obligation which in this case is to deliver milk to the cooperative at all times, or at least not severely punished for doing so. If you were severely punished and you have the option of selling your milk to other buyers, the incentive to continue delivering to the cooperative at all would be very much reduced. One possibility is also that the cooperative is not that hurt by this behaviour: that because it is not tied in to big supermarkets or other processors, it has a sort of elastic outlet for its produce.

It has been shown that the interviewed members of this cooperative have very different attitudes about selling outside of the cooperative. All seem aware that this is not really a “good thing” to be doing, but for different reasons. There were for example statements that one would not be considered

\(^3\) It is not possible to say for certain exactly how common or uncommon this practise is.
for receiving credit if one were found out. Others actually saw this act as being disloyal towards the cooperative.

Investments

The issue of getting members to invest into the cooperative is mentioned as a theoretical problem in the literature. It is also discussed in the Ugandan historical context, where it is claimed that the cooperatives became under-capitalised because they could not engage their members in income generating production. This study shows, however, that the issue of getting members to invest could also originate in the special organisational features of cooperative societies. From what this study has revealed, there could be basically two explanations for the under-capitalisation that the Nabuka suffers from. One explanation could be that members do not have capital to invest. The other reason for not investing would be that the members for various reasons do not want to. It is here that we could possibly find that the special features of cooperative societies discussed in Chapter 6 may have some significance for the decision not to invest.4

The fact that further investments do not give members more control over the cooperative (at least not formally) could be one deterrent to investing more money. As was also discussed in Chapter 6, there is an inherent problem with estimating the marginal returns on investments into the cooperative. Given that situation, those of the Nabuka’s members who could invest into the cooperative may well choose to invest their money in other ventures. This leads, however, to a situation where the cooperative experiences difficulties in for example attracting new members (who could contribute to capital formation) and also in ensuring the loyalty of the existing membership.

This issue of under-capitalisation is actually very central for the possibilities of cooperatives to fulfil the expectations that both politicians and members harbour for them. The biggest consequence of under-capitalisation for this dairy cooperative was most likely that it had not at the time of my study been able to purchase a standing generator to avoid milk losses during power cuts. The lack of capital has apparently also made it impossible to buy a simple vehicle to make it possible to transport milk from farmers further away in the rural areas. If the cooperative could offer this service, it could link farmers in the more remote areas to the market in Mukono town. By not having the capital necessary to start up the activity of buying inputs for sale at the dairy, a possible competitive edge against milk vendors and other buyers is also lost.

One Member – One Vote; the Issue of Equality and Decision-making

One fundamental character of cooperatives is the principle of “one member – one vote” or the democratic rule of the societies. As was mentioned earlier in this chapter, one part of the official narrative of the problems that faced the cooperatives in Uganda is the lack of member control over their societies.

Among the members who were interviewed for this study, a majority expressed that they could influence the decisions that are made within the cooperative. Not all were of the opinion that a member’s status within the cooperative, either as a wealthy person or as someone with a long history in the society, was irrelevant for how much say one had within the organisation. The risk that the interests of the smaller producers can be suppressed by larger producers was pointed to by staff working with organisational support to cooperative societies. In this context it is of interest to remember the dependence on a few large suppliers that the cooperative faces for keeping up a steady supply of milk to the dairy. It is, however, encouraging that the cooperative board of the Nabuka consisted of a mixture of above average and below average supplying members and that both women and men were represented.

Concluding Reflections

As has been discussed in this study, the idea of cooperatives as a solution to various societal problems has been both in and out of fashion in a country such as Uganda during a time span of roughly 80 years. Ever since they first appeared in north-western Europe, cooperative societies have proven to be very resistent towards shifts in political ideologies and economic policy. One reason for this could be that they as an idea represent something of a “middle path”, an expression used by B. S. Baviskar, a third path between market oriented and socialist ideas on how to organise production and marketing.¹ In the cooperative concept, ideas about private control and joint ownership can be combined. It, moreover, contains egalitarian elements regarding the relation between ownership and control, but at the same time allows those contributing to the cooperative’s business to take part in its profits.

This last “in fashion” period described here takes place in an environment rather bent on market solutions to organisational problems within production and marketing. The initiative to revive the cooperative movement in Uganda gained further momentum after the data collection for this study was meant to be over. The minister of finance who took office in 2005 has strongly emphasised what he calls the “cooperative society model” in his strategy for

¹ Baviskar – Attwood (1995), pp. 4-5.
improving rural output. The “cooperative society model” is preferred before 
the “laissez-faire model” and “the out-growers model” in his economic strat-
egy, which for instance called for the formation of cooperative societies in 
every parish in Uganda.\footnote{The Sunday Vision, “The Suruma strategy”, Monday March 7th, 2005.}

Cooperative societies appeared first as a tool for certain groups to protect 
their economic interests when society underwent fundamental changes from 
the second half of the 19th century. The groups who saw a chance to protect 
their interests by joining together in cooperatives were workers and farmers. 
These cooperatives were generally quite successful in achieving their goals. 
It would be fair to say that the story of the cooperative societies of Africa has 
not been equally successful in furthering the interests of their members. In 
Uganda the analysis of this “failure” is tied to the upheavals in society after 
the country gained its independence.

In the political rhetoric analysed here, it is claimed that the preconditions 
for cooperatives in Uganda are now much better compared to when they 
began experiencing difficulties. It is hard to argue against the fact that the 
national security situation was worse during the 1970s and 1980s as com-
pared to the situation at the beginning of the 21st century. More people today 
also have some basic education compared to then; however there are still 
question marks in regard to the development of the Ugandan civil society 
and democratic rule that may affect the cooperative movement.

The allegation from the large donor Danida, that the biggest farmers’ fed-
eration actually functions as a mouthpiece for the government towards the 
farmers, combined with the testimony from inside the NAADS that some 
political leaders still view farmers’ organisations as threatening competition, 
raises some concerns. Given the political history of Uganda, as well as current 
political developments, it seems questionable whether the democratic setting 
of “good governance” that former Vice President Dr. Kazibwe discussed has 
yet been fully implemented
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