



Deuk cooperative members dispatching after receiving training on cocoa agroforestry

Photo credit: Alain Tsobeng/World Agroforestry



Institutional Innovations in Tree Crop Producer Organisations in Africa

Divine Foundjem-Tita, Kenfack Essougong Urcil, Serge Piabuo Mandiefe, Ghemuh Geoffrey Nsofon

Highlights

- Analysis of institutional change in the tree crop cooperative sector from pre-colonial to the Structural adjustment era reveals path dependency on colonial models. It also shows a strong hand of the post-colonial governments in the management of post-independence cooperatives and neglecting cooperatives' principles.
- Although about four different models of cooperatives emerged from the colonial masters, two are the most distinguished streams in the tree crop commodity sector in Africa. These are (i) the unified model characteristic of Anglophone oriented colonies and (ii) the social economy model characteristics of Francophone and Hispanophone countries.
- Adoption of new legislation limits government roles in cooperatives affairs, private sector support and partnership, and a conducive institutional environment supporting farmers' participation in advocacy processes depict contemporary institutional innovations in African tree crop cooperatives.
- Selected case studies from the cocoa and coffee sectors from a few countries acknowledge continent-wide renewed interest in cooperatives and their role in the development process of rural communities in Africa.
- Renewed interest in cooperatives needs to be scaled up and be accompanied by adequate policies and strategies to organise farmers better and enable them to assume vertical integration functions along the value chain, such as buying and processing.

1. Introduction

Tree crop commodities have the potential to improve the livelihood of smallholder farmers in developing countries. However, while governments benefit from the GDPs these commodities generate, individual farmers and their households who are at the very beginning of the chain are unable to earn a living from the activity (Waarts et al 2019, van de Ven et al 2021).

Interventions to improve farmers' livelihoods in the tree crop commodity sector has ranged from training to certification and provision of inputs, infrastructure, and support to producer organisations (POs). Yet, our personal experience as the children and grandchildren of African cocoa and coffee farmers reveals glory days and stories by one of our grandmothers heralding the system at her time that assisted her with inputs including fertilisers and pesticides applied on her farms and those of her neighbours. The story was never the same for one of our mothers who was deprived of such benefits in the early nineties. Therefore, she abandoned the cocoa and coffee farms she inherited from her parents, cleared some cocoa and planted pineapples and other annual crops. Unlike our grandmother, who did intensive cocoa and coffee farming in the sixties, our mother complained of no assistance, poor road infrastructure, poor prices and non-functional cooperatives that provided little or no assistance, as was the case in the days of her mother. This little story about our parents brings to light the need to enhance the performance of POs as extensively discussed in the 2008 World Development Report (World Bank 2007) and the need to go back to history to understand their performance. In other words, the performance of tree crop POs cannot be enhanced without looking back at their history. This flashback rests on the foundation of institutional change, which cautions against relying solely on the present without looking at the past because the necessary conditions for the current outcome may have occurred in the past (Kirsten et al 2008).

This chapter uses the theory of institutions, institutional change and economic performance to explain institutional innovations in tree crop POs in Africa and the performance of the value chains. Institutions are the rules of the game in a society, i.e. the humanly designed constraints that shape human interactions. Institutional change shapes the way societies evolve and is key to understanding historical change (North 1990) and thus institutional innovations in tree crop value chains. The innovation here is concerned with the process of change in the production and marketing of goods and services (Devaux et al 2018). Moreover, the World Bank defines innovation within the context of agricultural development as “the process by which individuals or organisations master and implement the design and production of goods and services that are new to them irrespective of whether they are new to their competitors, their country or the world” (World Bank 2012: pp 2). Consequently, it is always important to link research more effectively to change processes on farms and value chains (Devaux et al 2018). This change may represent marginal adjustments to the complex rules, norms and enforcement that constitute the institutional framework (North 1990).

The conceptual framework of this study lies on the fact that institutional innovation involves a path dependence process influenced by different groups with relative power, and their perception of possible opportunities and threats posed to their interest by alternative paths of institutional and technological changes or stagnation (North 1990, Kirsten et al 2008). Path dependency is the historical context that shapes institutions, actors and their attributes (Doward and Omamo 2008).

The objectives of this chapter are (i) to describe the nature of institutional innovations that have characterised tree crop value chains and related POs from the pre-structural adjustment era to contemporary times and (ii) use selected case studies from the cocoa and coffee sectors in selected countries to explain how these changes have impacted the performance of the value chain. Such a study is important because it lays the foundation for policy development in the tree crop commodity sector. It builds on the existing social, historical and cultural constructs that characterise these value chains. Nevertheless, the case studies used in this study cannot represent the full institutional innovations taking place in the sector. However, the examples are provided to inspire others to improve the effectiveness of their strategies and interventions to improve the performance of tree crops cooperatives.

The analysis focuses on cocoa and coffee because of their significance to the economies of the case study countries (Cameroon, Ghana, Cote d'Ivoire and Ethiopia) and the characteristics of the products and producers. In fact, because of their ecology, these crops are most suitable in tropical and sub-tropical climates. They are also produced by small scale farmers and constitute important sources of revenue for them. Cocoa and coffee farmers operate in what Gereffi et al (2005) term Buyer driven value chains where the reins of power in the chain are held by key buyers, usually at the top end of the chain near the final consumers. These buyers determine the nature of the access of producers to final consumers (Kaplinsky 2004). In recent times, one of the major characteristics of the cocoa and coffee global value chains is the emphasis for producers to respect sustainability norms, with multinational buyers committing to sourcing most if not all their supply from sustainable sources. This typifies one kind of institutional change in the sector operated by the private sector that we will discuss. One case study will demonstrate the role of the state as an important player in institutional change, especially with regard to the legislature and how such a change has sparked renewed interest in cooperatives in West and Central Africa. Other case studies will show that with the right policy and institutions in place, tree crops cooperatives can contribute to challenging negative government /private sector decisions that are detrimental to their survival.

The next section describes the typology of producer organisation in the tree crop sector. This is followed by characterising the incremental institutional changes that depict the tree crop sector and cooperatives from the pre-colonial to the structural adjustment era. Contemporary institutional innovations come next, backed by cases studies.

This chapter brings together experiences from case studies in the last decade and provides further insights into strengthening tree crop commodities through cooperatives. We conclude that the global renewed interest in cooperatives needs to be scaled up and should be accompanied by adequate policies and strategies to organise farmers better and enable them to assume vertical integration functions along the value chain, such as buying and processing. The case studies reported in this chapter are based on the authors' own experience in the sector

and a literature review on tree crop commodities and cooperatives. The literature consulted was purposely targeted to cover historical trends and cooperative achievements in the tree crop sectors in Africa and especially the case study countries. Each case study described one specific innovation which may be built on public policies, private sector initiatives, and collective action by farmers. We called these cases innovations because they entail a process of change, as described by Devaux et al (2018).

2. Typologies of Producer Organisations in Tree Crops value chain in Africa

Based on their legal status, producer organisations can be formal or informal. Informal POs are generally self-help groups made up of members with a common goal, who voluntarily decide to put their efforts and resources together to attain shared objectives. They may provide different kinds of services to members, such as labour and financial services, usually on a rotatory and reciprocal basis. Examples of informal POs include Nndoboa in Ghana and “Njangi groups” in Cameroon.

State laws generally recognise formal POs. In Cameroon, for example, POs are regulated by either the 1992 law on cooperatives and common initiative groups or the 1990 law on Liberty of associations and most recently by the Uniform Act for cooperatives in Francophone Africa.

While many forms of groups may exist, there is no single generally accepted one. The decision of which form of producer organisation farmers choose depends on several factors, amongst which are National and International policies, existing programs supporting agriculture and rural development, and perceived ease/difficulty of going through the legal process. Korten (1980) attributes the success of producer groups to “organisational fit”, which refers to the extent to which program design, beneficiary needs and the capacities of the existing organisation are productively aligned (Poole and Frece 2010). Moreover, success depends on the ability of the chosen organisational form to solve the problem for which it was created.

Self-help labour groups, for example, would need a simple organisational form with as few as two members. In contrast, marketing groups or those created to meet advanced functions such as collection, processing and sale of the agricultural product may need complex organisational forms organised along different hierarchical lines, e.g. unions, federations and con-federations.

Despite the diversity of POs that exists, the cooperative business model is on the agenda of national and international development agencies as not only a vector for agricultural development but also growth, poverty reduction and environmental management (Poole and

Frece 2010, World Bank 2007, Kwakyewah 2016, Wanyama et al 2009). This recognition followed the 2007 financial crisis that rocked the foundations of the capitalist business model. This resulted in 2012 being crowned the international year of cooperatives by the General Assembly of the United Nations. This high-level recognition confirms the essential role that cooperatives must play in fighting poverty, promoting social integration and the development of all economic sectors, including agriculture (United Nations 2012).

Another argument for cooperatives is that they have the advantage of identifying opportunities for poor smallholder farmers. The cooperatives' principles are embodied in African cultural values (Kwakyewah 2016) and thus can be easily adopted by African farmers. These principles include: *Voluntary and open membership, Democratic Member Control, Member economic participation autonomy and independence, Education, Training and Information, Cooperation among cooperatives and Concern for the community.*

2.1. The evolution of Formal African tree crop cooperatives: pre-colonial to structural adjustment era.

The story of tree crop cooperatives in Africa can be divided into four different periods in the continent's history (i) Pre-colonial and colonial; (ii) Post-independence (iii) Structural adjustment and (iv) Post-structural adjustment, eras (Asibey-Bonsu 2012). The type of cooperatives that emerged in Africa has also been dependent on the type of colonial master with two distinguished streams: (i) Francophone-oriented cooperatives and (ii) Anglophone oriented cooperatives.

2.1.1. Pre-colonial and colonial era

During this time, different countries adopted different cooperative models based on their colonial heritage. At independence, they demonstrated path dependency by retaining their colonial models (Wanyama et al 2009). These models included the unified cooperative, the social economy, the social movement and the indigenous model (Develtere et al 2008).

- i. The unified model was characteristic of anglophone countries and built around a single cooperative movement composed of primary societies at the base, secondary cooperatives, which are unions of primary societies, then federations at the apex. The North West Cooperative Association (NWCA) dealing with coffee in anglophone Cameroon is an example.
- ii. The social economy model was a characteristic of Francophone and Hispanophone countries and recognised cooperatives as legal entities or institutional entities that brought together people who shared the same social and economic benefits. In this case, the latter was shared amongst members and not the cooperative principles (Wanyama et al 2009).

- iii. The social movement model differs from both unified and social economy models. It was centred around an interest group or established social organisation such as a trade union, farmer's association that brought members together in a cooperative. The cooperative in this model was an instrument of collective action. The Belgian system of cooperatives was rooted in this model.
- iv. The producers' traditional cooperative model is perceived as an economical vehicle for agricultural producers. They are functional instruments of individual rural entrepreneurs or households helping them to procure quality consumables and to market their produce. This model was common in Portuguese colonies.
- v. The later authors described one model that was not based on the colonial background as indigenous cooperatives; Ethiopia is one example.

Independently of the Colonial background, all these cooperatives had one common denominator, the colonial authorities interest at the time to create cooperatives to facilitate the implementation of their agricultural policies amongst which efforts to enhance production, productivity and quality of tree crop commodities for European markets (Asibey-Bonsu 2012).

2.1.2. The post-colonial / post-independence era

Despite the different models of cooperative origins, the post-independence cooperatives were characterised by the strong hand or interface of the state that was facilitated by the legislation in place, which stifled their development. The good faith of the post-independence Africa leaders was that cooperatives were perceived as important instruments for development. However, unlike most European countries, these cooperatives were instead used as channels to implement African Government social and economic policies and advance nation-building initiatives (Holmen 1990, Kwakyewah 2016). By doing so, the Governments neglected the enforcement of the cooperatives' principles, which later led to their demise. In fact, despite strong State interventions in cooperative affairs during this era, African governments undermined the cooperatives by creating marketing boards to export the produce from the cooperatives. In this set up, many tree crop commodity cooperatives became agents of the marketing boards. The Structural Adjustment Program (SAP) was predicated on the assumption that African economies needed to shift from a state-run to a market-driven economy. Since most Governments were described to have failed and with the strong hands of Governments on cooperatives, the latter were thus perceived as failures and needed restructuring.

2.2. Institutional arrangements in the SAP era and the demise of tree crop cooperatives

After independence, African governments inherited and maintained marketing boards or *caisses de stabilisation* which organised and, in certain cases also monopolised, both internal and external marketing of cash crop exports (Gilbert 2009). Thus, until the 1990s, cocoa and coffee sectors were still centralised and highly regulated by the producing countries through state-sponsored marketing boards, which were solely in charge of purchasing, marketing and exporting cocoa and coffee beans, in addition to offering price stabilisation schemes to producers (Traoré 2009).

Being a colonial heritage, the parastatal board systems differed somewhat between ancient French and British colonies. Despite some slight differences between countries with the same colonial master, in the former, the marketing structure was based on the French *Caisse de Stabilisation* model, as opposed to the marketing boards that controlled production and sales in the former British colonies (Traoré 2009). In addition to exportation, taxation, and price stabilisation, these agencies provided several public goods and services to local communities (Kolavalli et al 2012, Achanchi 2013, Fouda 2003, Traoré 2009). For instance, in Ghana, at its peak in the early 1980s, Ghana Cocoa Board (COCOBOD) was the largest single employer in the country, with well over 100,000 employees. Besides, it supplied inputs, undertook all market operations, including quality regulation, and supported the research. Moreover, it provided scholarships to children of cocoa-dependent families, constructed roads, and delivered health services (Kolavalli et al 2012). In Cameroon, the National Produce Marketing Board (NPMB) controlled all aspects of the trade, marketing, quality control and pricing from the farm to the export level (Hinzen et al 2012). Farmers received guaranteed minimum prices for their crops, subsidised fertilisers, and benefited from the provision of extension services (Mahob et al 2016, Hinzen et al 2012, Gilbert 2009).

Parastatal boards were criticised for being corrupt and costly due to a bureaucratic administration that reduces market efficiency and limit competition in the marketing chain (Mahob et al 2016, Traoré 2009, Achanchi 2013). Thus, during the economic crises of the mid-'90s, they were targeted by structural adjustments reforms aimed at reducing costs, improving market efficiency, and promoting the role of the private sector (Mahob et al 2016).

With the SAP, it was expected that cooperatives would take over the functions of marketing boards in the cocoa and coffee-producing countries of Africa. However, in exercising their duties, some of the marketing boards, e.g. NPMB, were already assisted by cooperatives in charge among other forms of production, collection and payments to farmers (Achanchi 2013, Fouda 2003). Until the early '90s, these cooperatives were managed by directors appointed by the State, which controlled their financial and administrative management (Jiotsa et al 2015).

Consequently, these cooperatives were heavily affected and lost the support previously received from the State (Fongang et al 2017), creating the need to rethink the cooperative movement and model. The liberalisation of the cooperative sector in the 1990s led the state to withdraw support services like audit, supervision and management (Jiotsa et al 2015). This negatively affected cooperatives as corruption and misuse became widespread in many cooperatives in different countries leading to bankruptcy hence quitting the business.

2.3. Post-structural adjustment era-emergence of new players and needs for new cooperative models

After economic liberalisation, new forms of governance evolved due to increased demand from global chocolate manufacturers, growing transaction costs, and the risk of supply failure (Gilbert 2009) making vertical integration important to secure steady supply. Institutional innovations took place at different times in various countries and took different forms (Traoré 2009). For example, the elimination of the cocoa and coffee parastatals first took place in Nigeria in 1986, followed by Cameroon in two steps 1991 and 1994, Ivory Coast in 1995/96 and 1999, and lastly, Ghana. Nevertheless, contrary to Nigeria and Cameroon who underwent complete liberalisation, Ghana only went through a partial liberalisation which permitted licensed buyers to procure cocoa from producers at no less than announced pan-territorial and pan-seasonal prices (Kolavalli et al 2012). These reforms led, in most instances, to the end of the provision of some services to farmers by the State and directly exposed farmers to international market fluctuations, making them more vulnerable.

The reforms that led to coffee and cocoa sector liberation and state disengagement yielded high expectations from other stakeholders, such as private companies, non-governmental organisations and producer organisations, who were then expected to take over some of the functions previously performed by the State. However, expectations from tree crops, especially cocoa and coffee cooperatives, were particularly high. It was conceived that after a complete or partial failure of State-run cooperatives, a genuine cooperative movement would emerge to compensate for both market and government failure in the provision of inputs, outputs, and social goods or services in an efficient manner (Calkins and Ngo 2010). For instance, in Cameroon, SODECAO and the Programme Semencier Cacao Café were withdrawn gradually from the direct functions which they exerted in support of the cocoa chain to transfer their duties (commercial, drying, storage, treatment, research/development) to farmers' organisations, especially cocoa and coffee cooperatives (Kamdem and Melachio 2014). Figure 15.1 shows the organisation and institutions within the colonial, structural and contemporary eras

	Precolonial/Colonial to Postcolonial era	Structural & post structural adjustment era	Contemporary era
Organisation (players)	<ul style="list-style-type: none"> • State-sponsored Marketing boards and caisses de stabilisation • Parastatal companies • State-managed cooperatives 	<ul style="list-style-type: none"> • Marketing boards or caisses de stabilisation with reduced function • Elimination of cocoa and coffee parastatals • More or less independent Agricultural cooperatives • Emergences of new self-governing farmer organisation 	<ul style="list-style-type: none"> • Producers Organisations • Interprofessional organisation • Private companies • Farmers organisations • Civil Societies • Consultancy firms • State bodies • Authorised licenced buying co-operatives
Institutions (rules of the game)	<ul style="list-style-type: none"> • Highly centralised and regulated market • Strong hands of the state • Government solely in charge of purchasing, marketing and exporting cocoa and coffee beans, in addition to offering price stabilisation schemes to producers • Cooperatives goals were defined by State and aimed at facilitating the implementation of national agricultural policies • Channels to implement social and economic policies and advance nation-building initiatives • Neglect of cooperative principles 	<ul style="list-style-type: none"> • Partial to complete liberalisation of cocoa marketing • Increase cooperative autonomy with state withdrawal from cooperative management, including support services like audit, supervision and management • Unethical practices emerged in cooperatives, e.g. corruption and misuse • Market-Driven economy • Enactment of national legislations to guide and regulate farmers organisation • News functions entrusted to cooperatives, e.g. inputs provision previously supplied by the state despite a focus on product gathering and supply, • Emergence of new players to support value chain development 	<ul style="list-style-type: none"> • Market-Driven policies • Uniform Act for cooperatives in Francophone Africa (OHADA policies) to align cooperative governances in Francophone speaking country • Renewed interest by states in cooperative business models • Development of corporate sustainability schemes • Development of public-private partnerships with multinationals and NGOs to support value chain development • Increasing Vertical integration • New functions played by cooperative such as articulation, communication and defence of members concerns • Broadening of cooperatives function

Figure 15.1: Recap of the evolution of tree crop cooperatives in Africa.

Countries like Tanzania, Cameroon, and Uganda were quick in the implementation of the SAP policy and rapidly learned from the mistakes of the past about the States involvement in cooperative affairs. They were thus fast to enact new laws to limit the hands of the state in cooperative affairs to registration, arbitration and enforcement of laws. However, besides adopting a new cooperative law in 1992, Cameroon, for example, did little or nothing else to retool its cooperatives to perform the required services that were initially performed by the state. During this time, the agricultural extension system also fell into a prolonged coma exposing the farmers to too little or no services. It is with the aims of learning from the past and capitalising on the potentials offered by cooperatives that African countries developed various strategies to strengthen their agricultural cooperatives to make them active and important players in agricultural value chains, especially in a competitive environment. These strategies entail in some countries institutional innovations such as the enactment and ratification of the Organisation for the Harmonisation in Africa of Business Law (OHADA) uniform Act by seventeen African countries.

3. Contemporary evidence of the role of cooperatives in tree crop value chains

This section analyses contemporary innovations, shows empirical evidence of cooperatives' renaissance in Africa and illustrates how these have worked for cocoa and coffee cooperatives in the case study countries. In the narratives, we describe some of the gaps identified in the evolutionary section from pre-colonial to the structural adjustment era, which are addressed by new cooperative models.

3.1. Institutional innovations-an example of the OHADA Uniform Act on cooperatives

According to Poole and Frece (2010), institutional innovations in the form of new legislation may be required for cooperatives to meet their expected development role. In Ethiopia, for example, the Government updated their cooperative acts in 2004 to accommodate legal and policy challenges the country was facing. One of such legal innovation in West and Central Africa is the opportunity provided by the uniform act on cooperatives adopted by the member states of The Organisation for the Harmonisation in Africa of Business Law (OHADA) in 2010. The uniform act aims to standardise laws relating to cooperative enterprises in the OHADA member countries to improve legal clarity and economic development. One major innovation in the OHADA uniform Act is that it led to changes in the organisational and functional framework of cooperatives. The act brought in two kinds of cooperatives: the simplified cooperative society and the cooperative society governed by a board of directors.

The functioning and management of these two cooperative models vary on several aspects (number of members at inception, management and control organs). Additionally, the OHADA uniform Act (OHADA 2010) limits Government intervention contrary to the post-colonial and SAP eras. It gives producers the freedom to choose rules that will guide the functioning of their organisation. Therefore, the members must be responsible in their decision to ensure that they choose the most effective rules to safeguard the interest of the members and ensure the sustainability of the organisation.

The OHADA uniform Act has sparked renewed interest in cooperatives, especially in the 17 member states that adopted the law. These countries' governments now encourage POs/cooperatives existing under different laws to change status to align to the OHADA Uniform Act, failure of which they forfeit advantages that come with public funding or other donor projects. For example, the Cameroon Government is encouraging Common Initiative Groups (CIGs) created under the 1992 law to mutate into simplified cooperatives and in Cote d'Ivoire (CDI). Old cooperatives are continuously being schooled to comply with the OHADA norms (Foundjem-Tita et al 2017).

Unlike previous cooperative laws, the Uniform Act disconnect the bond between cooperatives and the state (a characteristic of the post-independence and liberalisation years) and gives the cooperatives more autonomy to operate as private enterprises. As an example, enabling laws in Côte d'Ivoire give cooperatives the right to buy and sell cocoa, unlike in Ghana, where except for Kuapa Cocoa, sales must be made through authorised licenced buying cooperatives. Such a law gives room for cooperatives to make profits from buying and selling. Despite the advantages provided by the OHADA uniform Act to transform POs into veritable enterprises through cooperatives, implementation has met some challenges and revealed some weaknesses that may need to be corrected. For example, the uniform act does not limit the number of shares for each member, and some analysts conclude that this may limit genuine democracy, which the act intended to promote (Hiez and Tadjudje 2012). This is typical of some cooperatives in Côte d'Ivoire, whereby most of the cocoa cooperatives are centred on a business 'magnate', usually a cocoa buyer. The business authority puts its resources (trucks, trailers, tractors) at the cooperative's disposal for its proper functioning as part of its shares. Such a powerful member dominates cooperative finances and decision-making, limiting the potential for genuine democracy, an important element for such business models to survive.

3.2. Cooperative interventions - innovations in defending farmers' interests

Agricultural policy making is considered an outcome of political bargain between politicians and their citizens. Citizens can be individuals who demand certain changes in exchange for votes, or they may be lobby organisations that defend special interests (World Bank 2007).

The high number of farmers in developing countries and the transaction costs involved in organising them makes it difficult to organise farmers to participate in advocacy and policy processes. For example, Emana (2009) reports that although the role of Ethiopian cooperatives is increasing in the economy, they have limited advocacy capacity, which impedes their ability to assume the new scope of negotiation. In addition, Pollet (2009) studied cooperatives in 9 African countries and remarked that these cooperatives exhibited poor performance in voicing and advocacy. This situation may be relics from the post-colonial period during which Governments had a strong hand in the cooperatives, and members could not voice their worries. Nevertheless, in Ghana, we found evidence to demonstrate organisational innovations led by farmer cooperatives that were manifested in the form of strong advocacy to reclaim farmers' cocoa farms that had been illegally occupied by miners. We demonstrate through case study one that with the right institutions in place and with less interference from the government, cooperatives can effectively articulate, communicate and defend the aggregated concerns of their members.

Case study 1:

Cooperatives in Ghana

In Ghana, a group of producers, members of a cooperative union mounted resistance through their union and reclaimed their land that had been unlawfully occupied by a group of illegal miners colloquially referred to as Galamsy. As members of the cooperative union, they had been sensitised about a new law that gave authority to the community to manage land and resources. This meant no resources could be extracted from their community without the knowledge of community members and local authorities. When the farmers realised that the Galamsy men had occupied their farm, they reported the case to the cooperative union that verified the case and consulted traditional and municipal authorities. Through the union they organised a press conference and denounced the activity. The media coverage attracted the attention of the Government through which they succeeded to send away the Galamsy men. About 1000 of its 8000 cocoa farmers in the three villages were to lose their land to this illegal activity. Thanks to their membership in a well-functioning cooperative, they were able to recover their land through advocacy and defend their environment from mining activities.

4. Innovations related to forward and backward integration and their contributions to local development.

Where the policy environment is conducive, producer organisations in the tree crop value chain have shifted from traditional practices and from the post-independent model of gathering supplies from members (horizontal integration) to taking up other functions along the

chain such as purchase and distribution of inputs, provision of credits, training, buying and processing. They have also played an active role in community development, as described in case studies 2 and 3 below.

For cooperatives that integrate forward – A strong farmer organisation with a large membership, strong leadership and management procedures will enable the group to secure adequate supply for marketing or processing. A large group will guarantee scale economies in input and output markets, without which the equation can be very difficult to solve as they will need a huge capital to source raw materials from disorganised and dispersed farmers who seldom meet quality standards. Cooperatives like Union Centrale Des Cooperatives Agricoles De L'Ouest (UCCAO) and North West Cooperative Association (NWCA) in the West region of Cameroon, Kuapa cocoa in Ghana and Oromia in Ethiopia are examples of POs that have succeeded in mobilising larger farmer bases and integrate other complex functions along the value chain.

Case study 2:

Oromia Coffee Farmers' Cooperative Union in Ethiopia

Oromia Coffee Farmers' Cooperative Union (OCFCU) limited liability is a smallholder coffee growers owned cooperative union established on June 1999, by 34 cooperatives with 22,691 farmers. Today there are 405 cooperatives with over 400,000 members and \$20,000,000 in capital. Members of OCFCU are the growers, processors, and suppliers of high quality, organic Arabica coffee for the direct export. OCFCU promotes FairTrade for socially and environmentally sustainable techniques and long-term relationships between producers, traders, and consumers. As of 2014, OCFCU was Ethiopia's largest exporter of organic coffee and second largest in Fair trade coffee exports in the world.

It aims to help small-scale coffee farmers to take advantage of the FairTrade coffee market. OCFCU returns 70 percent of its net profits back to the cooperatives, and cooperatives back to members. More specifically, OCFCU focuses on improving the farmers' income by exporting their coffee directly, improving the quality of services to member farmers and clients, improving the social condition of farmers, improving the quality and productivity of Ethiopian coffee, improving and maintaining the sustainability of coffee industry, and regulating and stabilizing the local market.

As well as economic development, the Union has brought significant social benefits to members and local stakeholders; these include improved infrastructure and services through building roads, storage facilities, bridges, clinics and schools in the local communities. OCFCU also offers access to banking and credit services, coffee quality control training, education, flour mills and community clinics, among others for members (Meskela and Teshome 2014). From the FairTrade premium and Costa coffee foundation movement, OCFCU has implemented about 266 projects benefiting about 224,554 people.

Source: Meskela and Teshome (2014) and Oromia Coffee Union

The NWCA is a regional network of 143 primary societies and 7 unions representing about 35,000 coffee farmers in the entire Northwest region (Jiotsa et al 2015). The union is involved in the production, processing and marketing of coffee and started roasting the coffee under the brand name Kola Coffee in 2010. By ensuring horizontal integration of the 42 primary societies through the union, the cooperative is guaranteed the supply of coffee beans for processing and, in a way reverting to the pre-1990 policy of concentrating domestic value-adding processes in farmer cooperatives. A similar level of integration has been achieved in the coffee sector in Ethiopia, as shown by the Oromia Coffee Farmers' Cooperative Union (OCFCU) limited (case study 2).

Embracing both horizontal and vertical integration is the best model producers, and their organisations should take if they and their governments must hold higher functions in the value chain. To take up such functions, cooperatives can enter into public-private partnerships with multinationals and NGOs to acquire the right push to compete in the market. The case of Kuapa kokoo in Ghana is a good example of collaboration between farmer cooperatives, NGOs and the private sector (Case study 3).

Proponents of decentralisation argue that it is important to empower rural community institutions to take up important functions in the provision of social services in the rural sector. The case of OCFCU in Ethiopia adds to the other examples of strong POs vertically integrating the tree commodity value chains and points to the important role these organisations can play in providing basic social services in rural areas (case study 2). As mentioned earlier, these services were initially provided by parastatals in the post-independence period but were completely overlooked in the structural adjustment period. It is, therefore, interesting to see some cooperatives providing such services in contemporary times.

Case study 3:

Multifunctionality of cooperatives :Kuapa Kokoo Cocoa Farmers and Marketing Union Limited (KKFU) in Ghana

Kuapa kokoo is a farmers' cooperative set up in Ghana in 1993 to buy and sell cocoa to the Ghana cocoa buying board after the SAPs led to the partial liberalization of the internal trading of cocoa. It is the only farmer-owned cocoa organisation among 24 privately owned buying companies that has been granted government licenses to participate in the internal trading of cocoa. The cooperative was founded by farmers and for farmers. It has over 100,000 registered members who are primarily smallholder cocoa farmers organized into about 1,300 communities in 57 primary Societies (District) in six cocoa growing regions. The cooperative objectives are: to increase power and representation within the market for farmers; social, to effect economic and political empowerment; to enhance women's participation in all its affairs and to carry out environmentally

Case study 3:

sustainable production processes. KKFU also provides technical support to farmers and undertakes social development projects in: health, agri-business, gender empowerment, climate change mitigation.

KKFU now has the following subsidiaries:

- Kuapa kokoo Limited, the commercial and trading branch. It is a private company accredited as a licensed buying company. They are authorised to carry out cocoa purchasing activities in the entire country. They also provide education and training, and services to members such as inputs.
- Kuapa kokoo Farmers Trust Funds: manages premiums from certification schemes and other funds destined for farmers. The funds are used to provide social infrastructure and income generation for farmers, but also to finance Mobile Clinics, Farmer Field Schools and the Payment of Bonuses etc.
- Divine chocolate initially Day chocolate, a UK chocolate company set in partnership with Twin Trading, The Body Shop and other partners.
- Kuapa Kokoo Transport Limited: the KKFU company is in charge of ensuring transportation of inputs and outputs at all the steps of the value chain

It has official partners that support the organisations in its goals achievements such as Comic Relief, a UK based charity organisation which supported Kuapa Kokoo financially over the years; Trading Vision, a London based charity working to educate the UK public about the injustices faced by small-scale producers, with a focus on Fairtrade and cocoa farmers; Fair Trade, Millennium Promise Alliance and Twin Limited.

Source: Kuapakokoo

4.1. Innovations in agribusiness partnerships

One of the major problems tree crop agribusiness firms face is high transaction costs related to sourcing from a large number of small-scale farmers. These transaction costs can be broken down to include:

- Opportunity cost of time to communicate with individual farmers,
- Monitoring costs involved in establishing and monitoring trust relationships with individual farmers,
- Screening costs linked to uncertainties about the reliability of potential suppliers,
- Uncertainty about the actual quality of goods, and
- Transportation costs associated with moving products from far and long distances.

In recent years, agribusiness firms amongst which multinationals involved in direct sourcing from farmers have tended to organise them around cooperatives to reduce the above-mentioned transaction costs. These multinationals provide services to farmers through their organisations by strengthening and assisting them in the mobilisation of human, technical, and organisational or financial resources. These multinationals' interventions are meant to guarantee future supply and ensure the products supplied by the farmers meet minimum quality standards and consumer expectations. For instance, due to increasing consumer demand for sustainable products, several companies, especially in the chocolate industry, are increasingly putting sustainability at the core of their corporate business model (Pipitone 2019). Thus, through cooperatives, they implement activities that target improved productivity, improved livelihoods or women's engagement, among others. The above suggests that the cocoa and coffee value chains that were initially led by producer countries with total dependence on state support have now become buyer/private sector driven. Although overdependence on the private sector may have its own shortcomings, it gives opportunities for the cooperatives to benefit from services that enable them to assume full responsibility of pre-export value-addition to increase the percentage of the global value chain income going to the farmer which they were deprived of during the structural adjustment era (Ebong 2017).

NGO led support also promotes activities around cooperatives in the cocoa and coffee subsectors; the support to farmers and their organisations can be provided through multi-stakeholder partnerships with farmer cooperatives at the centre. This is illustrated in Cote d'Ivoire by the collaboration between the Microfinance "Advans", an input supplier, and a network provider to facilitate farmers and their organisations' access to credit and other services necessary to boost productivity (case study 4). The advantage of such multi-stakeholder partnerships is that they facilitates the implementation of priorities agreed upon by all stakeholders in the chain (ibid).

Case study 4:

Advans supports to cocoa Cooperatives in Ivory Coast

Advans is an international microfinance group which offers a wide range of financial products and services including loans, current accounts, saving plans, insurance and transfers.

To serve rural areas clients in a sustainable way, Advans focused on developing tailored credit and deposit products addressing the specific needs of rural families and on the introduction of innovative delivery channels.

In 2012, Advans established a partnership with TechnoServe (TNS) and IDH through the Cocoa Livelihoods Program, led by the World Cocoa Foundation, which was working to increase the income of cocoa farmers in West Africa. Advans started with an input financing scheme in partnership with input providers, cooperatives and exporters. The input financing scheme works

Case study 4:

as follows: Advans identifies eligible cooperatives and conducts a due diligence, Advans then pays input suppliers according to the analysis and volume of credit approved. The input suppliers deliver the inputs to the cooperative in April. The cooperative then selects eligible farmers based on a number of criteria (i.e. size of land, track record with the cooperative). Farmers are trained by Technoserve and the input supplier on credit management and correct use of inputs. The cooperative collects the cocoa from farmers during the harvest and delivers it to the exporters who deduct the loan instalments from the payment on behalf of Advans until the loan is fully repaid. Loan repayment schedule is structured to match the cocoa harvest with instalments staggered from October to January. The partnership included a risk sharing agreement between Advans, the cooperative (20% deposit) and input providers (10%). The World Cocoa Foundation also provided a guarantee of 10%. The loan portfolio reached USD 2.7 million in 2018 with 25,000 farmers involved.

Source: Bonnieux (2019)

5. Lessons learned and way forward for cooperatives in the tree crop sector

Despite the positive cases demonstrated above, it is worth noting that the contribution of cooperatives to the development of the tree crop commodity sector is yet to reach the expected scale. It is thus important to overcome identified weaknesses and exploit related opportunities (Figure 15.2).

In general, Traoré (2009) reports that in West and Central Africa (WCA), POs hold a small and declining share of the cocoa and coffee markets. These cooperatives are often weak and discredited; they lack governance and financial transparency and are rarely held accountable by their members, who largely distrust them (Traoré 2009, Foundjem-Tita et al 2016). These cooperatives also suffer from other issues, amongst which managerial weaknesses, lack of know-how, lack of funds and infrastructure, mistrust, and unattractiveness for new members, among others that prevent them from becoming professional and profitable businesses (Gefak 2016). These vices were inherited during the post-colonial and structural adjustment eras and thus need to be corrected going forward. In Ethiopia, for example, cooperatives are described as struggling to design an effective internal governance mechanism and a system of decision-making that will allow them to respond to external priorities, marketing opportunities and the changing Ethiopian socio-economic environment (Emana 2009). In all of these, the aspect of improving the managerial capacities of cooperatives stands out strongly because of the experience and perception of management that characterised most cooperatives during

the post-independence period. During this time, most members viewed cooperatives to be an instrument of the Government and which consequently reduced their engagement in cooperative management.

Going forward, multinationals, especially buyers, must cooperate and not compete with cooperatives, as it happens now. In fact, cooperatives face problems of competition from multinationals making it difficult to impose themselves in their communities as other multinationals and local buying agents operate the same business and carry out the same activities that were initially carried out by cooperatives and they even performed better (Jiotsa et al 2015, Ebong 2017). With increased cooperation, the cooperatives would become more competitive and generate employment and income in rural communities for their members.

For all of these to happen, strong policies are needed to scale out the success stories narrated in this chapter and particularly build the tree crop commodity cooperative movement to enable cooperatives to effectively (i) advocate and defend the interest of their members, as shown in case study 1, (ii) provide multiple services to members as shown in case study 2, (iii) contribute to community development as shown in case study 3 and (iv) participate in multi-stakeholder platforms to identify and address common problems in the value chain as shown in case study 4.

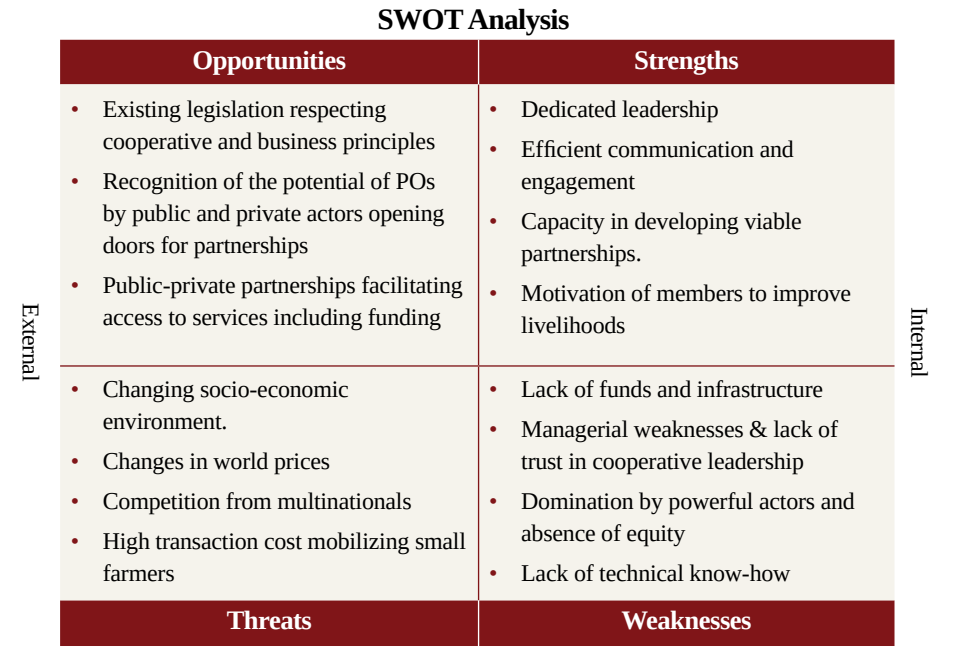


Figure 15.2: SWOT Analysis of tree crop cooperatives based on described case studies.

6. Conclusion

Tree crop commodity cooperatives suffered virtually the same mismanagement fate as state enterprises during the “lost development decades” of 1980-2000, a period noted for its commodity and financial crises.

Yet as demonstrated in this chapter, cooperatives are still a vital producer organisation model as they create wealth for members and their communities. Through the selected cases studies, we showed glimpses of the contribution of cocoa and coffee cooperatives as the medium for farmers to access knowledge, technology, inputs and output markets. However, the efforts are yet to reach the expected scale. For this to happen, efforts need to be made to ensure an equitable share of benefits, transparency, autonomy, contribution to policy debate and strengthen their position during market negotiation. Therefore, producer cooperatives need support and collaboration from both the private and public sectors to be more effective and embrace more value-adding options along the value chain, such as processing. It is the expectation that Governments of tree crop commodity countries will develop the right policies and institutions that will permit these cooperatives to function and compete with other forms of businesses.

References

- Achancho V. 2013. Revue et analyse des stratégies nationales d’investissements et des politiques agricoles en Afrique du Centre: Cas du Cameroun. In: Elbehri A, ed. *Reconstruire le potentiel alimentaire de l’Afrique de l’Ouest*. FAO/FIDA. p.127–158.
- Asibey-Bonsu P. 2012. *Farmers organisations in West and Central Africa: high expectations, hard realities*. Ghana Country Report. iram.
- Bonnieux G. 2019. *Access to finance for cocoa farmers*. Access to finance working group. Swiss platform for sustainable cocoa.
- Calkins P, Ngo AT. 2010. The impacts of farmer cooperatives on the well-being of cocoa producing villages in Côte d’Ivoire and Ghana. *Canadian Journal of Development Studies* 30(3):535–563.
- Devaux A, Torero M, Donovan J, Horton D. 2018. Agricultural innovation and inclusive value- chain development: a review. *Journal of agribusiness in Developing and Emerging Economies* 8(1):99–123.
- Develtere P, Pollet I, Wanyama F. 2008. Cooperative movements in the developing countries: old and new orientations. *Annals of Public and Cooperative Economics* 64(2):179–208.
- Ebong MN. 2017. *The Cameroon coffee sector: value chain or broken chain?* <https://promosaik.org/the-cameroon-coffee-sector-value-chain-or-broken-chain/>. (Accessed on January 2021).
- Emana B. 2009. *Cooperatives: A path to economic and social empowerment in Ethiopia*, CoopAFRICA. Working Paper No. 9, ILO Office for Kenya, Somalia, Tanzania and Uganda, Dar es Salaam.

- Fongang FGH, Nguenkeng B, Kenfack Essougong UP. 2017. Coffee crisis and decline of agricultural cooperatives in West Cameroon: the difficult recovery of « Coopérative Agricole des Planteurs de la Menoua » (CAPLAME). *International Journal of Innovation and Applied Studies* 19(3):668–680 (in French).
- Fouda MT. 2003. *Les mécanismes de financement en milieu rural Camerounais: une analyse des déterminants de la demande de services financiers des ménages*. Versailles-St Quentin en Yvelines.
- Foundjem-Tita D, Degrande A, Donovan J, Stoian D, Kouame C. 2017. *Baseline for assessing the impact of fairtrade certification on cocoa farmers and cooperatives in Côte d'Ivoire*. Nairobi, Kenya: World Agroforestry Centre (ICRAF).
- Foundjem-Tita D, Donovan J, Stoian D, Degrande A. 2016. *Baseline for assessing the impact of fairtrade certification on cocoa farmers and cooperatives in Ghana*. Nairobi, Kenya: World Agroforestry Centre (ICRAF).
- Gefak. 2016. *Study on the state of farmer cooperatives in the cocoa sector of Côte d'Ivoire Draft Final Report*. As part of the future collaboration between cocoa farmers and the GISCO-planned project PRO PLANTEURS in Côte d'Ivoire. Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH.
- Gereffi G, Humphrey J, Sturgeon T. 2005. The governance of global value chains. *Review of International Political Economy* 12(1):78–104. http://www.fao.org/fileadmin/user_upload/fisheries/docs/GVC_Governance.pdf.
- Gilbert CL. 2009. Cocoa market liberalisation in retrospect. *Review of Business and Economics* 3: 294–312.
- Hiez D, Tadjudje W. 2012. *Presentation of the new OHADA law on cooperatives*. http://www.recma.org/sites/default/files/new_ohada_cooperative_law.pdf (Accessed December 2016).
- Hinzen L, Fautrel V, Vittori M, Etoa P, Chabrol D. 2012. *International expert consultation on Geographical Indications (GIs) for coffee and cocoa sectors in Cameroon*. Wageningen : CTA, 41.
- Holmen H. 1990. *State, cooperatives and development in Africa*. Coll. Research Report n° 86, Upsala, The Scandinavian Institute of African Studies. p.88.
- Jiotsa A, Okia TM, Yambene H. 2015. Les mouvements coopératifs dans les hautes terres de l'Ouest-Cameroun. *Journal of Alpine Research | Revue de géographie alpine [En ligne]* 103-1 | 2015, mis en ligne le 06 juillet 2015, consulté le 30 avril 2019. URL : <http://journals.openedition.org/rga/2778>; DOI: 10.4000/rga.2778.
- Kamdem CB, Melachio A. 2014. *Effects of collective marketing by farmers' organizations on cocoa farmer's price in Cameroon*. Revised Final Report, Afr. Econ. Res. Consort., 30, 31 p. https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=CSAE2012&paper_id=177.
- Kaplinsky R. 2004. *Competitions policy and the global coffee and cocoa value chains. Paper prepared for the United Nations Conference for Trade and Development*. Institute of Development Studies University of Sussex, and Centre for Research in Innovation Management, University of Brighton, UK. <http://www.hubrural.org/IMG/pdf/rkaplinskycocoacoffee05.pdf>.
- Kirsten JF, Karaan ASM, Dorward AR. 2008. *Introduction to the economics of institutions*. In: Kirsten JF, Dorward AR, Poulton C, Vink N, eds. *Institutional economic perspectives on African agricultural development*. Washington DC: International Food Policy Research Institute (IFPRI).
- Korten DC. 1980. Community organisation and rural development: a learning process approach. *Public Administration Review* 40(5):480–511.

- Kolavalli S, Vigneri M, Maamah H, Poku J. 2012. *The partially liberalised cocoa sector in Ghana: Producer price determination, quality control, and service provision*. IFPRI Discussion Paper 01213. Development Strategy and Governance Division.
- Kwakyeuah C. 2016. Rethinking the role of cooperatives in African development. *INQUIRIES journal* 8(06). Retrieved from <http://www.inquiriesjournal.com/a?id=1419>.
- Mahob RJ, Ndoumbè-Nkeng M, Ten Hoopen GM, Dibog L, Nyassé S, Rutherford M, Mbenoun M, Babin R, Amang J, Mbang A, Yede C, Bilong FB. 2016. Pesticides use in cocoa sector in Cameroon: characterisation of supply source, nature of active ingredients, fashion and reasons for their utilisation. *International Journal of Biological and Chemical Sciences* 8(5):1976–1989. <http://ajol.info/index.php/ijbcs>.
- Meskela T, Teshome Y. 2014. From economic vulnerability to sustainable livelihoods: the case of oromia coffee farmers' cooperative union in Ethiopia. *International Food and Agribusiness Management Review* 17:103–108. <https://www.ifama.org/resources/Documents/v17ib/Meskela-Teshome.pdf>.
- North DC. 1990. *Institutions and institutional change and economic performance*. The political economy of institutions and decisions. Cambridge University Press.
- [OHADA] Organisation for the Harmonisation of Business Law in Africa. 2010. Acte uniforme relatif au droit des sociétés coopératives. Journal officiel de l'OHADA. Lomé, Togo.
- Pipitone L. 2019. The state and future of the cocoa and coffee markets. *11th UNCTAD Multi-year expert meeting on commodities and development*. Geneva, 15-16th April 2019. United Nations Conference on Trade and Development (UNCTAD).
- Poole N, de Frece A. 2010. *A review of existing organisational forms of smallholder farmers' association and their contractual relationships with other market participants in the East and Southern African ACP region*. AAACP paper series No. 11.
- Pollet I. 2009. *Cooperatives in Africa: the age of reconstruction: synthesis of a survey in nine African Countries*. ILO Working Paper No. 7.
- Traoré D. 2009. *Cocoa and coffee value chains in West and Central Africa: constraints and options for revenue-raising diversification*. Food and Agriculture Organization of the United Nations, AAACP. Paper Series – No. 3. http://www.fao.org/fileadmin/templates/est/AAACP/westafrica/FAO_AAACP_Paper_Series_No_3_1_1.pdf
- United Nations. 2012. *International year of cooperatives* <https://www.un.org/en/events/coopsyear/> (Accessed April 4th 2020).
- Van de Ven GW, de Valença A, Marinus W, de Jager I, Descheemaeker KK, Hekman W, Mellisse BT, Baijukya F, Omari M, Giller KE. 2021. Living income benchmarking of rural households in low-income countries. *Food Security* 13(3):729–749.
- Wanyama FO, Develtire P, Pollet I. 2009. *Reinventing the wheel? African cooperatives in a liberalised economic environment*. International Labour Office. - Dar es Salaam: ILO.
- Waarts Y, Jansen V, Ingram V, Slingerland M, van Rijn F, Beekman G, Dengerlink J, van Vliet J, Sassen M, Guijt J, van Vugt S. 2019. *A living income for smallholder commodity farmers and protected forests and biodiversity: how can the private and public sectors contribute*. Wageningen Economic Research. White paper on sustainable commodity production. Wageningen University & Research.
- World Bank. 2007. *World development report 2008: agriculture for development*. Washington, DC: World Bank.
- World Bank. 2012. *Agricultural innovation systems: an investment source book*. Washington, DC: World Bank.