Review

Forcing the dumb to sing? Rejuvenating farmer cooperatives in Uganda amidst waning social capital

Fredrick Kisekka Ntale

Makerere Institute of Social Research, Makerere University, Po box 16022, Kampala, Uganda.

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Neoliberal reforms had for long recommended large scale corporate agriculture as the way forward; small scale peasant agriculture was considered as a hindrance to the capitalist progress of developing countries. However, crises that have befallen countries like Uganda, especially poverty and food crises have heightened the pressure and questions about the whole philosophy of corporate agriculture and food production, shifting the attention of policy makers towards the need to boost the incomes of smallholders through collectivization. In Uganda, for instance, the state’s need for poverty reduction and increased food supplies, the national development framework, Poverty Eradication Action Plan (PEAP) and its successor, the National Development Plan (NDP) called for the organization of the peasantry and smallholder farmers into collective units commonly referred to as Savings and Cooperative Organizations (SSACO) through which rural producers would be organized and assisted. This would also aid government’s effort to eradicate poverty and hunger in the broader interest of achieving Millennium Development Goal (MDG) number one. In some parts of the country this collectivization program has entailed bulking smallholders’ lands into collective farms not only to enhance productivity and food security but also benefit from local, national and regional markets, heralded by the coming in place of an East African Customs Union. This article seeks to question the orthodoxy, logic and anticipated success of this new form of collectivization in the face of declining and/or absent social capital and trust as well as weak institutions. Moreover, societies with a low degree of social trust are less likely to create the flexible and prosperous business organizations that can compete in both national regional economies.

Key words: Social capital, collectivization, farmer groups, neoliberalism.

INTRODUCTION

In the 1980s and beginning of the 1990s, a dramatic new phase in economic development began when Uganda decided to carry out neoliberal economic reforms as directed and/or "advised" by the World Bank and IMF. The major issue in this advice was that Uganda should undertake to implement the World Bank/IMF led Structural Adjustment Programs (SAPS) with an aim of improving in fiscal operations through reduction of government expenditure as a major instrument for the control of inflation. For example, from 1992, the Uganda government embarked on ways through which expenditure control could be achieved. This was premised on keeping expenditures within available government’s realizable income. In that regard, some of the specific policy measures under public expenditure management included operationalization of a cash budget whilst focusing on the available revenue to fund a limited number of priority areas. In Uganda’s case, these included primary health care, primary education, water and sanitation, agricultural extension and rural roads (World Bank, 2004).

In view of ensuring fiscal discipline, SAPs also called for the divestiture of state owned enterprises, reduction public sector employees and improvements in public sector performance wage freeze, and reduction of
subsides. As a macroeconomic variable, public expenditure has a very pervasive impact on many sectors of the economy; for example, employment, wages, price level, access to health care, education, water housing and clothing (Eurodad, 2006). To some extent, government pressed economic development at this point as a deliberate political maneuver to reconstruct the then war ravaged country. However, it should be noted that, apart from economic rehabilitation, neoliberal reconstructions also aimed at reforming society and business culture (Wiegratz, 2009).

In addition, the economic reform programs that Uganda carried out at the beginning of the 1990s led to a substantial improvement in national welfare through creation of opportunities that enabled the people to move out of poverty. Although the reforms led to the aforementioned gains including a reduction in income poverty which reduced from 56% in 1992 to 35% by 2000 (Deininger and Okidi, 2001), emergent evidence demonstrated that some regions in the country (especially northern and north-eastern) were indeed living in abject poverty characterized by food insecurity. Furthermore, social indicators remained poor, suggesting that social outcomes may not have improved even in the face of further increases in social spending. Available evidence from tracking studies has demonstrated how, in spite of increased social spending in education, only 36% of non-wage funds reached schools (Svenssson and Reinikka, 2004), and as much as 70 to 90% medical drugs supplies were diverted to personal use to compensate for the low salaries of medical staff (Reinikka, and Svensson, 2007), representing an emergence in moral corruption.

Imperative to note is that the onset of neoliberal reforms, in Uganda coincided with the decline and eventual death of the hither too booming cooperative movement. This is not surprising given that the IMF/World Bank reforms emphasized states exist from business. And yet Ugandan cooperatives just like in many parts of the world at the time relied on state subsidies for sustenance. What is also fascinating to mention is that again cooperatives did not change with the times. Indeed the transition from state-led development to market forces witnessed the death of hundreds of the cooperative societies in the country, mostly agricultural producer cooperatives. This also corresponded with the fall in overall agricultural output and increase in nationwide poverty. For instance overall coffee production fell from 230,000 metric tons in 1972 to 150,000 metric tons in 1988, partially accounting to an increase in poverty. It has been widely argued that the five year insurgence in the country in part accounted for this predicament, but even then cooperatives in other parts of the country which did not experience the insurgency were not spared either. Not even the emergency funding from western funding agencies such as United States Aid (USAID), Swedish International Development Assistance (SIDA), and the European Economic Commission (EEC) could rejuvenate the cooperative movement (Kyamulesire, 1988).

Given the critical role cooperatives played in agriculture, including stabilizing incomes during the 20th century, a re-visit to the cooperative model of development is receiving much attention. In fact in North America, Canada and some parts of Western Europe, many cooperatives are undergoing conversion and consolidation. For instance Across the Canadian cooperative sector, an increased pace of consolidation and concentration coincided with sharp increases in capital investment during the 1989–2002 period. This increase in real capital investment was accompanied by an increased dependence on debt financing, as the sector increased its debt-to-equity ratio from approximately 1.13 in 1963 to 2.08 in 2000 (Hailu and Goddard, 2009).

Therefore in the wake of the Uganda government’s need to reduce poverty and increase food supplies, the national development framework, Poverty Eradication Action Plan (PEAP) and its successor, the National Development Plan (NDP) called for the organization of the peasantry and smallholder farmers into collective units commonly referred to as Savings and Cooperative Organizations (SSACOs) through which rural producers would be organized and assisted. This would also aid government’s effort to eradicate poverty and hunger in the broader interest of achieving Millennium Development Goal (MDG) number one. In some parts of the country this collectivization program has entailed bulking smallholders’ lands and farm produce into collective farms not only to enhance productivity and food security but also benefit from local, national and regional markets, heralded by the coming in place of an East African Customs Union.

In the foregoing analysis, it is arguable that cooperation is not a system with a single-cut ideology, on which cooperators agree. For, cooperation is embraced by socialists, capitalists and communist alike. What is obvious is that two common denominators underline cooperation, especially among agrarian communities- the presence of strong social capital among the cooperators. The second is the ability to understand and follow the structure of rules and norms that have been developed and institute to regulate internal behavior and constrain externalities. In that regard, this article seeks to question the orthodoxy, logic and anticipated success of this new form of collectivization in the face of declining and/or absent social capital and trust as well as weak institutions. And yet it is a known fact that societies with a low degree of social trust are less likely to create the flexible and prosperous business organizations that can compete in both national regional economies.

**Smallholder farmer Organizations in the Neoliberal Environment: The African experience**

Smallholder agriculture, which predominates on large
tracts of land in many developing countries, is slowly regaining its importance after decades of neglect that it was subjected to following neo-liberal reforms. The experiences of smallholder agriculture under neoliberal reforms were almost similar in many countries. In Africa, wilting crop productivity under stringent neoliberal reforms has increased the risks of famine in many countries. The dismantling of public crop procuring parastatals and various subsidies to support small holder cultivation led to a severe decline in productivity and food output in sub-Saharan Africa, also home to the largest population of hungry people in the world. The neoliberal regimes relegated the agricultural sector to one of secondary importance thereby imposing mass deflation on the millions who live and depend on agricultural and other rural livelihoods.

Indeed, scholars have outlined the process of de-peasantization and de-agrarianization that set into the African country sides, destroying millions of livelihoods in the rural sectors of different African countries (Bryceson, 2004). Moreover, following the IMF and World Bank inspired reforms; a simultaneous pauperization continues to occur, where large numbers of people from rural agricultural communities move into nearby cities in search of employment and start living in typical urban slums. Indeed, estimates indicate that 63% of the urban population on the globe lives in slums (McMichael, 2009). In countries like Mexico, agrarian crisis has seen the explosion of insecurity, while in India; debt laden farmers are committing suicide at alarming rates (Nagaraj, 2008), particularly in areas growing export crops over the last decade, indicating that even a single reproduction of the farm economy has become unviable under the neoliberal regime.

Hutchfull (2002), commenting on the state of Ghana’s agriculture following the neoliberal reforms, described agriculture in general and food agriculture in particular as the “Achilles’ heel of adjustment.” Overall performance in agriculture in general (and food agriculture in particular) has lagged behind all other sectors, with growth averaging of 2.5% during the 1990s. Food and livestock output grew consistently less than agriculture as a whole, averaging only 1.2% over the 1990-1995 periods, and with large fluctuations in output. While there have been increases in tubers averaging 10%, there have been sharp declines in cereals, with production of maize and millet falling by 7% and rice, almost 3%.

The displacement of developing countries’ farmers and their products due to trade liberalization has thus become the subject of global concerns. Prior to the Economic Reform Programme (ERP) and SAPs, various government agencies had undertaken the production, import and distribution of farm inputs such as seeds, fertilizers, insecticides, fungicides, small hand tools, motorized equipment and premix fuels. The prices and inputs had been directly subsidised and tariffs on imported agricultural inputs were reduced, some to zero. As a part of the ERP and SAPs the subsidies were removed. In cooperation with the World Bank, the Ministry of Agriculture prepared a Medium Term Agricultural Development Programme (MTADP) that outlined specific policies for the agricultural sector. The MTADP, which acknowledged the private sector as the engine of growth, served as a strategy for food and agriculture development in the years 1991-2000. The agricultural sector was targeted to grow at 4% annually. The increased private participation and the freeing of trade were expected to reduce marketing costs, raise producer prices and stimulate investment, and the privatisation of input supply was assumed to improve the reliability of supply and reduce costs through competition.

Further, using Ghana as an example and with regards to cocoa, the monopoly of the Cocoa Board and its affiliated organizations was also removed. Initially the Board was the only domestic purchaser of cocoa, and had exclusive rights to export cocoa. Its monopoly in domestic purchase was ended but it still has the largest share of the market. It was expected that the private buying companies (licensed by the government) would pay higher prices than the government price; by the end of 2003 this had not yet happened. Such a scenario is not unique to Ghana. In many developing countries, the liberalization of imports resulted in intense competition from imports that have threatened to displace some of the products of small farmers from their own domestic market. The competition emanating from imports has not been fair, in many cases. This is because imports coming from developed countries are usually heavily subsidized, and thus their prices are artificially cheapened.

On the other hand, the farmers of developing countries are usually not subsidized. Moreover, the assistance that their governments provided have, in many countries, been withdrawn or substantially reduced, due to the structural adjustment policies. The approach to forming farmer organizations as channels for development has not seen much improvement in the agricultural sector. Despite technical support from donor organizations, the farmer organizations have failed to develop into viable, self managed organizations capable of extending efficient services to their members. In trying to explain this variance, the World Bank pointed to poor policy frameworks such as a state controlled agricultural marketing system. What the policy framers at the Breton Woods institutions do not admit however, is that opening up of the markets has done little to better the situation of the small holder farmers. In fact, many developing countries have slid into negative agricultural growth, which their population doubles, prompting a risk of an agrarian crisis. There is an emerging realization that far from opening up markets to promote agriculture, liberalization has been the demise of small scale farmers and food production.

Such concerns emerged because of the experience of many developing countries undertaking structural adjustment programmes, in which trade liberalization as well as
the withdrawal of the state from an active role in support of farmers, are prominent components of the loan conditionabilities of international financial institutions. The concerns increased due to the commitments that developing countries undertook to eliminate quantitative restrictions in agricultural products and to reduce their agricultural tariffs under the Uruguay Round. The current negotiations in the World Trade Organization (WTO) are expected to oblige developing countries to undertake another round of agricultural tariff cuts.

**The Ugandan experience of farmer cooperatives within a Neoliberal Environment**

As seen above, the agricultural sector remains the primary determinant in many African countries’ economies. It was also the basis of the 4% development target set by the World Bank’s report, “Sub-Saharan Africa: From crisis to sustainable growth; a long term perspective study”. It therefore comes as no surprise that rural development has attracted significant attention over the last two decades. Many development projects have been planned and implemented as experts and development workers saw fit. In Uganda, following the capture of power in 1986, the Structural Adjustment Programmes (SAPS) adopted by the NRM government entailed cuts in public spending, privatization of state owned corporations, reduction of the workforce and removal of tariff barriers to trade. The major objective of these reforms was to inject competitive pressures into the economy and allow Uganda comparative advantage to work in the global market space.

The problems of the rural economy worsened through the 1990s with the unraveling of the radical land reforms carried out under the NRM government of the 1980s. Former supporters of the Amin and Obote dictatorship, as well as people with legitimate claims, such as the expelled Asians appeared to reclaim land for which many of them had already been compensated, in some cases more than once. Many of them had racked up huge debts against property before fleeing the country with the proceeds in 1979. The cooperatives were weakened by the turmoil of the 1970s and 80s, and were finally dismantled as part of the neoliberal reforms (Wiegratz, 2010b).

Wiegratz (2010a) further points out that The Museveni Government failed to issue solid legal land titles for most of the properties they distributed, leaving the way open for dispossession and eviction of thousands of families and cooperative members. One of the serious issues facing the nation today is that due to uncontrolled population growth, agricultural productivity is going down. This is mainly due to the social economic relationships between agricultural land availability, producers and the rest of the consumers. The real causes of low productivity may also not be due to climatological changes or physical environment, but exploitative social relations. Moreover, despite the enormous importance of the agricultural sector to Uganda’s development, the sector has received relatively little government investment in the quality management. In addition, food production is the most wide spread economic activity, involving many millions of Ugandan farmers across the country, and contributing, on average, 25% of total GDP and 66% of agricultural GDP per year (UHDR, 2007).

Nonetheless, it is intriguing that although overall acreage has been on the rise, the output trend has been on the decline. Food production is mainly the domain of women while men engage in more production of cash crops that have higher income potential. In most cases, these small holder farmers have low bargaining power, limited by land shortages, transport facilities, capital credit and many other challenges. Whereas market failures are largely as a result of poor infrastructure and high production costs, considerable emphasis is being placed on group action as a way of cutting transaction costs and increasing bargaining power. The argument is that individual smallholder farmers are likely to overcome these challenges through cooperatives. Peasants and smallholder farmers outside cooperative enclosures are facing a highly competitive market structure; relatively few rich farmers with resources and access to credit outweigh the peasants bargaining power, in production, just as does the landowner in the labour market (Jansson, 2004; Ouma, 1987).

Without doubt a cooperative, because of its ideals, and recognition of the need for fair distribution, is suitable as a means for economic and social development. This is because there is a fair degree of participation by the people to identify their needs and set their priorities accordingly. In any case, it is argued that rural organizations are adaptable to a large size of economic activities. For instance the late president of Kenya, Jomo Kenyatta, espoused this when he commented that the cooperative movement is by its very nature a means of fulfilling the goals of economic growth. Cooperatives build upon the traditional values and foundations of society, transforming these values into effective economic and social institutions (Ouma, 1987).

It ought to be pointed out that this parallel movement is not only unique to Africa; it has earlier roots and is widely known throughout the Global South, especially Latin America, as well as Europe and Quebec. It has been comprised of a range of projects where social capital is partnered with worker, community, consumer and peasant cooperative ownership structures. These were designed to fight back against the economic devastation brought by neoliberal IMF-imposed “solutions” that left people without a safety net or means of survival. People turned to each other at the grassroots in common efforts, hence the term ‘solidarity economy.’ But can this solidarity economy yield fruits to a distorted rural economy in Uganda? Is there enough will for collective effort? Does trust still exist in society riddled by extreme
deprivation, hunger and malpractice? For instance, Wiegratz (2010b) has noted that rapid neoliberal reform negatively affected the relationships and trade practices between smallholder farmers and traders in rural markets. For he notes that since the onset of liberal economic reforms, face-to-face rural trade practices have been characterized by higher levels of ‘malpractice’ and a change in their form.

The aforementioned view is reinforced by Valentinov (2004) who opines that economic rationalization of cooperative organization based on different governance mechanisms, corresponding to respective degrees of asymmetry of inter-actor interdependencies, is naturally based on different economic principles of interaction between the actors involved. The role of these principles is to regulate the process of resource allocation in the realization of a transaction in question. For the cases of high and low asymmetries, these economic principles are represented respectively by price mechanism and authority relation. However, in the case of symmetric interdependencies presupposing the use of cooperative governance, all members have an equal-footed status and are not buying anything from each other; therefore there are evidently no prices and no hierarchical authority to coordinate their interaction. What economic principles, then, regulate resource allocation and inter-member coordination in an organization of the cooperative type? The analysis offered by Valentinov to this question reveals that the idea that in contrast to markets and hierarchies, internal coordination and resource allocation in cooperatives is primarily determined by the quality of interpersonal relations between its members. The better the personal relationship that the members develop with each other, the more flexible and smooth will be the processes of communication, coordination, and collective decision making.

Recent research on farmer organizations in Uganda by the World Food Programme indicates that despite the formation of farmer organizations, bottlenecks to agricultural productivity and access to credit still exist in the current neoliberal setting. One of such bottleneck is the issue of marketing for farmers’ produce. As observed by Minot and Vagas (2007), rural households are subject to a number of constraints that make their participation in the market both costly and risky, leaving farmers disconnected from markets and producing largely for their own consumption. They argue that farmers face numerous marketing constraints that can be roughly categorized as those that raise marketing costs and those that increase the risks associated with commercialization. 60% of the research respondents pointed out the marketing constraint as the most significant challenge in production. Volatile and low market prices discourage farmers from production, despite their being members of farmer organizations.

Moreover, despite the assumption that liberalized markets would give farmers an edge to compete for better prices, 65% of the farmers that belong to farmer organizations that were interviewed reported that improving quality of their produce had not fetched them a better price. This explains why many of them had not sought to improve the quality of their produce. In addition to such an environment, the issue of access to credit still remains unanswered. Ugandan financial institutions have naturally avoided lending to small holder farmers, whether in a group or singularly. In real financial terms, less than 30% of farmers can access credit to improve on their production, despite the fact that they continue to produce food for the commercial markets of the country. The question the follows therefore is why do lending institutions avoid lending small holder farmers especially in Uganda where they constitute a significant proportion of the populace? Why would lending institutions not offer credit to farmers even when they have organized themselves in farmer groups? It emerges that the most single factor that accounts for this scenario is the fact that having access to formal credit is significantly determined by the capacity to provide collateral and related assets, credit from formal banks being mainly guaranteed by land. Yet, poor households that would benefit from such credit transactions have much less access to bank credit guaranteed by titled land, a factor that would guarantee them credit. This situation is however not unique to Uganda but characterizes that rest of Sub-Saharan Africa (Duflo, 2008).

Perhaps the most important finding is revelation that some levels of social capital that still exist among the rural farming communities, reflected in the alternative sources of credit. It is also evident that farmer organizations are an important source of credit for the individual farmers. Large organizations in a low trust society may be built through Foreign Direct Investment or joint large ventures with foreign partners, but in countries like Uganda, there is need for the state to step in, not just to organize people in groups, but to provide incentives for farmers to be able to access credit without relying on private sector development solely. Table 1 explains the state of affair among farmer cooperatives in relation to credit access:

As noted in Table 1, most small holder farmers’ rural households in rural Uganda lack access to reliable and affordable finance for agriculture and other livelihood activities. From the table it is evident that friends and relatives constitute the most commons source of credit, account for 33 and 32% among P4P and non P4P farmer groups respectively. This is followed by Farmer organizations (17%) and informal groups at 15%. This implies that commercial banks at 12% are reluctant to offer credit to smallholder farmer groups. It is arguable that commercial banks are also less inclined to develop their outreach in rural areas mainly due to a wrong assessment of risks involved when lending in the agricultural sector, absence of products designed for rural and agricultural activities, collateral requirements, and
Table 1. Sources where credit was accessed.

<table>
<thead>
<tr>
<th>What was your source of credit</th>
<th>P4P Cases</th>
<th>Response in %</th>
<th>Non P4P Cases</th>
<th>Response in %</th>
<th>Total Cases</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friend/relative</td>
<td>424</td>
<td>33</td>
<td>385</td>
<td>31</td>
<td>809</td>
<td>32</td>
</tr>
<tr>
<td>Money Lender</td>
<td>57</td>
<td>4</td>
<td>70</td>
<td>6</td>
<td>127</td>
<td>5</td>
</tr>
<tr>
<td>Informal saving grp.</td>
<td>187</td>
<td>14</td>
<td>199</td>
<td>16</td>
<td>386</td>
<td>15</td>
</tr>
<tr>
<td>Commercial Bank</td>
<td>154</td>
<td>12</td>
<td>137</td>
<td>11</td>
<td>291</td>
<td>11</td>
</tr>
<tr>
<td>Farmer organization</td>
<td>225</td>
<td>17</td>
<td>202</td>
<td>16</td>
<td>427</td>
<td>17</td>
</tr>
<tr>
<td>Local trader/SK</td>
<td>44</td>
<td>3</td>
<td>12</td>
<td>1</td>
<td>22</td>
<td>1</td>
</tr>
<tr>
<td>Buyer/trader</td>
<td>10</td>
<td>1</td>
<td>66</td>
<td>8</td>
<td>137</td>
<td>8</td>
</tr>
<tr>
<td>Govt/Rural Credit Fund</td>
<td>32</td>
<td>2</td>
<td>23</td>
<td>2</td>
<td>55</td>
<td>2</td>
</tr>
<tr>
<td>International Organization</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Rural Credit Fund (NON GOVERNMRNT)</td>
<td>66</td>
<td>5</td>
<td>73</td>
<td>6</td>
<td>139</td>
<td>5</td>
</tr>
<tr>
<td>NGO</td>
<td>11</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Micro Credit Institution</td>
<td>76</td>
<td>6</td>
<td>68</td>
<td>5</td>
<td>144</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>21</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: The World Food Program (WFP) Purchase for Progress (P4P) Baseline Survey 2010.

Inadequate capacity of staff to correctly assess rural/ agricultural activities (IFAD, 2011).

It therefore emerges that the limited financing possibilities for the small holder farming groups demonstrate the need for government budgetary expenditure and related intervention. For unless higher allocations for agriculture are vigorously pursued, it will not be possible to bring about meaningful free market participation for smallholder farmers especially in a situation where the private sector is somewhat weak and has limited incentive to invest in agriculture. This of course defeats the original intention of the neoliberal reforms that Uganda undertook at the beginning of the 1990s. Indeed Fukuyama (2001) argues that France, for example, despite the weakness of its private sector, has still managed to achieve front rank status as a technology power through its state owned and subsidized companies. This is the kind of support that farmer organizations need if the grouping is to go beyond formation to improved productivity.

It has been noted that neoliberal reforms distorted the rural economies of many sub-Saharan African countries. This perpetuated rural poverty and increased the number of people going without food. Perhaps as a result of this abysmal performance in the rural economy, there was a realization that perhaps the cooperative model of development would provide a solution to the farmers’ plight. What remained uncertain however is how the farmers’ organizations were to be operated in the individualistic and competitive model of neoliberal economics.

The above has led to a stalemate in development initiatives, and would perhaps warrant a new outlook to development agenda in developing countries. Some would propose the South Korean model of state led development. But as is already widely known, state institutions in the developing world are more of predators to their own populations than providers. Then again, private led development has led to the marginalization and exclusion of the poor, leaving them to fall deeper into poverty. Not only has it eroded the moral fabric of one being one brother’s keeper, it has raised the bar of competition to a level where the most vulnerable in society go without. Currently, farmer organizations, especially in the developing world have a leadership that is unaccountable, lacks membership based on ownership and trust in existing farmer organizations, has weak linkages between farmer organizations and other service providers and an inherent inability to use collective advantage to influence input-output markets (ASARECA, 2009).

**Shifting agenda, from cooperatives to corporate globalization and back**

Globalization can be viewed as the integration of inputs and outputs into the global markets, sharing of information and knowledge, and promulgation of rules governing such integration. In the reforms that were enforced following liberalization, The World Trade Organization, IMF and the World Bank played an important role in this process of integration (IFAD, 2002). This form of corporate globalization has impacted rural communities in several ways; many countries embarked on the modernization of agriculture following liberalization, since the sector was viewed as the key to the development of the region’s predominantly rural economy, reducing poverty and improvement of the welfare of the people. However, despite its intention to enhance growth and reduce poverty, many of the impacts of globalization can be
seen on small holder farmers in developing countries.

For most people, globalization was viewed as a synonym for global trade; and as Collier and Dollar (2001) observe, whereas it presents a few opportunities to developing countries, globalization also contained considerable risks. It is worth noting that corporate globalization has impacted both the rural and urban communities, but its impacts on rural farmers have been and continue to be diverse and profound. Its prescriptions for export oriented cash crop farming, free trade and discouragement of subsidies have resulted into a food crisis, with masses of people going without food. In the economic reforms that followed liberalization, some traders who bought produce from small holder farmers engaged in deception, nonpayment, collusion and widespread use of weighted scales to cheat farmers. Malpractices were also common in other sections of the private sector, especially on part of industries that were involved in the agricultural sector inputs.

Weigratz (2010) pointed out that smallholder farmers experienced a decline in their bargaining power as a result of the neo liberal reforms. They often had to accept the traders’ malpractices because they hardly had any alternatives and needed cash to deal with immediate, often family related problems. This, he argues, was contrary to what happened in the 1960s, where state regulations, common value and norms and related sanctions, and quality control of cooperatives that were part and parcel of agriculture put such mal practices in check. It is no surprise therefore that the farmers looked at the reforms as a way to impoverish, exploit and dominate them. They were therefore critical of the state of the neoliberal rural economy, especially given its failure to bring about the benefits that farmers had enjoyed in the era of better functioning cooperatives. Moreover, Reddy, (2007) goes ahead to point out that modernizing agriculture had to be cognizant of the issue of inclusiveness and authentic participation of farmers, which presented uphill challenges. One such challenge arose from the reduced role of government in service provision following economic liberalization and institutional reforms. Farmers were now required to take on roles previously played by government, yet many of them are ill equipped to do so.

Before the shift to neoliberal policy, cooperatives were in charge of farmers’ produce and they survived. However, with the introduction of neo liberal reforms, they were eventually starved of resources and collapsed. A new trend has however emerged with formation of farmer organizations that aimed at being involved in the development process. It must be noted that for farmer organizations to develop and be developmental, the process of forming them must be gradual. This is because farmer organizations that are small and homogeneous mobilize their own resources and produce a marketable product to grow as common interest groups and join into intergroup associations (Aburu et al., 2006).

But how does the new drive towards collectivization in form of farmer groups survive neoliberal distortion? To answer this question, what had made farmer groups possible to organize in the post independence period, and what may be the likely hindrances to their applications in neoliberal setting must be explored. One of the major tenets the study shall explore is social capital, as a major tenet of collectivization. This is crucial since the success of an agricultural collective ultimately depends on a self enforcing agreement, in which each member promises self-discipline (Yifu, 1990).

As mentioned earlier, the failures of corporate large farm agriculture has turned the attention of policy makers to the small scale farmers. They have become the central focus of development efforts, based on the belief that policies targeting them are likely to impact massively on both food production and poverty. It has also been stated that beneficiary participation is crucial to the success of agricultural and rural development projects (Akpabio, 2005). In essence, membership driven groups have a greater tendency to be more organized and therefore possess the capacity to make positive contributions to development efforts (GTZ, 1996). This brings to the fore the issues of social capital, represented by the value of local networks and the ways in which they make lives more productive; this stock of shared understandings, norms, and expectations brings to a recurrent activity which produces a flow of future income (Gatzweiller, 2002).

Social capital in local groups, which is viewed in terms of active and critical participation in group activities (Howes, 1992) confers organizational ability, which in turn confers strength and empowerment; prerequisites for taking action (Akpabio, 2005). It should be noted that although many farmer organizations exist in sub Saharan Africa, they are weak in terms of popular grassroots organization. Grootaert (1998) lamented that the situation is compounded by the fact that no attempts are being made to develop social capital at the community level, not only in Africa, but all over the world. But why is social capital important, and how does it relate to group activity and the early cooperative movements? In trying to answer these questions, it is important to examine the cooperative principles and how social capital feeds into development agenda.

Cooperatives were originally a western oriented mass movement (Okereke, 1968). They were mainly established as a response to abuses, problems and hard conditions created by the industrial revolution. The aim was to fight, through peaceful means, against the exploitation of man by man, exploitation of middlemen, usury and loan sharks, to mention but a few. In many parts of the world, cooperative enterprises provided the organizational means whereby a significant proportion of humanity was able to take into its own hands the tasks of creating productive employment, overcoming poverty and achieving social integration. Indeed cooperatives have
The cooperative advantage: Contribution of cooperatives to economic empowerment.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Country example</th>
<th>Market share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
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continued to be an important means, often the only one available, where by the poor, as well as those better off but at perpetual risk of becoming poor, have been able to achieve economic security and an acceptable standard of living and quality of life (Secretary General Document, 1994).

Allard et al. (2008) assert that the cooperative values and principles are very important especially in the rural context. Self-help, self responsibility, democracy, equality, equity and solidarity are classic examples of cooperative values. The ethical values of honesty, openness and responsibility of caring for the members of the community represent the basic tenets of cooperative works. By virtue of the principles of cooperatives, there is an integral relationship between the community and cooperatives. They are responsive to community development needs and challenges. Cooperatives provide real economic benefits to farm families through improving the farm sector, improving market access for their products and strengthening the farmers’ position in the agri-food chain. Improving farmers living conditions promotes rural development and preserves the viability of rural communities. As shown in Table 2, a number of countries have used the cooperative advantage to improve production and also drive people out of poverty. This demonstrates the fact that cooperatives substantially contribute to economies around the world, and they offer the best opportunity for a farmer-focused and competitive agricultural business.

In essence, peasant operations, though appearing to point in different directions, are not mutually exclusive. They are a function of the larger society within which a peasant must make his living. The existence of the peasant therefore involves not merely peasant and non peasant, but also adaptation and a combination of attitudes and activities designed to sustain the cultivator in his effort to maintain himself and his kind within a social order which threatens that maintenance.

This can best be done in cooperative environments, or what one would call the solidarity economy. The solidarity economy and the cooperative model of development are “value centered” schools of economic thought. They are in the classical tradition of political economy, which in turn is rooted in moral philosophy (Allard and Matthaei, 2008). They are not simply descriptive of supposedly objective economic processes, but are prescriptive. At full throttle, they are organizing principles for shaping the future, locally and globally, via local organization and mass mobilization. For its part, the solidarity economy stresses the values of cooperation and mutual aid, especially in governance structures of productive, consumer or financial units (Murray, 1998).

It is important to note that African farmers have a long tradition of performing certain productive activities as a group rather than as individuals. Group endeavors ranged from informal mutual aid between neighbors to more systematic interactions within groups defined on the basis of age, class or kinship ties. Although one should not hold a naïve view of an egalitarian, utopian society, traditional rules did help define rights and obligations of individuals or society. These group endeavors took place as an expression of solidarity within a subset of the population, a mechanism to ensure that no one in that subset became dangerously deprived (Ouma, 1987) or (just as important), that no one become overly better off than the rest of the group.

Rural inhabitants, who continue to maintain traditional exchanges of labour and various forms of group savings, are thus familiar with key principles of the associative movement and are keen to find ways to build upon their traditional systems to address new opportunities and needs. This is what Sociologist James Coleman labeled...
social capital; that element of human capital that allows members of a given society to trust one another and cooperate in the formation of new groups and associations (Fukuyama, 1996). The economic function of social capital is to reduce the transaction costs associated with formal coordination mechanisms like hierarchies, bureaucratic rules, and the like. Social capital usually leads to greater efficiency than purely formal coordination techniques.

In the same vein, Haswell (2005) points out that, in the rural community set up, individuals had a sense of shared poverty. However, recent population increases concomitant with increasing contacts with the outside world, have resulted in the breakdown of the community spirit, an increase in individualization and less assumption of responsibility for other people. Collectivization is rooted in the notion that mobilizing rural surplus labour would increase rural capital formation and hence increase production and household income. This has not been successful under neoliberal reforms due to breakdown in kinship ties, and social relations, resulting into less trust between and among individuals and communities. This is because in the absence of a wide radius of trust and an inclination for spontaneous association, a society faces an uphill task in building large scale organizations.

Nevertheless, neoliberal scholars like Fukuyama (1996) argue that the most important point of sociability is the ability of strangers (non kin) to trust one another and work together in new and flexible forms of organization. Such relations, Fukuyama argues, are weakened by cultures that emphasize kinship and family relations to the exclusion of others. His argument thus suggests that rather than the reduction of social capital arising from neoliberal individualism, it would appear that in many contemporary African cities, older political structures and family ties have broken down with rapid urbanization but have not been replaced by strong voluntary associations outside of kinship. To him, this kind of atomized society does not provide fertile ground for economic activity, supporting neither large organizations nor family businesses.

Fukuyama continues to argue that one such notable thread that runs through such societies is that of delinquent community; where the strongest structures tend to be those of criminal organizations, he claims that it is as if there is a natural, universal human impulse towards sociability, which if blocked from expressing itself via social structures will appear in form of criminal gangs. He backs his argument by citing among others, American inner cities and sub-Saharan African cities; what he fails to admit though is that such a breakdown of social capital cannot be explained out of context, the neoliberal environment under which it has thrived. This has been reflected in the continuing stagnation of the agricultural sector, which in many ways is turning into an agrarian crisis, even as the remaining economy grows at a high rate (Patnaik, 2003). One such example of a country facing an agrarian digression amidst a neoliberal economic growth boom is Uganda, a foster child for neoliberal reform success. To this we now turn. Conversely, we need to ask ourselves, why the return to the collective model again? Is it an admission that liberalism has failed to deliver on poverty alleviation? Could the new groups deliver their intended benefits in the current policy environment? To address those pertinent questions, it is important to torch back to the era when cooperatives functioned in Uganda. What were their functions and what enabled them to be viable? These issues we now turn our attention to.

Okereke (1968) gives a swaying preamble to the cooperative function. He argues that the function of cooperatives should be to provide services which are either not provided by other sources, or can be provided by the cooperatives at a lower cost than any other source. It must be noted that for any government to be considered effective, issues of social justice take core attention. In the current neoliberal environment, it has been the norm for the poor to sink deeper into poverty while the rich get richer. It is perhaps this situation that has led the government to re-evaluate its role in improving the lives of the majority of the population who are small holder farmers. This is indeed collaborated by the new National Development Plan, which puts issues of sustainable livelihood approaches and pro-poor growth as national priority (NDP, 2010-2014). Cooperatives can thus become a model for addressing issues of economic redistribution and social justice.

Nonetheless it must be noted that despite the continued emphasis on other sectors of the economy, the country’s major development opportunities still largely lie in agriculture. This is indicated by the proportion of the population engaged in the activity (over 75%). It is worth noting that much of Uganda’s growth is in the service sector, and is mainly donor driven (Bond, 2007), creating an enclave economy where the majority of the society is excluded and whereas there has been some improvements in some areas of the agricultural sector, mainly horticulture, the rest of the sector has stagnated over the years. This despite the fact that the sector remains the biggest employer of Ugandans, who, as we mentioned earlier, provide food for the rest of the population. Uganda’s plight is therefore comparable to that of countries like Cambodia, where enclave sectors like tourism have blossomed, but the majority of the population that relies on the neglected agriculture continued to remain in a dire state.

It is worth mentioning that in the era of functioning cooperatives, government had a strong hand in the directing of policy actions. Government believed that having the lead role was the best way of ensuring employment creation and wealth generation (Kayizzi and
Mugerwa, 2001). This perhaps could explain the sustained GDP growth in the period between 1966-1969. In this period, agriculture accounted for nearly 67% of GDP and over 69% of export earnings (Okereke, 1968). Agricultural marketing during this time was handled by strong cooperatives with the support of government. The Uganda Cotton Ginning Cooperative (UCGC) for instance, undertook processing and marketing of cotton to the Lint Marketing Board (LMB), and in this way made the peasant farmers integrated into these operations, creating economies of scale which in a way reduced marketing costs.

Given the current liberal environment, where produce prices are determined by supply and demand, we would probably understand why the peasant smallholder farmer has become more isolated. As a number of scholars on peasant agriculture have noted, (Yifu, 1990; Nagaraj, 2008; Allard and Mathaeye, 2008), improved marketing activities spur production. They are the sin qua non for efficient production. This is because unless producers have some confidence that prices will bear minimum relationship to costs, they will not be willing to incur additional expenses to raise quality of produce.

It is not surprising that a recent study on smallholder farmers by MISR/World Food Programme (WFP) showed that the majority of farmers were not bothered to improve the quality of their produce, since it did nothing to add to the returns they got from the sale of produce. This brings up the question; given that Uganda’s National Development Plan still hinges on private sector-led development (NDP, 2010/2014), will the formation of farmer organizations really impact farmers any differently from the current situation? Given that the NDP still adopts the “business approach” (NDP: 43) towards development, one wonders whether the farmer organizations which are still poorly empowered will be able to compete favorably with private service providers. Moreover, when one looks at the national core investment areas, agriculture chain looks incomplete. Whereas agricultural inputs like fertilizers are mentioned, (NDP: 49) the marketing function is not emphasized yet it has been the major challenge of farmers that is driving them away from production.

Another important aspect that seems to elude the thinking of the policy making machinery in Uganda is the failure to discern what determines a household’s participation in the collectivization process? What attracts members to join a group? Why others do join and while others refuse? Why are some people included while others are excluded? It appears the policy crafting machinery in Uganda treats household decision—making as homogeneous without a deeper analysis of the household interests in the collectivization process— that all households will join the cooperative and/or SACCO once government makes a laud call. Again using the same findings for study on small holder farmers by MISR/World Food Programme (WFP), it comes into sight that all although most smallholder farmer cooperatives point out that entry into the organization is “free and open to all”, in practice cooperatives condition membership on the fulfillment of certain principles and practices. For instance, 92% of all organization pointed out that one of the criteria for admission is that a member must at least be residing in the same village as other members.

It was both interesting and surprising to find out that while all of the cooperative members were known to be involved in agriculture, land ownership and/or land holding did come up as a major determinant of admission to the cooperative. Indeed Micro Finance Institutions (MFIs) also use members’ location a major principle in savings group formation. It is noticeable that closeness might be interpreted to be a factor that may determine flexibility in monitoring among the members as well as easy spread of common benefits such as common marketing, public goods access, and storages, among others (Tanguy et al., 2010). Nonetheless, the study points out that, it is obvious that closeness is a defining indicator that there must exist some form of socially constructed relationship, which also contributes to some form of social capital. This highlights Grootaert (1999)’s argument. For, the author contends that the social capital of rural households, particularly as expressed by their memberships of local associations, affected household welfare and poverty in Indonesia. For low-income households, he found that returns to social capital were higher than returns to human capital.

Moreover, despite governments continued verbal commitment in support of agriculture, the sector, which employs over 70% of the population, accounts for less than 7% of budgetary allocations, and received less funding even in the national development plan, with an average allocation of 5.4% of the budget (NDP:56). Given that the National Development Plan is Uganda’s development benchmark for the next five years, the abysmal allocations for a sector where the majority of the population eke a living does not augur well for farmers and the newly formed organizations.

One of the most pertinent issues to ask also is whether the current brand of cooperative have what it takes to actually help farmers move out of poverty. Cooperatives and/or collectivisation involve a moral obligation for information sharing, trust and responsibility. These are the tenets that create sufficient social capital that is needed for cooperatives to function as such. Yet, globalization has led to a breakdown in the moral fabric of society, especially in developing countries, where the inequalities caused by market distortions have driven most youths into illegal activities. This has been engendered by low support for the agricultural sector which has driven most rural dwellers to the city in search of odd jobs to generate a living.

Uganda experiences this rural-urban migration, where many youths who would be in gainful agriculture are employed as boda-boda (motorcycle /bicycles taxis) men during day, and at night some resort to illegal activities. In
such an environment, resources that may accrue to farmer cooperative groups are likely to be swindled, just as other such programmes like Entandikwa and SACCOs have ended up. Moreover, many people see such resources as entitlements that they get out of offering/renting political support. This is what Fukuyama (1996) calls the “moral economy” of corruption, or what Ekeh (1975) termed as “social schizophrenia”, where resources are siphoned and used as patronage for electoral mandate. In such an environment, leaders are incapable of mobilizing people for development, since they have developed their parties into election winning machines rather than national institutions for educating the masses (cooper, 2008). It is therefore, little wonder that such resources may fail to generate tangible outcomes, since they are most likely to be viewed as bribes for votes.

An ardent observer of group politics would point to areas like Argentina, Quebec and Brazil where cooperatives have survived even amidst the liberal policy environment. However, a closer look at these countries confirms a strong background of civil society groups and pressure organizations. Allard and Matthaei (2008) for example note that the collapse of the economy in Argentina due to neoliberal distortions in 2001, led to capital flight and massive unemployment. The workers however mobilized themselves and took control of the unused machinery. They went ahead to pressure government to improve on infrastructure through use of blockades. In Quebec, following high unemployment levels in 1996, the government organized a forum on the economy and employment, which later became the Chantier de l’économie sociale, an umbrella organization that empowers different cooperatives to provide services under the policy of an “economy without losers”(Allard et al., 2008). However, in Uganda the civil society is weak, and government policy would strongly suppress public protests, ruling out the possibility of a powerful public lobby for the success of cooperatives.

In essence, what is seen from Uganda’s current development policy is the macro level focus on competitive free market development while at the same time trying to create cooperation at the micro level. If it is true, as Christianson (2007) asserts, that the events at the micro level are determined by those at the macro, then the study can infer that Uganda faces a paradox of development, having to set a balance between macro level liberal policy implementation, while at the same time working at the micro cooperative development. This is a task that is bound to present a complex dilemma for policy implementers, but more seriously perhaps, may lead to the stagnation of farmer group development.

CONCLUSION AND RECOMMENDATIONS

In conclusion, it is true to point out that that cooperatives contribute to vibrant rural economies around the world, and they offer the enormous opportunities for a farmer-focused and competitive agricultural business. Indeed through their cooperatives, farmers are able to collectively improve their income from the marketplace and increase their bargaining power as well as access to competitive credit and input sources. However, as this article has demonstrated the new form of Ugandan agricultural collectivization is constrained by declining social capital and trust, and weak institutions. This, in a large measure discounts all the available opportunities that cooperatives have at their disposal. Therefore given the limited degree of social capital and trust as well as attendant constraints such as weak institutions, it is less likely that the new form of collectivization will create the flexible and prosperous business organizations that can compete in both national regional economies. In this regard, in order for the new cooperatives and/or farmer organizations to compete effectively in the global economy, there is need to reorient the politics of collective action to create incentives for farmers that would actually lead to improved production. This will require government’s involvement in promoting agriculture through provision of subsidized inputs and technical assistance to small holder farmers. Moreover, there is need for policy enhancement in terms of access and control, to ownership of land, especially for women who constitute the majority of the small holder farmers; this is because forming organizations alone without enhancing the capacity of primary food producers to access and control land, leaves them at the mercy of land owners, with unfavorable terms of occupancy, perpetuating vulnerability.

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