

Document name	Case Study 2 TIMBER MILLERS CO-OPERATIVE UNION (TMCU)
Document date:	16/09/2013
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OpenLearn Study Unit:	The resilience of Co-operative: lessons from Africa
OpenLearn url:	http://www.open.edu/openlearnworks/course/view.php?id=1598



Case Study

MZUZU COFFEE PLANTER CO-OPERATIVE UNION (MCPCU)

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1. INTRODUCTION

TMCU is a Malawian enterprise based in the northern part of the country. It trades timber nationally and internationally. Unlike other African co-operative unions, TMCU has never relied on national or international aid to run its operations. Not being funded and/or promoted by development aid agencies has pushed TMCU to develop a self-reliant attitude in order to meet the demand of its members.

Since its inception, TMCU has tried to reverse the stereotype that portrays enterprises that work in the forest as irresponsible, exploitative agents. Over the years, TMCU has shown communities that forests can be sustainably managed by replanting trees and has raised awareness about the importance of co-existing with the environment. In this case study we show TMCU's struggles and determination to achieve a sustainable development by gradually developing resilience while trying to be rooted in co-operative values.

Most timber co-operatives in Malawi were set up under the government's request to regulate the access to forest raw resources. Therefore, not all timber co-operatives were set up by individuals who were convinced of the virtues and advantages provided by the 'co-operative model'. Even so, timber co-operatives have become important actors within the Malawian co-operative movement.

TMCU was established in 2011 and its main functions include engaging with the government in order to have access to raw material (i.e. the forest), providing access to national and international markets, and creating value addition. With no access to external financial resources, TMCU set up 'Sterling Timber International Limited' (STIL) in 2011. STIL is owned and run by TMCU and its members. In Malawi, most co-operatives find it extremely difficult to access credit from commercial banks; but as a commercial company, STIL can access credit that can be used to finance its activities.

The objective of STIL is to generate revenue from processing and exporting timber produced by TMCU's members. STIL's core business is sawmilling, through which it converts round softwood into a wide range of sawn lumber products (examples include structural timber, scaffolding, furniture components, wood laminates, kitchen cupboard parts, brush and broom handles, and wood chips for pulp and paper).

2. MEMBERSHIP, MAIN ACTIVITIES AND BENEFITS TO MEMBERS

TMCU comprises eight affiliated primary co-operatives: Chamatete, Lusangadzi, Luwawa, Star, Viphya, Kalungulu, Chibwaka and Zikomo. The Union has a total of 164 members, of whom around 18 per cent are women. Although the membership is largely adult men, the number of youth members is rapidly growing.

- Lobbying the government and external buyers.
- Creating added value.
- Providing basic training to members.
- Replanting trees.

One of TMCU's early achievements was to secure access to 10,000 hectares of pine plantation (the Pinus Patula Plantation of Chikangawa) via a forest management agreement (concession) for a period of 15 years. Members are allowed to work in the Pinus Patula Plantation, and this early achievement has motivated them to continue working with the Union.

Through this concession, TMCU has been gradually creating added value through STIL and members are expected to receive the benefits of this initiative. However, with STIL only recently established, TMCU is not yet able to provide members with significant access to markets. For this reason, some members choose to sell their timber to middlemen rather than to the Union. Middlemen buy timber directly, saving members the trouble and cost of transporting their timber to the Union. This practice undermines STIL and TMCU, which struggle to meet the quantities demanded by international buyers.

However, a benefit that has been particularly noticed by the members is the way that TMCU enables knowledge exchange. For example, members are able to discuss and share ideas as to how the forest can be better managed during meetings at TMCU's headquarters. Co-operative leaders, male members and the TMCU leadership have noted that, among the members, women are more motivated to share and exchange knowledge.

3. CO-OPERATIVE RESILIENCE

TMCU's management team is aware that building a sustainable co-operative is a long-term process that requires commitment and dedication to translating the co-operative values and principles into action. TMCU has decided to maintain its own organisational independence from donors by generating its own income via STIL. TMCU illustrates the genesis of a co-operative union that is in the process of developing a network of buyers across Africa.

3.1 Membership

With no donor or government support and a self-reliant attitude, TMCU is gradually building its membership base by promoting co-operative values and principles. At times, these are not yet well understood by members because of low levels of literacy and little contact with other co-operatives in the region, with some members living in remote areas. TMCU's members include forest dwellers, individuals that own small plots of land and anyone interested in trading with timber.

As noted, there are members (unquantifiable at the moment) that would prefer to sell their timber to middlemen and not to the Union. Some members have justified this practice by claiming that they struggle to transport their timber to TMCU and thus prefer to sell their timber to middlemen, who collect it from their respective fields. Although selling timber to middlemen is a practice that weakens TMCU, some members are not able to see this as a problem.

This behaviour suggests that there is a weak sense of ownership among the members. This view is further corroborated by the board of directors, who acknowledge the need to further train members on the core values and principles that co-operatives are built on.

3.2 Collective skills

Notwithstanding the low levels of literacy, members have acknowledged that TMCU provides a platform where they can exchange ideas and share experiences. Field data suggests that members are able to utilise the headquarters as a learning space. Although they are a small proportion of the membership, it seems that women are the force that drives knowledge exchange across members.

A small number of members and employees are able to improve their skills by receiving training in the usage of machinery and furniture making at STIL premises. At the moment, this type of training is not available to all members because of infrastructural constraints.

3.3 Networks

TMCU is not fully inserted into a timber value chain. With the establishment of STIL, TMCU's management team is establishing connections with international buyers in Botswana and South Africa by attending fairs and trade meetings in neighbouring countries. Timber is a highly sought-after commodity in the international market, and co-operative unions that are part of timber value chains are required to keep up a constant supply of timber. Even if TMCU is able to enter an international timber value chain, it does not have the capability to meet the quantity and quality demanded by buyers. This was confirmed by a one of TMCU's buyers based in Botswana who pointed out that TMCU does not have adequate machinery to work in the forest (i.e. forestry tractors, delimiters, chainsaws, etc.).

Other co-operative unions in Malawi such as coffee and dairy rely on international organisations (Land O'Lakes and Twin Trading) to build and enter into national and international networks (i.e. commodity value chains). The absence of these actors in the timber trade has left TMCU relying on its own organisational capabilities to connect and engage with buyers across the region.

3.4 Innovation

The main innovation has been to set up a company (STIL) to add value to the raw timber and to sell sawn timber to specialised markets. However, this innovation is at an early stage and requires established networks, as indicated above.

Crises and challenges often trigger innovations. In this respect, TMCU has just started to reflect on how to address their current challenges and limitations. These are compounded by different ideas on moving forward. For example, some co-operative leaders want to trade individually with international buyers rather than through STIL – As a result, the TMCU's leadership has acknowledged that they have to first solve the current conflict of interests between co-operative leaders and the TMCU's management team.

Another factor that affects innovation is the lack of application of standards, which results in the inability to grade timber. Malawi does not have standards that govern the quality of timber, which in turn leave co-operatives vulnerable. In this respect, a number of members have stated that buyers from Tanzania and Somalia come into the country and individually put a price on the timber. As one buyer claimed, good quality timber can be sold as a low quality timber.

3.5 Role of government

Apart from granting access to the forest where TMCU members are allowed to cut and replant trees for a period of 15 years, the Malawian government has not played any substantive role in the development of TMCU. Leaders and members have complained at the lack of government control over the way that neighbouring

countries illegally extract timber, made possible because of the forests and lack of patrol of borders.

Although the government has shown increasing interest and political will towards the co-operative movement, TMCU co-operatives would like to see more government support. Two areas are credit and training. In the view of TMCU's co-operative leaders, the government ought to provide them with credit because co-operatives find it difficult to access credit from commercial banks. Some TMCU's members have argued that 'they [the banks] would not lend us money because we are co-operatives'. The challenges is TMCU suggest that there is of the need for an institutional environment in which co-operative members are assisted with training and capacity building to build a better understanding of co-operative values and principles.