

Document name	Case Study 1 MZUZU COFFEE PLANTERS CO-OPERATIVE UNION (MZCPCU)
Document date :	16/09/2013
Copyright information:	copyright (c) 2013 The Open University
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 1

MZUZU COFFEE PLANTERS CO-OPERATIVE UNION (MZCPCU)

Alexander Borda-Rodriguez

1. INTRODUCTION

Although often facing limitations and challenges (i.e. economic crises, political instability and low levels of literacy among members), agricultural co-operatives have been seen as organisations capable of reducing poverty and providing livelihoods for their members. The Mzuzu Coffee Planters Co-operative Union (MZCPCU) illustrates how an agricultural co-operative union can develop a degree of resilience while coping with national and international challenges. Developing resilience, as shown in this case study, starts by developing a union rooted in value-based membership led by a self-reflective team of proactive managers and partnerships with development aid agencies and international buyers.

MZCPCU was set up in 2006 by smallholder farmers and formed by six primary coffee co-operatives located in the Northern Region of Malawi. The co-operatives are located in remote rural areas, with poor road networks and unreliable telecommunication coverage.

MZCPCU's history dates back to 1971 when the coffee sector was managed by the Malawi's Smallholder Coffee Authority (SCA), established under the Ministry of Agriculture. With the advent of economic liberalisation in the 1990s, the SCA was privatised and then transformed into the Smallholder Coffee Farmer Trust. This trust laid the grounds for the first grassroots co-operative model in the country. In 2006, the trust became MZCPCU.

2. MEMBERSHIP, MAIN ACTIVITIES AND BENEFITS

Currently MZCPCU has 2652 members, out of whom nearly 24 per cent are women. All members are smallholder coffee farmers who live below the poverty line. MZCPCU membership is scattered across remote parts of the country and this has created challenges, as MZCPCU aims to provide services to all of its members. Another feature of MZCPCU's membership is the low levels of literacy, also noticeable among managers at the primary co-operative level. Due to the geographical context, co-operatives in remote areas tend to have problems at attracting qualified managers to their communities.

However, the MZCPCU management team has the training and professional experience required to lead the Union. The management team oversees and provides capacity building, training and coaching to members and managers at the primary level. A number of managers have also worked with development aid agencies, which puts them in a better position to engage with international organisations.

Currently MZCPCU's main activities involve the provision of agricultural extension services, processing facilities, financial assistance and marketing services. MZCPCU is formed by six co-operatives and the overall Union is structured into three main levels, each one with specific roles[1]:

1. Business Centre:

- a. To increase coffee production by raising quality seeding.
- b. Timely field planting and improved management of coffee trees.
- c. To provide farm inputs to members.
- d. Facilitate loan recovery.
- e. Prepare reports for its members.

2. Business Zone:

- a. Accept/purchase and process coffee cherries into parchments.
- b. Arrange transport/sales of coffee cherries and other produce of members.
- c. Arrange the procurement of agriculture inputs.
- d. Coordinate all business activities in the area.

3. Co-operative:

- a. Coordination of deliveries from business zones.
- b. Financial services and administration.

Business Centres are groups of at least ten members at village level. As indicated above, the Business Centre is at the coffee production level, where the extension services are provided to members. At least three Business Centres make up a Business Zone. Every Business Centre is managed by a board committee of at least ten members and in turn every Business Zone is managed by a committee of at least ten members representing each Business Centres. These organisational levels have been developed by MZCPCU in order to improve both co-operative governance and the delivery of services to members.

MZCPCU's activities also involve working and liaising with international buyers and development aid agencies. Some of the activities that result from working with international buyers and Fair Trade organisations are the provision of specialised capacity building and training for co-operative members.

From these activities, MZCPCU's members enjoy the following benefits:

- Access to extension services and new inputs.
- Access to market and stable prices.
- The possibility of increasing their income and improving household wellbeing.
- Knowledge exchange among members.
- Access to new technology and modern machinery.
- Access to loans and credit.
- The possibility of securing his/her resources in a transparent organisation.

Members have been also able to access Fair Trade markets, which are based on a partnership between producers and consumers, and are regarded as an alternative approach to conventional trade. Fair Trade markets offer members better prices and improved terms of trade. The benefits that MZCPCU members receive include favourable minimum prices and a premium. In practice, the premium means that members are paid more money for their coffee beans. However, in order to obtain these benefits, members are required to meet international standards such as those established by Fair Trade. These standards ensure that:

- Labour conditions are adequate for farmers.
- Employees receive minimum wages.
- There is no forced or child labour.
- Health and safety requirements are met for everyone involved the production of coffee.

Complying with standards means that members are required to be committed and careful with the way coffee beans are produced. Exposure to international standards has also resulted in changes in farming practices, including embarking on organic production and enhancing the quality of the products (see below).

3.CO-OPERATIVE RESILIENCE

MZCPCU has heavily relied on international aid support since 2006. However, despite the challenges posed by the Malawian context, MZCPCU has developed a degree of resilience by:

- Promoting women's participation.
- Developing alternative sources of income in order to break away from a donor-dependency relationship.
- Accessing Fair Trade markets.
- Developing partnerships with international buyers.

These processes have also enabled MZCPCU to increase levels of productivity.

3.1 Membership

Co-operative members have low levels of literacy and suffer from extreme poverty, an HIV/AIDS pandemic, donor dependency and are experiencing the effects of climate change on coffee production. Although membership is relatively mixed in terms of levels of literacy, most members understand the values and principles upon which co-operatives are built. Against this background, MZCPCU's members try to remain loyal to the Union. Field evidence suggests that members become more loyal when the Union is able to provide and meet their needs (i.e. access to markets, loans and extension services).

3.2 Collective skills

The organisational structure of the Union (i.e. the levels described above) enables members to engage and share ideas with each other, thus improving the governance of the Union. The current organisational structure of the Union has developed a 'collective sense of ownership' that motivates members to improve their overall skills (i.e. bookkeeping, management and quality control). Members have also improved their skills in the use of new technologies and agricultural practices aimed at organic production of coffee.

3.3 Networks

MZCPCU has relied on donor support over the years. Some of the donor organisations and international partners include the European Union, the United States Agency for International Development, the Flanders International Cooperation Agency, and Twin Trading. The latter organisation has played an important role in building up the Union's resilience by providing access to markets and capacity building services to co-operative members.

MZCPCU is now part of an international commodity value chain that enables members to access Fair Trade markets and international retailers, such as the UK supermarket chain Sainsbury's. Access to these markets was the result of MZCPCU's partnership with Twin Trading. Twin Trading provided training in sustainable farming practices that in turn increased coffee productivity and quality. Twin Trading has also been the first organisation to encourage MZCPCU to work specifically with women.

3.4 Innovation

Innovation generally emerges from an interactive, dynamic process that relies on collective action and multiple knowledge sources. MZCPCU has been able to foster an organisational environment that allows members to interact with each other by sharing experiences while learning from the expertise of international partners.

Three areas of innovation are perhaps the most noticeable by MZCPCU members:

- Changes in the production process using sustainable technologies.
- Social innovation directed at women's inclusion.
- Market or function upgrading through business diversification.

Sustainable technologies

The development and implementation of sustainable farming was promoted by Fair Trade organisations, such as Twin Trading. These organisations identified the need to improve MZCPCU's productivity levels. Sustainable farming techniques have been taught through Business Centres. These techniques include gradual use of organic fertilisers, soil treatment and water conservation systems.

Women in particular have become early adopters of new technologies. Their domestic responsibilities result in them being less mobile than men (who may engage in several activities simultaneously), so women tend to specialise in one crop and seek the best way to improve its yield. Data from this study indicates that women are more careful in ensuring that coffee beans achieve a high standard.

On the whole, sustainable technologies have reduced coffee tree mortality and stagnation of production, and overall, members have acknowledged that these techniques have improved the quality and quantity of coffee beans.

Women's inclusion

As early adopters of technology, women have positively contributed to the implementation of sustainable farming practices. According to MZCPCU's leaders, women are more committed, loyal and collaborative than men. This view is shared by members across the co-operatives. That is why MZCPCU has been promoting women participation at all levels while recognising that they need to be empowered.

Business diversification

MZCPCU has relied on donor agencies to finance its operations and acquire machinery/technology. MZCPCU's leadership is aware of this unsustainable relationship. In the recent past MZCPCU has decided to develop financial independence from donors and aid agencies by generating alternative sources of income. These innovations have led MZCPCU to develop new functions and markets by building a guest house and a coffee shop in Mzuzu. Both are of high quality and cater for locals and tourists. MZCPCU expects to build coffee shops across the country over the next years.

3.5 Role of government

MZCPCU has a positive relationship with the government. The Ministry of Industry and Trade has assisted the Union with expert advice and let it pursue its own organisational agenda. A representative of this ministry sits on MZCPCU's board along with a representative of the Registrar of Co-operatives. Both representatives provide expert advice on behalf of the government. The Ministry of Agriculture has lent its backing to project proposals for external funding, such as ones made to the European Union.

Note

1. Source: annual reports, focus groups, interviews with members (primary co-operatives), management team, leaders and retailer.