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CHALLENGES AND OPPORTUNITIES OF AGRICULTURAL COOPERATIVES IN COFFEE PRODUCTION AND MARKETING IN BUSHENYI AND SHEEMA DISTRICTS IN UGANDA

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ABSTRACT

Cooperatives are important vehicles for community development because of their capacity to mobilize local resources into critical masses. Their potential to respond to socio-economic needs of community cannot be underrated. Despite efforts by many governments to uplift their operations and sustainability, they continue to face sustainability challenges. The study was addressing the challenges and opportunities of agricultural cooperatives in coffee production and marketing in Bushenyi and Sheema Districts in Uganda. The specific objectives were to; identify the challenges that hamper cooperative growth and available opportunities for their growth and sustainability. The study was a descriptive-cross sectional survey engaging both qualitative and quantitative approaches for data collection and analysis. Information was collected from 360 cooperative members and other key informants using questionnaire and interviews. Data was analysed using SPSS version 21 to generate both descriptive and inferential statistics. The study identified various challenges hampering cooperative growth such as; inadequate supply of inputs, inadequate member participation, lack of trust, poor coordination, lack of democracy, failure to serve the members' interest, lack of capital resources, poor power relations with the local government, corruption and mis-use of fund. The study also confirmed that; indorsing democracy, active participation, fighting corruption, building trust, and strengthening governance were the available opportunities for sustaining cooperative growth. This could however be achieved through policy measures like tough penalties against corrupt, prioritizing training and education, cooperative tax exemption, creating cooperative bank, emphasizing democracy and equal participation, strengthening governance structures as well as introducing reward systems. As a result of the significant results, the study concludes that there are different socio-economic and institution challenges hampering the potential of cooperatives in promoting agricultural development in Bushenvi/Sheema districts. It therefore recommends the reestablishment of a Cooperative Bank to provide loans necessary for agricultural cooperatives with suitable interests. It also recommends the need to create more awareness about the benefits of cooperatives to members and general population. Fighting corruption is also paramount.

Keywords: Challenges, opportunities, agricultural cooperatives, coffee production, marketing, Bushenyi, Sheema, Uganda.

1. INTRODUCTION

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise". Globally, cooperatives are recognized as instruments of change that make the poor productive (Minishi, 2012). Cooperatives offer economic, social and educational

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benefits to both members and societies at large (Allahdadi, 2011). This is because their main objective is improving the members' condition in such a way that make their social life richer and happier (Nwankwo & Asoya, 2012). The development of cooperatives is perceived as key in addressing development challenges of economic growth, job generation and poverty reduction.

In Africa, cooperatives are important vehicles for mobilizing local resources into masses hence promoting community development (Minishi, 2012). In the past decades, smallholders farmers in Sub-Saharan African countries used to face numerous challenges in connecting to agricultural services and accessing markets, especially value-added markets (Ayaresh, 2011). By working collectively, farmers' cooperatives have significantly reduced transaction costs and increased the bargaining power of farmers in the supply chain (Bashir & Schilizzi, 2012).

In Uganda, the establishment of agricultural cooperatives was to overcome the problems that individual farmer could not solve solely. Since the early 2000s, Uganda has witnessed dismal growth and limited transformation of its agriculture sector (Byaruhanga, 2013). The sector has recorded an average annual growth rate of less than 2 percent over the last 10 years, which falls far below the country's population growth rate of 3 percent and the average economic growth rate of 5.5 percent. Yet, since, the 1990s the country has implemented several reforms that were expected to improve its performance. One major reform was liberalization, which was expected to spur agricultural production and productivity (Majurin, 2012).

The establishment of agricultural cooperatives was one way of addressing the production and marketing constraints that farmers faced (Byaruhanga, 2013). Currently, agricultural cooperatives play an important role in rural settings where majority of population depend on subsistence farming for their livelihoods. Cooperatives are seen as potential game changers in Uganda's aspiration to transform from a peasant to a modern middle-income country by 2040 (Nannyonjo, 2013). In line with the Sustainable Development Goals' theme of "leaving no one behind", cooperatives have provided a vehicle through which the smallholder rural farming sector can be integrated into Uganda's transformation agenda (Kyazze, 2010). To foster the cooperative operations Ugandan government implemented policies aimed at improving the performance and sustainability of agriculture cooperatives.

Despite the role of cooperatives in agricultural development and governments' effort to improve their operations and sustainability, most of the cooperatives across the country continue to witness sustainability challenges that strain them from achieving the development role as well as meeting the needs of the members (MoFPED, 2013). Few studies have been done to tackle the challenges encountered and available opportunities for enhancing agricultural cooperative development in Uganda (Markus & Kwapong, 2012). There is little empirical on agricultural cooperatives. A closer examination of the challenges and opportunities of agricultural cooperatives growth was of paramount importance in taking preventive actions and corrective measures, and exploit the existing opportunities.

2. STATEMENT OF THE PROBLEM

Cooperatives are important vehicles for community development because of their capacity to mobilize local resources into critical masses (Markus & Kwapong, 2012). Their potential to respond to socio-economic needs of community cannot therefore be underrated (Labour, 2012). In Uganda, agricultural cooperatives play an important role in rural settings where majority of population rely on subsistence farming. They potential game changers in Uganda's aspiration to

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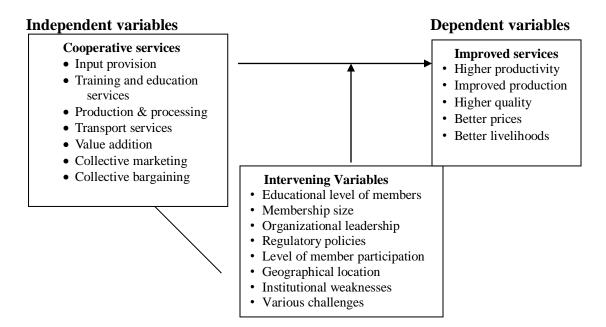
transform from a peasant to a modern middle-income country by 2040 (Kyazze, 2010). Despite the efforts by government of Uganda to uplift the operations and sustainability of cooperatives, they have continuously faced sustainability challenges (MoFPED, 2013). Studies show that the growth and performance of cooperatives in different parts of the country has not been up to the expectation. For example in Bushenyi/Sheema districts, cooperatives are facing critical problems, which restrain them from their positive role in meeting the needs of their members. As a result, members resort to selling their products to private traders to solve their immediate problems (Naana, 2010). This continues limiting cooperatives capacity to export products hence affecting total foreign income earnings and the overall development. Understanding the challenges and opportunities of cooperatives is key in designing appropriate measures for uplifting and sustaining their operations hence fostering economic growth and development.

Study objectives

The objectives of the study was to assess opportunities and challenges affecting agricultural cooperatives in the production and marketing of coffee in Bushenyi/Sheema districts. The specific objectives were to; identify the challenges that hamper cooperative growth and identify the available opportunities for cooperative growth and sustainability.

Conceptual framework

The conceptual model developed below facilitated an understanding of agricultural cooperative challenges and opportunities.



From figure 1 above agricultural cooperatives are created to provide services like provision of input, training and education, transportation, value addition, collective marketing and bargaining power. This results in increased improved market power, incomes and poverty reduction among smallholder member farmers. However, in the due course of operation, cooperatives meet numerous challenges such as; low institutional capacity, luck of qualified personnel, shortage of funds, low entrepreneurship skill, lack of market information, poor members' participation, and

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competition from private traders. The level at which the challenges affect cooperative operations is determined by leadership organization, educational level of members, membership size, regulatory policies, level of member participation and geographical location. Cooperatives can improve on their operations through various opportunities like increasing membership, exploiting virgin markets, product diversification, lobbing for external funding, value addition and increasing on capital investments.

3. METHODS

The study covered two prominent cooperatives in western Uganda that is Ankole Coffee Producers and Processors Cooperative Union (ACPCU) and Banyankole Kweterana Cooperative Union. These cooperatives deal with coffee production management and marketing. They offer coffee production management and marketing services to smallholder farmers across western Uganda. Both combined serve an estimated membership of close to 1530 members. The two cooperatives were studied because of their declining performance resulting from issues like low institutional capacity, inadequate qualified personnel, low entrepreneurship skill, lack of financial resources and poor members' participation in the different activities such as financing.

A descriptive-cross sectional survey employing quantitative and qualitative approaches was used to generate and analyse responses from cooperative members and other key informants like board members and staff. The design helped in generating basic knowledge by clarifying issues and studying in-depth the challenges and opportunities for Ankole Coffee Producers and Processors Cooperative Union (ACPCU) and Banyankole Kweterana Cooperative Union in western Uganda. The quantitative approach enabled exactness and clarity in the measurement of the variables while the qualitative approach enabled extensive and deeper investigation into the factors. Data was collected from 360 respondents.

A multi-stage sampling procedure involving stratified, simple random and purposive sampling procedures was adopted for the study. The first stage involved a purposive selection of two (2) cooperatives in the area. In the second stage stratified sampling was used and it involved dividing the population into groups. Member farmers were divided into strata's (groups) based on their cooperative and it was from each cooperative that respondents were picked randomly. The third stage involved a random selection of 180 respondents from each of the two groups making a total of 360 respondents. Key informants such as board members and other staff were purposively selected.

A semi-structured questionnaire with both closed ended and open ended questions was designed and used to collect quantifiable responses from respondents. Questions were designed in English and later translated into local languages for respondents to read and respond in the languages they understood. This tool was checked for completeness, coded and entered into SPSS version 21.0 software for cleaning and analysis. Data was analysed to generate descriptive and inferential statistics which aided in presentation and interpretation of findings. The generated findings were presented in statistical tables.

4. RESULTS

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Table 1: Percentag	e distribution	of	respondent's	by	socio-demographic	characteristics
(n=360)						

Variable	Category	Frequency	Percentage
Gender	Male	210	58.3
	Female	150	41.7
Marital status	Never married	54	15
	Married	256	71.1
	Separated	32	8.9
	Others	18	5
Source of income	Farming	234	65
	Salary	66	18.3
	Business	42	11.7
	Others	18	5
Descriptive Statistics	Min	Max	Mean \pm SD
Age in years	22	70	41.08 ± 13.233
Educational in years	3	16	12.03 ± 3.321

According to the findings in table 1 above, majority 58.3% of the respondents were male and 41.7% female. More than a half (71.1%) were married, 15% never married, 8.9% were separated and 5% divorced. Farming was the main source of income for majority (65%) of the respondents, followed by salary 18.3%, business 11.7% and other activities like carpentry etc 5%. Mean age of the respondents were 41 years with a minimum of 16 and a maximum age of 70. Average years in school 12 with a minimum of 3 and a maximum of 16.

Table 2: Parameter estimates for challenges hampering the growth of AgriculturalCooperatives

Model	Variables	AOR	95% CI.	p-value
	a. Socio-economic challenges	·		
	Inadequate supply of inputs	1.222	0.422 - 3.543	0.027
	Inadequate participation by members	4.752	0.172 - 9.349	0.001
	Lack of extension and education programmes	0.960	0.470 - 1.962	0.212
	Member conflicts	1.290	0.370 - 4.499	0.690

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Selling of produce to outsiders	0.208	0.649 - 1.567	0.971
Lack of member commitment	1.486	0.573 - 3.851	0.415
Lack of trust	2.321	0.129 - 4.797	0.014
Poor coordination among members	5.786	0.934 - 10.306	0.000
b. Institutional challenges			
Lack of democracy	3.453	0.142 - 8.122	0.002
Failure to serve the members' interest	4.953	.556 - 9.812	0.001
Weak linkages among cooperative activities	0.140	.009 - 1.236	0.348
Lack of capital resources	1.950	0.369 - 5.951	0.004
Poor power relations with the local government	3.256	0.106 - 7.618	0.002
Unclear and inadequate government policies	0.749	0.263- 2.129	0.123
Weak savings mobilization	2.012	0.406 - 7.521	0.004
Limited bargaining power	1.024	.952 - 3.101	0.529
Corruption and mis-use of fund	3.950	0.761 - 7.996	0.003

Source: computer output (SPSS) analysis, 2020

Results of the logistic regression model of agricultural cooperative growth in relation to different challenges were presented in table 4.9. Adjusted odd ratios were calculated and significant challenges interpreted at 95% confidence interval and 5% level of significance. Eight (8) socio-economic and nine (9) institutional challenges were hypothesized respectively. Only four (4) socio-economic and six (6) institutional challenges were significant.

Inadequate supply of inputs to member farmers acted as a significant challenge to the growth of agricultural cooperatives in the area at 5% level of significance. The log odds presented indicated that inadequate supply of inputs was 1.2 times likely to hamper cooperative growth.

Inadequate participation by members was positive significant impediment to agricultural cooperative growth at 5% level of significance. This implied that lack of member participation was 4.7 times likely to hamper cooperative operations and overall growth. Member participation is paramount as it promotes performance and sustainability.

Lack of trust among between members and cooperative administrators was another predictor to agricultural cooperative growth at 5% level of significance. The reported log odds implied that the more the members lacked trust in cooperative administrators, decreased cooperative growth by 2.3 chances.

Poor coordination among members also acted as another significant challenge to the growth of agricultural cooperatives at 5% level of significance. The log odds reported indicated that the more the members were disorganized and poorly coordinated was 5.8 likely to hinder cooperative growth.

Lack of democracy in leadership and decision making process presented a positive significant association with agricultural cooperative growth at 5% level of significance. The reported log

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odds indicated that lack of democracy in decision making and other cooperative processes was 3.4 times more likely to hamper cooperative growth.

Failure to serve the member interests was a positive significant challenge to agricultural cooperative growth. Cooperatives that failed to serve member interests were 4.9 times less likely to growth compared to cooperatives serving member interests.

As predicted, lack of capital resources came out as significant burrier to agricultural cooperative growth at 5% level of significance. The log odds reported indicated that lack of capital resources was 1.9 times more likely to hamper cooperative growth.

Poor power relations with the local government was a positive significant challenge to agricultural cooperative growth at 5% level of significance. The log odds reported implied that poor power relations were 3.2 times likely to of hinder cooperative growth. Networks and Linkages are paramount in lobbying local government support for the projects which are engines of cooperative operations.

Like poor power relations with the local government, weak savings mobilization from members also emerged as a significant challenge to cooperative growth. The odds reported indicated that weak savings mobilization was 2 times likely to deter agricultural cooperative growth.

As predicted, corruption and mis-use of fund was to be a significant constraint to agricultural cooperative growth at 10% level of significance. Presence of corrupt officials and mis-use of organizational funds was 3.9 times likely to hinder cooperative growth and operations. This is because funds are very key in every aspect of operation.

Table 3: Available opportunities for Agricultural Cooperative growth (multiple responses)
generated n=537)

	Opportunities	Frequency	Percent
Valid	Promoting democracy and active participation	73	13.6
	Widening input supply coverage	81	15
	Strengthening governance structures	34	6.3
	Focus on addressing members' interest	55	10.2
	Building trust between members and board members	63	11.7
	Recruitment of more members	27	5
	Boosting savings mobilization	44	8.2
	Strengthening ties with community and local government	40	7.4
	Widening extension and education coverage	19	3.5
	Fighting corruption and mis-use of funds	68	12.6
	Lobbing for both internal and external funds	33	6.1
	Total	537	100.0

Results on the available opportunities for agricultural cooperative growth in Bushenyi/Sheema districts were generated through multiple responses as presented in table 4.10 above. Most (15%) of the respondents suggested widening input supply coverage, 13.6% promoting democracy and

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active participation, 12.6% fighting corruption and mis-use of fund, 11.7% building trust between members and board members, 10.2% recommended much focus on addressing members' interest, 8.2% boosting savings mobilization, 7.4% strengthening ties with community and local government, 6.3% strengthening governance structures, 6.1% lobbing for both internal and external funds, 5% recruitment of more members, while 3.5% talked widening extension and education coverage.

5. DISCUSSION

The study identified different significant socio-economic and institutional challenges hampering the growth of the two studied agricultural cooperatives in Bushenyi/Sheema districts. Inadequate supply of inputs to the farmers acted as a significant challenge to the growth of agricultural cooperatives in the area. As a result of inadequate resources, cooperatives find it very difficult to meet member interests such as provision of inputs. In a long run members may not get production requirements (like seeds – pesticides – fertilizers) in time, quantity and prices suitable for farmers. This finding is in line with Labour, (2012) who quoted constraints such as lack of access to inputs and land, poor provision of extension services, lack of resources and poor infrastructure have contributed to the failure of agricultural co-operatives.

Inadequate participation by members was positive significant impediment to agricultural cooperative growth in the area. The basic tool for the success of any kind of business is strong commitment of its members to serve their business honestly. Like other business institutions agricultural cooperatives success is determined by its members' loyalty in their organizations. But when we observe the history of cooperative movement in Africa, there is a big shadow which was observed during the military regime regarding to loyalty. At that time most of the members joined cooperatives without their interest through government enforcement. Due to that most of the members have not benefited from their cooperatives. As a result of this bad history, currently members also feel that the assets of their cooperatives are corrupted by few members (Minishi, 2012).

Lack of trust among between and cooperative administrators emerged as another significant challenge to agricultural cooperative growth. Trust is the member's confidence or faith towards the cooperatives, management committee, and employees. Results indicate that the majority of the respondents somehow lacked trust towards the board of directors and the employees. Management also has no trust towards the members in terms product provision and loan repayment. These trust issues result in low cooperatives ability to mobilize and to employ resources and to a low contribution in agricultural development as a result of the small number of activities achieved and the low ratio of farmers who benefit from the activities achieved. This study finding is in line with Majurin, (2012) who quoted that cooperative members may sometimes luck trust towards the board of directors and the employees.

Poor coordination among members was a significant challenge to the growth of agricultural cooperatives. In this regard cooperative failure is usually related to clashing of opinions among the members, conflict of interests, lack of members' commitment and difficulty in managing members. This could stem from their lack of education, training, and information. This finding is comparable to findings by UNDP, (2016) which discovered conflict among members, and lack of funds appear to be important contributory factors. Members of failed or poor-performing

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cooperatives appear to have failed to clearly understand the purpose of a cooperative, how it functions, and what members' rights are.

Lack of democracy in leadership and decision making process presented a positive significant association with agricultural cooperative growth. Poor governance results from lack of commitment and weak sense of ownership by cooperative members. The respondents pointed out that there was poor governance within the cooperative since there were some corruption activities reported. However, some respondents pointed out that poor governance in the cooperative was contributed by members of the cooperative who do not attend meetings during decision-making sessions. The undemocratic way in which the executive governed the cooperative was another reason that discouraged members from active participation. Members felt that the management was not involving the group, because they had things to hide from the group. As a result, there was mistrust between the members and the executive. This finding is comparable to findings by Naana, (2010) who argued that cooperatives are democratic organizations controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership.

Failure to serve the member interests was a positive significant challenge to agricultural cooperative growth. Cooperatives are formed to serve member interest and if it fails to serve the interest of its members, it cannot continue functioning because the member participation is mandatory for its survival. This finding is comparable to findings by Devies & Mills, (2013) who quoted that that any society that is not serving the interest of its members cannot continue functional because the members' participation is mandatory for its survival. But if the interest of the members is not served, members will not actively participate in the activities of that society.

As predicted, lack of capital resources came out as significant burrier to agricultural cooperative growth at 5% level of significance. Finance is one of the key limitations to cooperative success. The available funding programmes targeting co-operatives either nationally or at district is just not enough to ensure that cooperatives are with potential to enter the mainstream economy and make a significant contribution to poverty eradication and job creation in the area. This finding is comparable to findings by Keya & Rubaihayo, (2013) who highlighted that primary agricultural cooperatives face common challenges of lack of access to finance, land, business training, marketing and agro-processing opportunities.

Poor power relations with the local government was a positive significant challenge to agricultural cooperative growth at 5% level of significance. The log odds implied that poor power relations were 3.2 times likely to of hinder cooperative growth. Networks and Linkages are paramount in lobbying local government support for the projects which are engines of cooperative operations. This finding is in line with the argument of Minishi, (2012) who confirmed that cooperative in the same field like empowering communities to reduce poverty, perceive each other as rivals- all because of donor funds. The attitude of cooperative employees towards local government clearly indicated that there was a tradition of rivalry them, local government and other NGOs. Specifically, the working relations between cooperatives and the district authorities, was characterized by poor coordination worsened by failure to implement laws concerning cooperatives and the local government.

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Corruption and mis-use of fund has a significant effect on agricultural cooperative growth at 10% level of significance. It was reported that cooperatives were losing millions of funds due to embezzlement. This not only affects cooperative image but equally affects operations given that they depend on funds for day to day operations and project implementation. This is in line with Kyazze, (2010) who reported that cooperative fund embezzlement creates gradual decrease in the sense of ownership of the existing members and new members as they are frustrated to join the cooperatives and also some withdraw from membership.

Results of the study came out with available opportunities for enhancing cooperative growth and sustainability in Bushenyi/Sheema district. Respondents suggested the promotion of democracy and active participation of all members in decision making. Good cooperative governance leads to effective monitoring of activities of a society which enhances social performance. Cooperative governance regulates the relationship between members of cooperatives and committee representatives of the members. In this regard, control and supervision by committee members shall set a monitoring mechanism to assess the performance of cooperative governance. Therefore, accommodating the interests involved, streamlining differences between expectations of groups of owners, and guiding and monitoring the managers are the main concerns of governance in organizations. This is in agreement with Mazzarol et al., (2011) who stated that a well-developed system of governance leads to more transparent relations, reducing several risks and improving security in the system of the cooperative.

Results of the study also indicated that boosting savings mobilization could be among the opportunities for Agricultural Cooperative growth and sustainability. Securing adequate internal capital is one of the fundamental requisites for the sound cooperatives business operation. From the stand point of ownership, there are two kinds of capital equity and debt capital. Equity capital is provided by the members'; owners of the business. This finding tallies with findings by (Devies & Mills, 2013) who quoted that since the cooperative exists to deliver benefits to its members, each member should contribute to capital in direct proportion to usage of services the cooperative provides.

Respondents mentioned the need to strengthen cooperative governance structures. Adopting a governance structure that fits best the circumstances and nature of transactions is an important guarantee that the innate incompleteness of the contract will not translate into an additional cost. Because of their ownership and governance structure that requires members' close involvement with cooperative affairs, cooperatives tend to be better aligned with the nature of transaction they set out to organize. This makes cooperatives better suited than other organizational forms to complement the contracts that regulate their specific transactions and consequently reduce or at least prevent the increase of transaction costs. This is comparable to findings by Majee & Hoyt, (2011) stated that cooperatives are a powerful development mechanisms that, under right conditions, can lift entire groups of people out of poverty and empower them to remain out of it.

Respondents further proposed increasing saving to overcome challenges of finance. To address the problem of finance shortage, it is recommended that members understand both their short and long-term financial requirements. Cooperative members need to prove that they can raise the money and pay it back in a given period of time. This means that a cooperative must have a business plan as a guiding document that directs the day-to-day running of the cooperative. After

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the implementation of a financial plan they should be able to prove that they are able to utilize the financial resources for the improvement of the cooperative. Fuglie & Rada, (2013) supported this as well by recommending cooperatives not always to rely on government or external funding because it encourages dependency which is not sustainable financially.

Lastly, 6.1% of the respondents called for lobbing both internal and external funds to support cooperative operations. The government should encourage cooperatives to invest rather than relying on external funding from the government. However, if the government does provide financial support, there must be auditors who can monitor the use of these financial resources. On the positive side, external support is necessary for cooperatives to become empowered before they can be independent, since assets and other resources provided assist to boost financial position.

6. CONCLUSIONS

Cooperatives have shown potential in promoting agricultural development in Bushenyi/Sheema districts however their growth and operations are still hampered by challenges like, inadequate participation by members, lack of trust, poor coordination among members, lack of democracy, failure to serve the members' interest, lack of capital resources, poor power relations with the local government, weak savings mobilization, corruption and mis-use of fund. Indorsing democracy, promoting member participation, setting tough penalties for corruption, widening input coverage, building trust, boosting savings, and strengthening governance structures are some of the available opportunities for cooperative growth and sustainability.

7. RECOMMENDATIONS

The study recommends the re-establishment of a cooperative bank to provide loans for agricultural cooperatives with suitable interests.

Cooperatives should facilitate training programs to potential members in order to overcome member farmers' awareness problem and low participation.

In order to increase farmer participation in cooperative activities, there is a need to create more campaigns about the benefits of being in the cooperatives. The management of the cooperative and local government officials needs to work together and refocus their efforts towards mobilizing more farmers into the members of the cooperatives thereby to bring cooperative growth.

Value-added activities might work as a strategy to improve access to markets. It is recommended that agricultural cooperatives partner with small scale agro-processing businesses and register as permanent suppliers. This increases their chances of selling at a competitive price.

There is a need to create more awareness about the benefits of cooperatives to members and general population. Campaigns could be conducted in areas that are considered to have unregistered members.

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