

Summary report: Cooperatives' competitiveness potential for trade in SADC countries



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Background

In 2017, the ILO and International Cooperative Alliance's Africa Regional Office (ICA Africa) have jointly conducted a Rapid Assessment (RA) on cooperative competitiveness and potential for export and import in the selected Southern African Development Community (SADC) countries. The RA is intended as preparatory work leading to the design of a development cooperation programme that aims to address the challenges cooperatives face in participating in intra and inter-SADC trade. The selected countries are: Democratic Republic of Congo, Mozambique, Namibia, South Africa, Tanzania, Zambia and Zimbabwe. The initiative was approved by the participants to the Africa Cooperative Ministerial Conference Midterm Review organized by the ICA Africa in May 2017 in Casablanca, Morocco.

The objectives of the research are to determine what opportunities exist for agricultural cooperatives to export, with what products, and to which markets from which SADC countries. The external constraints to increasing cooperative share of export markets and the ability to be competitive in the SADC, Asia-Pacific Economic Cooperation (APEC) and EU markets have been identified as critical considerations in prioritizing the products, markets and countries. Consequently, issues of demand in target markets, and supply capabilities of cooperatives which may target that demand, are core components in the development of recommendations for priority action for the proposed programme. The methodology used for the rapid assessment is based on interviews and statistical indices developed to prioritise optimum opportunities for agricultural products.

Introduction

Potential markets for agricultural cooperatives

The key area for action is supporting cooperatives' capacities to improve competitive capability, regardless of markets chosen. A key lever for access is likely to be accreditation via fair trade organisations where this accreditation is acceptable to international buyers, as success has already been demonstrated.

There are three potential markets for agricultural cooperatives:

- First, domestic markets, which are demonstrably in short supply of many fresh food products which could be supplied by local producers. This is the easiest market to access for agricultural cooperatives in the SADC countries as import replacement and food and nutrition security are critical issues for the region and the main competition currently arises from imports into home markets.
- The second market is at the intra-SADC level, where various options for cross-border trade are available, especially in the light of the SADC Free Trade Agreement (FTA). Strengthening intra-regional trade has been a part of the regional integration agenda for SADC, although it continues

to remain limited, with more than 90 per cent of the region's trade being undertaken with other regions and countries.

- Finally, the third market lies in exports to the European Union (EU) and the Asia Pacific Economic Cooperation (APEC) blocs. Fresh food produce, such as fruits and vegetables, is in high demand in these markets, which are typically served by multinational supply chains. For high volume cereals such as wheat, corn and others, the global market is dominated by four or five firms.

Enabling environment for trade

In general, the SADC FTA is increasing opportunities for trade. However, non-tariff barriers including quality, safety and service standards are posing big issues for SADC based cooperatives to take advantage of the opportunities. Logistics inefficiencies such as poor physical infrastructures, high port costs, and long clearance time, also present barriers to competitive agricultural trade, while the logistics performance indicators show a wide variation in the selected SADC countries.

International demand for agricultural products is high, and the SADC countries currently have low market share in growing international markets. There are sustainable opportunities to replace current imports in SADC markets and to supply domestic in-country markets.

To access international markets, cooperatives must enter via global value chains with strict technical and phyto-sanitary standards (non-tariff barriers). SADC markets are easier to access, but logistic issues can mean that the cost of the same item imported from Brazil, for example, is cheaper than when produced and moved inside the SADC.

Cooperatives' competitiveness characteristics

The findings of the rapid assessment point out to an existing capacity on the part of most cooperatives to enter regional and international export supply chains is limited, and unless interventions are made to improve their competitiveness, export market shares for the SADC based cooperatives will remain low. Key challenges are around: improving agricultural productivity, meeting time, quality and quantity requirements consistently, understanding market needs, setting competitive price, building processing capacity, and managing logistics.

Cooperative to cooperative trade

Building on their member-owned structure, values and principles, cooperatives can overcome market barriers, through mechanisms such as fair trade certification in the off season or products that cannot be grown locally, including coffee, cacao and a range of fruits. The retail and wholesale cooperatives in the Global North can opt for partnering with producer cooperatives in developing countries to import their products.

Identified products with trade potential

The products selected with most potential for success in intra-SADC and export markets are those where the capacity of the cooperatives is the best available in-country. The most obvious opportunity for identified products, given supply side constraints, lies in home markets which offer the lowest cost of access and the highest chance of sustainable success. Table 1 summarizes the responses to the research questions, full detail is contained in the main report.

Table 1. Overview response to research questions

Research question	Summary response	
Export potential of cooperatives and other SSEs in specified SADC countries	Export potential of cooperatives in a number of products is quite high, as SADC share of agricultural market demand globally and in major markets, remains low. Trade agreements are in place, and agricultural cooperatives SADC countries could double or even triple their market share in key markets at the primary and/or value-added product levels.	
Main challenges to trade by cooperatives and other SSEs in specified SADC countries	Lack of cooperative capacity to meet standards in service and product quality for all markets; low yields in domestic markets and no major tariff based constraints in SADC markets other than logistics and input costs, relative to competition. Very bureaucratic and costly export processes. Ad hoc imposition in some areas of quotas for export.	
Main factors determining cooperative competitiveness in SADC countries	Ability of cooperatives to produce sufficient, on time, and good quality; ability to manage logistics so that delivered price is competitive; ability to improve productivity and yields.	
Agricultural products and markets (not including tobacco or livestock)	EU, APEC, Middle East, India, followed by SADC. Primary commodity cash crops, (maize, coffee, sugar, tea). Fresh and value added fruits and nuts, vegetables, fish and shellfish.	
Main products from SADC countries that are in demand by both coop and non-coop importers	DRC	Coffee, cocoa, fish and shellfish, sugar, fruit, nuts (cashews). Value added to all the above. Recommended: Coffee, intercropping with cocoa and palm oil recommended for further investigation.
	Mozambique	Cashew, raw cane sugar, bananas, sesame seeds, cotton, dried pigeon peas (including other leguminous vegetables), chili pepper, bran chicken, maize and rice. Value added to some of the above. Recommended: Cashew nuts, ground nuts and value added to the nuts and sugar.
	Namibia	Marula, fish and shellfish, fresh grapes. Value added to all the products identified. Recommended: fresh fish and shellfish, and processed fish and shellfish. Marula oil and Devil's Claw needs further research
	South Africa	Maize, fresh grapes, fresh or dried oranges, grape wine and fresh apples, avocado, citrus fruits, rooibos, beef and vegetables, macadamia nuts and raisins. Value added to some of the products identified. Recommended: Fish and shell fish, macadamia nuts, raisins.
	Tanzania	Cashew nuts, coffee, tea, cotton and french beans. Value added to some of the products identified. Recommended: Coffee and cashews, and value added and French beans.
	Zambia	Maize, sugar, and vegetables, cotton, soya beans, flour and chickens. Value added to some of the above. Zambia has a major locational advantage for intra-SADC trade. Recommended: Sugar and maize.
	Zimbabwe	Sugar, maize, ground nuts, bananas, sweet potato, hibiscus, chilli pepper, and sorghum. Value added to sugar. Recommended: Sugar value added, increase production and export of ground nuts by cooperatives, maize and banana.
Demand for cooperative to cooperative trade from SADC countries	Existing trends show, fresh food (vegetable, fruits, fish, meat, egg, etc.), coffee, tea and cacao, are important items for large cooperative retailers in Europe and East Asia.	