

## Chapter 8

# Market Access Enablers for Small-Scale Crop Farmers: Evidence From Limpopo Agricultural Cooperatives

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### ABSTRACT

*Cooperatives are deemed as vehicles for rural development, especially in developing countries. Smallholder farmers generally experience huge marketing transactional costs, and to reduce this they normally resort to becoming members of cooperatives. In South Africa, most small-scale farmers do not have access to markets. With no markets in place, the transformation would be almost impossible. The study's aim was to assess the determinants of market access in agricultural cooperatives in Limpopo Province. A face-to-face survey was conducted with 146 agricultural cooperatives members. The results showed that market access was associated with age, training, workers in a household, knowledge of the cooperatives principles and act, annual income, and access to funding. The study recommended younger farmers be targeted when designing market access interventions as the impact of job creation is huge amongst this group. Tailor-made training on market access and cooperative principles and acts should be designed. Funding should be made more accessible to small-scale farmers in cooperatives.*

### INTRODUCTION

Small-scale **farmers** (SCF) play a significant role in Africa, in Sub-Saharan Africa (SSA). About 80% of the food production comes from SCF and accounts for 90% of food production in the region (Unsal et al. 2020). However, SSA's storage capacity is constrained, despite recent crop yield advancements, resulting in large food losses (Okou et al., 2022). The role of SCF in food production cannot be underestimated in the SSA (Hlophe-Ginindza & Mpandeli, 2021). Moreover, the role can be amplified if there

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### **Market Access Enablers for Small-Scale Crop Farmers**

are opportunities for markets. Small-scale farmers typically face a wide range of complex challenges in developing countries, including high transaction costs for gaining access to markets, and weak bargaining power in the markets (Liu et al., 2021; Zheng et al., 2021). Trends show that the major share of food production will continue to come from smallholder farmers and will remain critical to global population food security immensely (Giller et al., 2021).

The above is an indication that small-scale farmers have the potential to produce food for the local and international markets if proper support is put in place. The potential is not harnessed in financial terms, as these farmers lose money as they are faced with several market access-related challenges. Security of formal markets through contracts has been confirmed to enhance the welfare of farmers (Ma & Abdulai, 2016a). Unfortunately, such security is not commonly available to farmers and as a result, small-scale farmers resort to selling their produce at the farmgate for convenience (Hao et al., 2018), further excluding themselves from the lucrative opportunities in established markets (Omiti, et al. 2009; Maiwashe, 2012).

Participation in established markets is hampered by various factors, among others, low pricing has been flagged (Gyau, Mbugua & Oduol, 2016). In Uganda, market access was associated with holding a market contract, land size, production diversity and value addition in a potato study (Kyomugisha et al., 2018). However, securing a **market** contract for a farmer demands a set of skills, which is usually scarce. Farmers' inability to bargain on the price of the produce deprives them of the opportunity to grow. In the long run, farmers produce quality that is traded mostly by agents and less profit is received by the producer. In Africa, there is a rising concern that smallholder farmers could be excluded from new market opportunities as a result of increased globalization and market liberalization (Alemu et al., 2021). The concern is based on the current low participation of SCF in local formal markets which might suggest that participation in global markets will be even tougher.

On the demand side, the population projections indicate that producers will have more opportunities to trade as more demand for food is expected in the future. It has been observed **that more** people move from villages to urban areas in **search for** better opportunities. The argument is that this influx is influenced by the welfare systems and urban biased-public policy which usually re-direct more resources to urban areas leading to over-urbanization (Glaeser, 2014; De Jong & De Valk, 2020; Black et al., 2022). Trends also suggest that more people could move from urban areas to villages in the future if the same opportunities or policy changes are presented. The majority of people in Sub-Saharan Africa (SSA) live in rural areas, where poverty rates are high. For most farmers, the scale of production is usually constrained by a lack of market access.

The access is capital-intensive and rural farmers lack access to the credit market (Shuaibu & Nchake, 2021). Utility maximization theory postulates that farmers will maximize their expected utility of net returns through formal market channel use (Ito et al., 2012; Fischer & Qaim, 2012; Ma & Abdulai, 2016), suggesting that farmers will fully benefit when exposed to formal markets. To allay the challenges of market access, studies show that small-scale farmers resort to cooperative membership for solutions (Chagwiza et al., 2016; Maiwashe, 2017; Manda et al., 2020; Sebhatu et al., 2021; Ma et al., 2022). Research shows that **membership** in agricultural cooperatives may have an impact on smallholder farmers' financial performance and market participation (Zhang et al., 2020).

Generally, cooperatives face many problems such as free-riding, group dynamics, farmer heterogeneity and strategic planning (Elliott et al., 2018; Omar et al., 2022) amongst others. For small-scale farmers with limited resources the benefits outweigh the challenges. There is a cost to access market information and cooperatives have proven to reduce such cost, especially for smallholder farmers (Serra & Davidson,

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