



Strathmore
UNIVERSITY

STRATHMORE BUSINESS SCHOOL

MASTER OF MANAGEMENT IN AGRIBUSINESS

End of Semester Examination

MMA 8106: COOPERATIVE DEVELOPMENT AND MANAGEMENT FOR AGRIBUSINESS

DATE: 19th May 2023

Time: 3 Hours

Instructions

1. This question paper consists of FIVE questions.
2. Candidates should attempt only THREE questions. Question ONE is compulsory.
3. Marks will be awarded on the basis of clear exposition of your ideas, precision in the use of language and the validity of your logic.
4. Where relevant, show all your workings on the answer sheet provided.

Question One (40 marks)

Study the attached case study: “*Kamoriongo Poultry Co-operative Project*” and answer the following questions.

- (a) Describe the business environment in Eldoret, Kenya. **(10 marks)**
- (b) Do Beetes and Kamoriongo have the resources and capabilities to succeed? Illustrate with examples from the case study. **(10 marks)**
- (c) Analyse both strategic opportunities (a wooden hen shelter and an incubator) from both qualitative and quantitative standpoints. What do you think Beetes should do? **(10 marks)**
- (d) What are the potential risks of each identified opportunity? Suggest how the co-operative can deal with the risks. **(10 marks)**

Question Two (20 marks)

You are provided with the following extracts of the annual report of the New Kenya Co-operative Creameries Ltd for the year ended 30th June 2020. The accounts have been prepared using the accrual basis of accounting in line with the International Financial Reporting Standards (IFRS) and have been audited by the Auditor General of Kenya.

Table 1: Analysis of Raw Milk Intake Figures and Payout Summary for FY 2019/20

Period	Actual Lts 2019/20	Target Lts 2019/20	2019/20 Actual Payout	2019/20 Target Payout	Actual Lts 2018/19	Actual Average cost/Litre(19/20)	Actual Average cost/Litre(18/ 19)
July	11,989,067	10,980,128	470,948,528	412,040,290	7,391,699	39.3	41.9
Aug	12,244,812	10,980,128	447,709,967	423,020,418	8,112,309	36.6	42.0
Sept	12,309,933	11,795,692	429,839,954	442,645,146	7,953,549	34.9	42.6
Oct	13,123,070	13,211,420	416,941,547	495,771,756	9,302,385	31.8	42.8
Nov	12,138,351	13,749,423	357,742,675	515,960,857	9,550,406	29.5	43.3
Dec	10,584,150	14,954,451	315,253,094	561,180,738	11,922,772	29.8	42.3
Jan	10,058,838	11,215,813	339,070,212	437,416,707	14,043,722	33.7	38.0
Feb	9,064,723	8,463,227	335,781,942	321,602,626	10,037,855	37.0	34.7
Mar	8,841,334	7,062,580	325,958,935	268,378,040	6,312,773	36.9	35.8
Apr	8,191,118	8,235,096	306,904,413	309,030,218	4,013,511	37.5	38.4
May	7,484,114	9,607,612	283,030,813	360,535,254	5,763,417	37.8	39.3
June	6,968,235	10,980,128	263,853,803	412,040,291	8,069,208	37.9	40.3
Total	122,997,745	131,235,700	4,293,035,883	4,959,622,341	84,627,470	34.9	40.2

Statement of profit or loss and other comprehensive income

	Note	2020 Kshs	2019 Kshs
REVENUES			
Sales/Turnover	1	8,785,182,547	9,623,007,943
Grants from National Government	3	97,538,537	77,555,903
Other Income	4	23,064,800	12,536,616
TOTAL REVENUES		8,905,785,885	9,713,100,462
Cost of Sales	2	6,126,269,267	7,150,294,101
OPERATING EXPENSES			
Administration Costs	5(a)	1,055,296,422	877,084,786
Selling and Distribution Costs	6	1,019,677,299	1,057,750,088
Depreciation of property, plant and equipment	13	381,351,210	334,003,324
Amortisation of Intangible Assets	14	78,315,924	77,664,583
Amortization of Leasehold land	16	12,554,824	5,832,363
TOTAL OPERATING EXPENSES		2,547,195,678	2,352,335,144
OPERATING PROFIT/(LOSS)		230,920,140	210,471,218
Finance Income	8	29,399,090	796,580
Finance Costs	9	166,340,347	156,695,760
PROFIT/(LOSS) BEFORE TAXATION		95,379,683	54,572,038
INCOME TAX EXPENSE/(CREDIT)	10	(350,977,718)	(23,993,110)
PROFIT/(LOSS) AFTER TAXATION		(255,598,025)	30,578,928
Earnings per share – basic and diluted	11	(4.67)	0.56
Dividend per share	12	(1.31)	0.22

Statement of financial position.

	Note	2020 Kshs	2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	4,200,714,100	4,073,796,762
Intangible assets	14	79,130,100	155,817,671
Leasehold Land	16	3,539,990,415	3,637,573,828
Freehold land	15	307,500,000	307,500,000
Investment property	17	6,456,475	6,456,475
Total Non-Current Assets		8,133,791,090	8,181,144,736
Current Assets			
Inventories	18	2,850,816,493	1,576,500,693
Trade and other receivables	19	2,381,119,660	2,308,191,509
Tax recoverable	20	233,971	-
Short-term deposits	21	-	6,461,170
Bank and cash balances	22	433,587,452	616,535,009
Total Current Assets		5,665,757,576	4,507,688,381
Total Assets		13,799,548,666	12,688,833,117
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	23	547,028,870	547,028,870
Revaluation reserve	24	5,316,585,036	5,485,235,210
Retained earnings	26	1,605,599,372	1,936,194,617
GOK Grant		2,389,905,560	1,079,944,097
Capital and Reserves		9,859,118,838	9,048,402,794
Non-Current Liabilities			
Borrowings	27	263,981,498	303,058,797
Deferred tax liability	28	205,065,761	(143,728,676)
Total Non-Current Liabilities		469,047,259	159,330,121
Current Liabilities			
Borrowings	27	182,175,214	176,605,499
Trade and other payables	29	1,971,163,130	2,003,908,361
Related Party Balances	34	700,000,000	702,995,884
Tax Payable	20	-	2,477,321
Bank Overdraft	22(a)(i)	533,178,319	504,463,898
Retirement benefit obligations	30	55,985,830	63,323,674
Provision for leave pay	31	28,880,076	27,325,566
Total Current Liabilities		3,471,382,569	3,481,100,203
TOTAL EQUITY AND LIABILITIES		13,799,588,666	12,688,833,117

Source: New-KCC annual report, 2020

Required:

- Perform financial analysis and comment on the financial performance and position of the New KCC Ltd as of July 2020. **(15 marks)**
- What suggestions would you offer to the New KCC to be able to offer a better price to the milk farmers above the average of Kshs. 34.90 in 2020? **(5 marks)**

Question Three (20 marks)

Daima Dairy Farmers Co-operative Ltd. is in the process of making the following investment decisions:

- (i) Construct a factory in Kiganjo for a new powder evaporating unit, packaging line, milk drier and water bottle filling line.
- (ii) Construct a new dairy plant with a sub-depot at Nyambene hills.
- (iii) Set up a ghee tin filling line in Kiganjo.

Being long term investments, the co-operative has approached you for advice on the key considerations they need to bear in mind as they plan to source and commit up to Kshs. 2 billion for the above investments. Assume that 1US\$ = Kshs. 134.

Required: Explain, in detail, what your advice contain in light of the 3 suggested investments.

Question Four (20 Marks)

- (a) Why do agricultural co-operatives fail? Support your answer with examples. **(10 marks)**
- (b) For an agricultural co-operative value chain to properly fulfil its mandate, certain conditions must prevail. Explain what these conditions are. **(10 marks)**

Question Five (20 Marks)

- (a) Outline FIVE potential reasons why the Mondragon co-operative model has been successful over the years. **(10 marks)**
- (b) In the context of cooperatives, and more specifically agricultural cooperatives and their ecosystems, write short notes on the following. Be sure to provide an example in each case:
 - (i) Degeneration and demutualisation **(4 marks)**
 - (ii) Patronage dividends and patronage bonuses **(2 marks)**
 - (iii) Active and dormant membership **(2 marks)**
 - (iv) Equity and equality **(2 marks)**

-----End of the Question Paper-----