



Strathmore
UNIVERSITY

STRATHMORE BUSINESS SCHOOL

MASTER OF MANAGEMENT IN AGRIBUSINESS

END OF SEMESTER EXAMINATION

**MMA 8106: COOPERATIVE DEVELOPMENT AND MANAGEMENT FOR
AGRIBUSINESS**

Date: Tuesday 13th August 2024

Time: 3 Hours

Instructions

1. This question paper consists of FOUR 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 1 (Compulsory) (25 marks)

The farmers of Namulenge region have for over the last 10 years patronized their Namulenge Dairy Farmers Cooperative which has been offering them \$0.2 per litre of milk supplied to the cooperative. The farmers also benefit from relatively cheaper farm credit offered by Namulenge People's Savings and Credit Cooperative which works closely with the farmers' cooperative. The cooperative serves as a mere aggregator although it helps negotiate for prices in the market at times. Last year, an investor from Denmark set up Namulenge Dairy Ltd, which is a milk processing plant located in Namulenge Town. Namulenge Dairy Ltd. has conducted extensive awareness especially to the farmers around Namulenge rural farmlands. The volumes of milk received by Namulenge Dairy Ltd. has risen steadily at a cumulative average growth rate of 1.5% against the projected 3.8% over the last two quarters. That withstanding, the volumes received by Namulenge Dairy Farmers Cooperative have remained relatively unchanged with a slight increase by 0.2% over the last two quarters. Notably, very few farmers have opted to supply Namulenge Dairy Ltd. with their produce, despite the incentives the company offers.

Required:

- (a) Identify and describe any FOUR salient differences that may exist between Namulenge Dairy Farmers' Cooperative and Namulenge Dairy Ltd., in terms of their form of business organization. **(8 marks)**
- (b) Argue a case for any FIVE reasons why the farmers have stuck to supplying Namulenge Dairy Farmers with their produce. **(10 marks)**

- (c) Based on the case provided:
- (ii) What practical considerations should the management of Namulenge Dairy Ltd. pay attention to when working on how to strategically attract the farmers to supply their produce to them? **(3 marks)**
 - (iii) How should Namulenge Dairy Farmers Cooperative respond to the considerations, should they get to know about them? **(4 marks)**

Question 2 (20 marks)

- (a) Outline FIVE major reasons that have contributed to the dismal performance of agro-based cooperatives. **(10 marks)**
- (b) The local government of County D has been meeting dairy farmers in cooperatives with a view of bringing them under a giant entity called Greenlands Dairy Union. Outline FIVE benefits that would accrue to the farmers when they form themselves into a Union. **(10 marks)**

Question 3 (20 marks)

You are provided the mini case for Githunguri Dairy Farmers Cooperative titled: Animal Production and Health Division: LESSONS IN DAIRY DEVELOPMENT.

Required:

- (a) Using the information provided in the mini-case and elsewhere, describe, in detail, the business model for Githunguri Dairy Farmers Cooperative and its affiliate entities in its ecosystem. **(10 marks)**
- (b) What enterprise-related risks could a farmer-based cooperative such as Githunguri be faced with, and how can these risks be dealt with? Highlight an in-depth examination of any FIVE of these risks. **(10 marks)**

Question 4 (20 marks)

As a farmer-owned cooperative, South Kano serves the needs of its 3,600 active farmer-members by supplying farm inputs and organizing the marketing and transportation of grain produced in the co-op's service territory. For almost 80 years, the majority of grain was shipped out of the area by rail to markets in East and Central Africa. However, the recent expansion in ethanol production is changing the pattern of grain flow along with stimulating the local farm economy. South Kano's management and producer board must decide how to continue to meet the needs of their producer-owners under the new conditions. Given the changed operating environment, the board of South Kano is considering performing risk assessment for the cooperative.

Required:

- (a) The board and the management of South Kano have embarked on a risk management process for the cooperative.

Required: Providing relevant and specific examples in each case, outline the steps that the board and management are expected to undertake when performing the risk management exercise. **(10 marks)**

- (b) For the year just ended, you are provided with the following summary financial information relating to South Kano:

	2022	2023
	Shs. '000	Shs. '000
Sales and service income	43,462,300	44,664,400
Cost of sales	(39,491,700)	(40,960,000)
Gross profit	3,970,600	3,704,400
Other revenue	678,800	674,500
Total gross revenue	4,649,400	4,378,900
Operating expenses	(4,135,300)	(4,024,200)
Net profit before tax	514,100	354,700
Income tax	(99,291)	(92,817)
Dividend to members	(452,408)	(312,136)
Retained profits	(37,599)	(50,253)
Total assets	17,720,200	15,614,300
Total liabilities	10,523,600	9,035,600
Equity	7,196,600	6,578,700

Required: Briefly comment on the financial performance of South Kano cooperative for the two years. **(10 marks)**

Question 5 (20 marks)

A business model canvas helps in understanding and reviewing an organization's business model and to aid in designing an efficient business model or correct inefficiencies identified within the business model. Discuss any four elements in a business model canvas and how they can be applied in an agricultural cooperative set up.

.....End of the Exam.....