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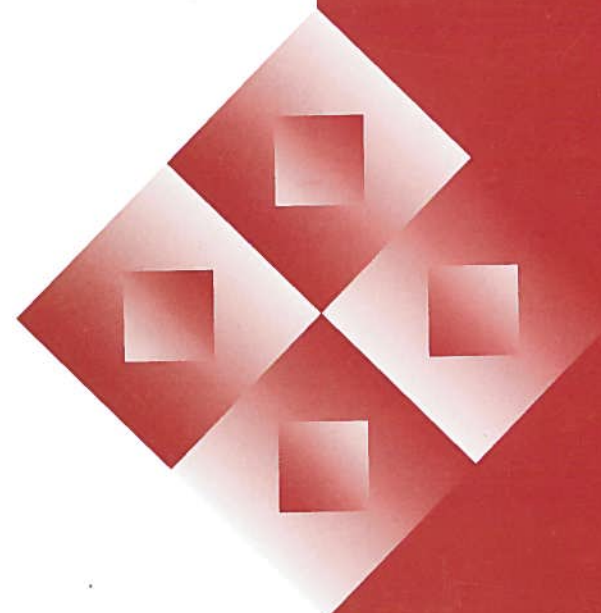
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# AGREKON

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Agrekon aims to promote research and discussions on agricultural economic issues related to southern Africa. It includes disciplinary, multi-disciplinary and problem orientated work. The journal welcomes all original contributions of an acceptable professional standard. AEASA and the editors do not necessarily subscribe to or accept responsibility for viewpoints or opinions expressed, or the correctness of facts and figures.

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##### Objectives

- To promote education, research and interest in agricultural economics.
- To promote the application of agricultural economics to solve agricultural, rural and national problems in southern Africa.
- To promote liaison between agricultural economists at regional, national and international levels.
- To promote the interests of agricultural economists.

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## THE STRATEGIC CHALLENGES CONFRONTING AGRICULTURAL CO-OPERATIVES IN SOUTH-AFRICA: THE GROWING NEED FOR TRANSFORMATION INTO AGRICULTURAL COMPANIES

C. D'Haese<sup>1</sup> and F. Bostyn<sup>1</sup>

### 1. INTRODUCTION

South-African agricultural policy has taken major steps towards liberalisation in the past seven years. This has had two immediate effects on the sector. First, agricultural co-operatives have lost their institutional role. Second, most of the sector is now confronted with fundamental changes in the competitive environment in which they operate. As a consequence, agricultural co-operatives should consider whether or not there is any economic argument for their survival within this emerging competitive environment.

We could rephrase the question as follows: can or will the agricultural co-operative survive in the new, competitive environment? If so, with what kind of activities? And what about the activities that are no longer performed by the agricultural co-operatives? How will they be organised in the future?

The bottom line of the discussion is purely economic: is there any managerial or economic reason to have agricultural co-operatives performing major economic activities within the sector?

### 2. CONTEXT: CHANGES AND IMMEDIATE CONSEQUENCES

The main argument for the change in policy was the need for South-African agriculture to be internationally competitive. Subsidies would cease and an efficiency drive was imperative. The shocks of the liberalisation policy would trigger the necessary adjustments, inducing greater efficiency within the sector. The main elements of the liberalisation policy were:

- the overhaul of the regulated marketing system: deregulation of agriculture and liberalisation of prices;

<sup>1</sup> University of Antwerp - RUCA.