

# Biofuel Sector as a Potential Business Opportunity for Emerging Cooperatives a Case Study of South African Cooperatives

S.C. Thaba, C. Mbohwa and A. Pradhan, *Member, IAENG*

**Abstract**—This study points to the biofuel industry as a potential business idea that can be used by a selected group that has to form and run a sustainable cooperative. Biofuel projects are considered in this study, focusing on how biofuel projects may be incorporated in the running of biofuel industry. The study investigated the opportunities of the emerging South African cooperatives in biofuels industry. We used the qualitative method to collect data. A total of 200 cooperative were studied through observations, interviews, and focused group interviews. Out of 200 small scale biodiesel plants situated in South Africa, 35 are in four provinces namely Mpumalanga, Western Cape, Kwa-Zulu Natal and Gauteng, where empirical studies were conducted in form of observations and interviews. Cooperatives are widely spread all over South Africa. The study however, focused on the cooperatives that are situated in Limpopo and Gauteng province. The researcher also attended several workshops and conferences that are related to development of South African cooperative and other social enterprises. Both the strategy of the cooperative and biofuels aimed at one most important aspect which is to merge the first and second economy. Both are in the emerging stage, and working on a common goal of educating and training those that are affected to achieve the aim.

**Index Terms**— Cooperative Enterprises; Biofuels; Challenges and Opportunities

## I. INTRODUCTION

### A. The Reason for Existence of Cooperatives and Biofuel Industries

Unemployment rate in South Africa is way too high [1]. The unemployment rate recorded in Q1: 2014 stated that 27.0% more women than men are 3, 3 percentage points higher than the rate among men [2]. A total of 15.1 million people had jobs in South Africa in the third quarter of 2014, and 5.2 million were unemployed [3]. To curtail high level of unemployment in South Africa, the government considered cooperatives as a way of fostering economic and social development.

The biofuel industry is also one of the initiatives of eradicating poverty and reducing high level of

unemployment. Since the use of biofuels are still in early stages, the government has considered involving cooperatives and other black owned business to play a role in biofuels refineries [4]. Use of biofuels not only provides fuel security, the main drive behind the establishment of a biofuel industry is the need to facilitate rural and national development by providing jobs and improving trade balances [5]. Farmers located in homelands/ rural areas will be encouraged through cooperatives where it is possible to participate in the running of biofuels farming and production.

### B. The State of “Emerging” Cooperatives

After 20 years of democracy the emerging cooperatives that are formed by the government remain labeled as emerging cooperative because of lack of support from the previous apartheid government. They remain vulnerable and weak. This study argues that emerging cooperatives are still in the same or worsen situation than before the new government [6]. Emerging co-operatives have been identified as struggling for survival and lacking training and such cooperatives need support which will strengthen them in the form of building their capacity, financial support and assistance with marketing [7]. The failure rate of the cooperative in South Africa is 80% and the 20% of the thriving cooperatives are mostly in the agricultural sector formed before 1994. These 20% and already sustainable cooperatives are mainly operating in agriculture and are controlled by white South Africans [8]. These have been heavily supported by the former apartheid government.

## II. THE MAIN AIM OF THE STUDY

### A. Sustainable Cooperatives through Biofuels Project

The aim of this study is to show the potential of sustaining cooperatives through projects on the biofuel industries [11]. The program on biofuels production can ensure increased agricultural production, and job creation [12]. The vision statement of cooperative strategy by working towards a growing, self-sustainable, and integrated co-operative sector, supported by all stakeholders, contributing to economic growth, poverty reduction and employment

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S.C Thaba is with the University of Johannesburg, Department of Quality and Operations Management, Johannesburg, RSA, (+27 73 2535 145; (e-mail: [sebonkile.thaba@yahoo.com](mailto:sebonkile.thaba@yahoo.com)).

C. Mbohwa is with the University of Johannesburg, Department of Quality and Operations Management, Fort Collins Johannesburg, RSA. (e-mail: [cmbhwa@yahoo.com](mailto:cmbhwa@yahoo.com))

A. Pradhan is with the University of Johannesburg, Department of Quality and Operations Management, Johannesburg, RSA, (e-mail: [anup.pradh@gmail.com](mailto:anup.pradh@gmail.com))

creation, as well as assisting in bringing about economic transformation and an equitable society in South Africa. [3] In South Africa high levels of unemployment led the government to consider cooperatives as a way of ensuring economic development and social development. [3] The reason why South African governments promotes cooperatives is that they address more people than Small medium and micro enterprises SMME's meaning they accommodate more people. Meanwhile there mere creation of cooperatives cannot alone be taken as an indication of success and many stakeholders who are interested in supporting cooperative have noted that there is a little clarity on how many cooperatives are successful. To have a cooperative moving towards sustainability, there should be a sound product or service that cooperative members are offering to the market. All stakeholders namely government, communities, civil societies and private sectors that are interested in seeing sustainable cooperatives need to understand the kinds of people who should form cooperatives. Those from rural areas with little or no education need much more support in developing sound business ideas, trainings and educations that will empower them to run successful cooperatives. Biofuel as a source of renewable energy can be a pillar for a sound business opportunity for these cooperatives. The Government's main aim for supporting biofuels is that the expected gains from the biofuels industry will contribute to poverty alleviation through job creation, and that the country will use less environmentally damaging energy sources. It will not only contributing to the sustainable development of the cooperatives, but also to the environmental friendly aspect as well as economic development. [9] Biofuels have the potential to extend and diversify South Africa's energy supply which helps reduce South Africa's foreign dependence on oil. [10] The biofuel policies have been introduced to pursue multiple goals, such as reducing dependence on oil imports and increasing energy security, cutting GHG emissions from the transport sector and opening new markets for farmers.

### III. LITERATURE REVIEW

#### A. *The Benefits That Comes With Renewable Energy*

The study is looking into the use of the renewable energy as an opportunity to ensure the sustainable development of South African cooperatives. [13] Biodiesel can be processed from pressed oilseed crops (i.e. soybean, canola and sunflower) on the farm by farm cooperatives. Department of Minerals and Energy [5] mentions that farmers located in underdeveloped land will be encouraged through cooperatives to participate in the manufacturing of biofuels. In the developed countries rural farmers have been empowered and supported by government to farm the feedstock's as well as plants for biofuels. [14] Hilltown Farmers Biodiesel Cooperative (HFBC) was formed to demonstrate that Massachusetts farmers can produce biodiesel fuel locally, affordably, and sustainably in quantities relative to the needs of New England-size farms. The cooperative has been in existence for many years and still today an intervention to alleviate poverty and create employment in mostly underdeveloped areas or rural areas. This is mainly done by people with common interest and who

see a need to serve themselves as the members and the communities through the economic rewards that comes with the kind of the business that is being run.

#### B. *Cooperative in the South African Context*

Cooperatives are defined by International Cooperative Alliance (ICA) as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise [12]. The Department of Trade and Industry (DTI) adapted this definition to apply in South Africa together with the values and principles as the past government failed to follow the international principles of cooperatives. Early in the 20<sup>th</sup> century in South Africa, cooperatives in agricultural sector where a well-established economic vehicle, but the entire legislative framework during that period was not in strict adherence to the international cooperative principles [12]. Cooperative Act of 1981 did not articulate, nor encourage co-operatives to adhere to the seven international co-operative principles. It resulted in the new government declaring cooperative Act of 1981 unsuitable as it was focused on large and commercial cooperatives [15]. The first cooperative policy was then drafted that accommodated those who were previously disadvantaged. The main aim of the policy was to develop cooperatives that are sustainable, dynamic, autonomous, self-reliant and self-sustaining [6], the kind that can play a major role in the economic, social and cultural development of South Africa, through effective and efficient services extended by co-operatives to their members. Cooperatives lead to alleviation of poverty, creating jobs, income generation, and broad-based economic empowerment (BBEE) that will result in an enhanced sustainable human development in South Africa [6].

The policy for cooperative act includes all small business with the Broad Based Black Economic Empowerment (BBBEE) into one category. The policy deals with the promotion and support of emerging cooperatives; these include small, medium, micro and survivalist cooperatives [6]. The policy statement should be read in concurrence with those on Small, Medium and Micro-enterprises and the Strategy on BBBEE. The government has seen that SMME's are playing a role in the reduction of unemployment rate. SMMEs are considered as a major employment creator [16].

#### C. *The background, status and future plans of biofuels*

##### 1) *Initiated Biofuel Projects*

Most of the projects are in the planning stage the crops proposed by the National Biofuels Task Team (NBTT) for the production of biofuels are sugarcane and sugar beet for bioethanol [17]. The Industrial Development Corporation (IDC) has indicated its intention to invest in the production of biofuels from sweet stem Sorghum in pond land, which covers Kwa-Zulu Natal and Eastern Cape in production of Biodiesel using sunflower, Canola and Soybeans oil. The Council of Scientific and Industrial Research (CSIR) has reported on a project aimed at producing biodiesel from algae [5]. The crops that are proposed for the production of biofuels in South Africa are as follows:

- For bioethanol; sugar cane and sugar beet
- For Biodiesel; sunflower, canola and soya beans

This excludes other crops and plants such as maize and

Jatropha for food security concerns [18]. The only real activity to date has been a 3.2 Billion Rand investment by the South Africa's Industrial Development Corporation (IDC). The Energy Development Corporation (EDC) has 2 biofuel projects that collectively should produce 190 ML bioethanol from sugarcane and sugar beets, with the erection of the plant set for 2009. From all the projects that are mentioned above including the small scale biodiesel plants that are currently operating the government was going to achieve 2% biofuels penetration by 2013 which was about 400 million liters per annum into the national liquid fuels pool. If the target was achieved [7], South Africa's biofuels objective was to contribute towards the achievement of the national renewable energy policy targets: improving energy security in the country, the reduction of greenhouse gas emissions, facilitate rural economic development through job creation, SMME development; Stimulate agricultural production in the under-utilized agricultural areas of the country; and integrate historically disadvantaged farmers from former homelands into the mainstream agricultural and energy economies [18]. The other commercial investment project in biodiesel production is that of Rainbow Nation Renewable Fuels Ltd in Coega closer to Port Elizabeth province. The plan is to erect a 1.1 Mt/annum soybean crushing facility that would produce and distribute 228 ML biodiesel fuel and 825 000 t soybean meal for local and international markets, this will create 350 full-time jobs, 200 jobs in transport, 1500 in construction and 5,000 to 10,000 in the agricultural sector.

#### 2) *Biofuels as Alternative Saver Of Energy*

This idea was initiated by DoE 2004 with the purpose of improving the energy efficiency to 12 % [19] The modeling suggests that a 12% energy efficiency target is achievable and can save R13 billion over 25 years. The results also suggest that the cost of optimal energy efficiency improvements are 2-3% less than 12% of the government target and that these savings thus come at a cost which works out at about 5% of investment costs which government can play an important role here by taking the lead in making its own buildings and practices more efficient. In terms of fuel efficiency the idea is to solve the problems of importing more fossil fuels and most importantly the negative impact of emissions [19]. A key policy option regarding liquid fuels is the supply of biodiesel to displace high dependence on petroleum. Biodiesel production increases to 35 PJ by 2025, with a maximum growth rate of 30% per year from 2010. These energy crops do not displace food production, and sustainable production means the fuel is effectively zero-carbon.

#### 3) *Challenges Hindering Biofuels Industries*

There are several small scale biodiesel plants in South Africa that are currently in operations but they are not using the virgin oil as feedstock rather they produced biodiesel with the used vegetable oil [11]. A total of 200 companies and organizations were identified as biodiesel producers and/or manufacturers in South Africa. This still does not address the main challenges of inequality that South Africa is facing as the owner of these plants majority are those who are considered being favored by the unjust past law of South Africa, while the technologies and the quality of the biodiesel are still of low quality [11]. Biodiesel producers in South Africa find it difficult to meet quality specifications. This is largely because used vegetable oil contains several

contaminants and it is difficult and costly to obtain the appropriate technology to fully purify the feedstock before it is fed into the reaction chamber resulting in compromised quality. The other challenge is that the amount of the biodiesel currently produces is not even closer to the targeted penetration of 400 thousand liters per annum suggested by the DME in 2007 biofuels strategy. The small scale biodiesel producers that are currently operating cannot produce at least 3000 liters of biodiesel per day [11]. The production rates of South African biodiesel plants falls far below production levels of other biodiesel producing countries in the world. This is partly because of restriction policy towards the industry from government which levies a fuel tax on all production levels above 1000 liters per day. South African energy sector faces a twofold challenge – to address the unacceptable lot of the poor and to employ technologies and practices that will provide inexpensive energy for a competitive economy without straining resources of the country [19].

#### 4) *SMME's Playing A Role As Emerging Of Biofuels*

Production concerning biofuels in South Africa is happening in SMME's, which make only small production succeed. Small businesses that are currently operating and producing biodiesel are considered by the government as acceptable to be commissioned [20]. The South African biofuel task team conducted a detailed examination in 2005 and concluded that support and development of biodiesel was justified and required, due to the environmental and job benefits in particular [18]. South Africa currently has more than 200 small entrepreneurs that produce biodiesel on small scale, mostly from waste vegetable oils. The projects that are currently running can actually be given to cooperative as they will sustain the group of those who are disadvantaged [12]. One of its objectives on the cooperative strategy is to promote co-operatives as an effective vehicle that contributes to the development of rural and semi-urban areas, this means specifically improving primarily the economic and social well-being of the following targeted groups: black people, women, the youth and people with disabilities [12]. As it is shared by that the development of co-operatives was negatively impacted upon by the apartheid regime during this era, huge state subsidies were provided to white agricultural co-operatives, which controlled and dominated the agricultural sector in South Africa, while black-controlled co-operatives were neglected and, in certain cases, suppressed [5]. The main purpose of biofuel Industrial Strategy is to create a link between the first and second economies. The first and second economy is the result of unequal economy of South Africa that was created by the unjust law of apartheid [29]. The concept of the 'second economy' is used to describe economic marginalization in South Africa, and the poverty and social alienation that characterize it, in order to focus policy attention on the need to change it. The first economy involves the group that was previously advantaged by the previous government of South Africa.

#### 5) *Current status and policy barriers of biofuels industry*

The plants that have been operating in South Africa, are the once that do not mostly receive any support from government, [11] [9]. South Africa lacks comprehensive studies that can be critical in identifying feedstock and

technologies best suited for the South African environment, economics and society. Currently the mandate of producing the biofuels is driven by the Department of Energy (DoE); areas covered include water limitations, food security (availability and affordability), land prices and land restitution, environmental concerns, biofuels quality, technology choices and crop selection/ choices [10] [11]. The targeted land to plant crops for biofuels production was underutilized land and not replacing land used for food production with biofuels crops, the estimated 14% of arable land, is underutilized and can meet the 2% interim market penetration target [5]. A significant change to the draft Strategy is to adopt a short term focus (5 year pilot) to achieve a 2% penetration level of biofuels in the national liquid fuel supply which is over 400 million liters pa.

The global contribution of South Africa in biofuel production is much less than 0.01%, showing that its production of biofuels is still very low compared to developed countries [17]. Europe is estimated 8% production of global biodiesel from domestically grown rape seed. With careful considerations and continuous research South Africa has potential to be one of top producers of Biofuel here in Africa [18]. South Africa has much more to offer considering its capacity to grow total plant biomass (all lignocelluloses plant biomass) and not only produce sugarcane or sugar beet streams for ethanol or sunflower, canola and soya oil for biodiesel production. Beside South Africa being the top producer of biofuels in Africa, it will also assist other African countries with technology concerning the biofuel [18]. South Africa has the potential to have a better advantage of technology advancement. It can help other African countries utilize their resources using the technology that they can supply.

#### 6) *State of Biofuels in Developed Countries*

United States is a top producer of biofuels, followed by Brazil, in Brazil Ethanol is produced from sugarcane, in USA ethanol is mainly produced from maize [9][17][20]. Internationally, biofuel production is growing, due to higher oil prices, concerns with environment and government policies, regulations and incentives that support this indigenous and renewable fuel source over fossil fuels. These are the same forces that drive the developing countries to also consider producing biofuels [21]. Its development in South Africa can be an important new market for producers and offers new alternatives to find different high protein feed sources like DDGs? With good planning, cooperative in South Africa will no longer face the current challenges. There will be a new market that only cooperatives can serve in terms of bioethanol and biodiesel [9]. Biofuels Industry aims to promote the production and use of biomass fuels, attract investment into rural agricultural development, [9] Ethanol production in Thailand was estimated to generate 17-20 times more jobs than petrol production with agriculture contributing to more than 90% of the total employment [14]. [11] South African two biodiesel plants are expected to increase the total annual production to 100 million liters [18] The first initiated project will mean new Infrastructure Investment of US \$250 M and create 350 full-time jobs (200 in transport), 1,500 in construction & related industries and 5,000 to 10,000 in the agricultural sector [11]. The production rates for South African biodiesel plants falls a far cry from

production levels in the established biodiesel producing countries in the world. This can be attributed to the fact that, the biodiesel manufacturing industry is still in the pilot study phase due to a lack of investment and a generally hostile policy towards the industry from government which imposes a fuel tax on all production levels above 1000 liters per day. For this reason it is only a handful of biodiesel enthusiasts, operating at a micro scale, and using micro scale batch processing equipment

#### *D. The Background, Status and Future Plans Of Cooperatives*

##### *1) Background of South African cooperatives*

Cooperative enterprises are not a new frontier, as it has been in south Africa since the 1800s but the problem is that it was not an equal opportunity to every south African citizen. The co-operative sectors started with the establishment of the predominantly white agricultural co-operative, aimed at developing and building the white farming community [22] [12]. These co-operatives eventually developed into powerful business ventures, which controlled agricultural production, marketing and processing in rural areas. Cooperative enterprises started long before democracy was not in favor of the black South Africans. Black-owned agricultural co-operatives were promoted by the then government in the 1970s and 1980s as part of the apartheid [12]. Banda defines homelands as degraded lands which were set aside during the apartheid regime for black South Africans who were forced into these areas by means of laws providing for forced removals and restrictive rights of movement [23]. Large sector of the population were forced to live in separate areas called Bantustans and there they developed their own cooperatives [24]. These areas were viewed as having fewer natural resources and less economic value, and yet they had to absorb so many black people that they became overcrowded [23]. That is the reason government developed a new cooperative enterprise which its main purpose is to introduce the previously disadvantaged people in the business world and self-helping, so that the people will also help in eradication of poverty, unemployment and increasing economic growth. The focus is mainly on groups of women, unemployed youth and disable people especially from rural areas and townships to participate in such business opportunities.

##### *2) The current state of South African cooperatives*

The cooperatives that started after 1994 were mainly organized and 100% percent supported by government. Through free grants, resources and training support. These cooperative are mainly for a selected group of people. Promote co-operatives as an effective vehicle that contributes to the development of rural and semi-urban areas of the economy, as well as improve primarily the economic and social well-being of the following targeted groups: black people, women, the youth and people with disabilities [12].

Most co-operatives especially those situated in rural areas and townships fail in the emerging stage of the enterprise. Most cooperatives starts enterprises targeting their local market. This is because they have local knowledge leading to logistical costs and complexities of marketing with low population density places being a natural limit on demand for products or services. Long distances make it difficult for cooperative enterprises to expand their market [25] [26]. Products sold in markets where demand is high will label and packaged as they compete in a mass market which becomes

difficult for cooperative enterprise to compete in such market. These one of the major problems that hinders the development of South African cooperatives, this is because areas where the group of people selected.

Lack of skills within cooperative enterprises in South Africa seems to be one of the major challenges. Issues starting from management to workers of the cooperative, members are ultimately responsible for the success and failure of the cooperative, boards that are not well informed about the duties of directors and what is accepted of them and this is because cooperatives are not developed in accordance with member needs and capacities but in terms of government's objectives. This is dangerous because it does not cultivate the autonomous and independent impulses within the cooperatives for sustainability. Worse, the development of thousands of cooperatives per annum, all initiated by and dependent on government, exposes cooperatives to the risk of failure and hence being discredited [27].

Most cooperatives enterprises started with unemployed people, often with low skills levels, and no prior business experience, in economically marginal areas and like all businesses it is under these circumstances that they have the least chance of success [25]. Co-operative workers tend to resign because of being underpaid or even not getting a monthly salary, one must bear in mind these are the same people trained to do the work and are well experienced so such situation results in cooperative losing workers and it gets hard to find other workers as people will want to know why others are living and again is time consuming to always train new workers.

A major requirement of primary cooperative enterprise is to have a minimum of 5 members with unlimited number , with seven maximum member the enterprise has to operate democratically which [25] managing a business is tough and managing democratically is tougher , s says Management of an enterprise involves a complex range of skills. As soon as an enterprise involves the collective management of resources, the complexity of management escalates exponentially, along with the need for transparency.

Through all these challenges and disappointment learned by other authors and researcher , it shows the are many different reasons cooperative enterprises are failing but looking at the central problem , its assumed that 'unity is the power' and there will be no unity without people being taught to work well in harmony. This will be possible by introducing team building which [28] is based on the assumption that a team's participation in its own problem diagnosis, planning and goal setting will increase team members' commitment to those processes.

#### IV. RESEARCH METHODS

The study used the qualitative method to collect data. Out of 200 small scale biodiesel plants that are situated in South Africa, 35 from four provinces namely Mpumalanga, Western Cape, Kwa-Zulu Natal and Gauteng province, where empirical studies were conducted in a form of observations and interviews. With cooperative that are widely spread all over South Africa, the study was focused on the cooperative that are situated in Limpopo and Gauteng province, 200 cooperative studies in a form of observation, one on one interviews and focused group interviews. The researcher also attended several workshops and conferences that are related to development of South African cooperative and other social enterprises.

#### V. FINDINGS AND DISCUSSIONS

##### A. Current Biofuel Industries Not Serving their Purpose

The biodiesel industries that are currently running in South Africa mostly are not black owned SMMEs, this is because the black people do not have the necessary equipment and skills to produce and run such kind of businesses. Including having their own registered business and also enrolling for certain courses. And the labor that was paid to them was mostly just enough for them to survive , the people did not have enough in a way that they can invest or buy something of good value that will be an investment in future. If once that were disadvantage are about to be involved in the development of the economy through playing a role in both the development of sustainable cooperative and biofuels industries.

##### B. Lack of Innovation and Creativity to Attract Market

Most of the cooperatives that are formed in South Africa are manufacturing or providing all most same product or services, the idea is not really initiated by the members. The cooperative members will just discover what one cooperative is doing and then copy the same products or services. The government officials that are serving in the agencies that support the cooperatives are also playing a role in supporting the business ideas that do not sound. Visiting four different cooperatives and finds out that enterprises are using almost the same business plan and the members cannot tell what is in their business plan. The business plans look like are mostly drafted by one organization the support cooperatives. The cooperatives are collapsing because they are not goal orientated. Cooperative members do not know their short term goals and all mostly they are looking in to long term goals and achievements, while they do not have short term objectives on how to get there.

##### C. Vision Statement without A Mission Statement

Most cooperatives that are cooperative farmers of the life stocks are only having the big ideas which are to supply to big retail shops and sell their livestock in bulk quantities. Not realizing the will are lots of barriers that they need to consider them through SWOT analysis. The cooperatives tend to just collapse simply because the members are unable to meet the requirements needed by the customer or unable to convince the buyer to buy from their cooperative enterprise. The cooperative members tend not to have a plan be into whom else could be their customers beside the big retail companies that they were targeting. The cooperatives that is selling poultry after not getting the customers that the members where targeting the cooperative collapse , while the cooperative is in the village where they can sell to the villagers and also take their stock to other nearby villages to sell and market customers. The cooperatives can still start from small and grow, not that they are many people involved then people should immediately when they start their cooperative , they should get a huge profit that will cover all the members. If the cooperative are introduced in the biofuel industries, they should be value chain involved, it must not necessary mean that one cooperative can do the farming of the feedstock as well as doing all the production process of turning the feedstock in to a final biodiesel. Not that is impossible for a cooperative to can do the whole productions starting from the farming until to an end but, the cooperative

members because of their current situations needs to start somewhere and on their own develop themselves to the top.

## VI. RECOMMENDATIONS AND CONCLUSIONS

In order for South Africa to achieve the biofuel industries as a potential business opportunity for cooperatives that will merge the first and second economy, education and training has to be taken serious in preparing all the people and organizations that will be involved in the development of sustainable cooperative that will be in the biofuel industries. This will be ensuring that the challenges that are currently faced by South African emerging cooperatives are addressed and tackled. The biofuels are more of the technical aspects as people will need some formal once of trainings on the farming part of the feedstock's and other on the refineries of the biofuel. This can be done easily when the people who are been trained are committee and maybe some are the post graduate students in the related field or people with the sounds experience in the production process of the biofuels and others on the farming side. The main challenge is ensuring that a person is completely a cooperator. This involves more of the behavioral aspects, the involves the behavior of the person, it will needs someone with the team spirit , interpersonal skills and good communication and listening skills, a person with good leadership qualities, who can cooperate, coordinate and selfless. This skill most people are not born with and that's where educations comes in. the cooperative knowledge which are the principles and the values of the world wide cooperative can teach one the skills and competencies that are mentioned above. With the cooperative knowledge we can have successful farmers and refiners of biofuels in the cooperative industry that are sustainable and employ more people than the projects that are still in the pilot study have suggested.

The lack or failure of cooperative was and is still due to lack of knowledge, training and education. South Africa government needs to understand the situation of its own people. The cooperatives are still taken in the perceptions that are belonging to the one with little or no education. Which is not wrong and again it is not right as anyone as long as the person belongs to the group of the disadvantage can participate in the cooperative regardless of the level of their education.

However, as long as they are wrong perceptions towards cooperatives, the success of South African cooperatives will be slightly possible. There is a need for the people to understand the cooperative and know what they are getting themselves into. Not every person is an entrepreneurs so same with cooperatives not every person is a cooperator or a social entrepreneur. Most of the people seem to be more concern with the forming cooperatives because they cannot find employment. Without really getting to understand the advantages and the disadvantages of being a member of a cooperatives, the people are more worried of getting the government grants that which later after getting it grants do not really know what to do next to an extend of misusing the same grants that was meant to be the capital of the cooperative enterprise. Awareness is needed so that people tend to understand the importance of the cooperative and why South Africa needs to have cooperative enterprises running. Instead of just running straight to poor people and start

promoting cooperative in a form of receiving a free grant and people come running because of unemployment and hunger they are experiencing in their homes.

The cooperative academy that the government is organizing has to be huge and needs to address such issues, so that the people are aware on what is cooperatives and what is it needed if the cooperative is to be successful. There should be curriculum that needs to be attended by any ordinary person regardless of their education level so that they familiarize themselves with cooperative. One must have formal qualification on cooperative knowledge as a proof that the person has attended and successfully completed the course. Then out of the five people who want to form a cooperative one must have a qualification.

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