

CHAPTER FIVE

PERCEPTIONS OF CANE GROWERS AND MILLERS CONCERNING THEIR RELATIONSHIP

5.1 INTRODUCTION

Exchange relationships result from the wisdom that in the competitive and turbulent business environment organisations do not manage growth acting by themselves. Power dependence illustrates how dependent partners are on each other. This dependence can be both a source of strength or risk. The strength results from organisations working together and the risk can result from opportunistic behaviour by the power vested partner, which must be attenuated by legal contracts, norms, and social contacts. Therefore, aspiring organisations, in most cases, seek trust and cooperation as a long-term investment. This gives the relationship a long-term character. Trust and cooperation involve a learning process, where trust is achieved over time. The continuation of the relationship reflects the strength of using learning effects and built-in skills for mutual benefit. This kind of relationship development tends to generate strength and resistance to disruption of the relationship. As the cooperation process continues, partners are able to develop more trust and commitment for joint efforts and building a common trust base. Hence, they realise the benefits of being in the relationship.

This chapter provides a description of the perceptions of smallholder farmers and millers concerning their relationships. It begins with the description of the respondents, followed by the perceptions of the cane growers. Following this section are the perceptions of the millers. The description of performance and its indicators for cane growers in their exchange relationship with the millers is addressed in the final section of this chapter.

5.2 CHARACTERISTICS OF SMALLHOLDER CANE GROWERS IN THE SAMPLE

The characteristics of the cane growers in the sample are presented in Table 5.1a, while Table 5.1b presents the performance factors for these farmers. The results in Table 5.1a indicate that

the respondents from the cane growers consisted of 99 males (79.8%) and 25 females (20.2%). Forty five (36.3%) of the respondents sell their sugarcane to Ubombo (Bigbend) mill, while seventy five (60.5%) sell their cane to the Mhlume mill and four (3.2%) sell their cane to Simunye mill. It appears that the mills supplied by the majority of smallholder farmers are Mhlume and Ubombo. The Simunye mill has very few farmers supplying it. This is most likely as a result of the location of the mill in relation to the farmers and rivers as a source of water. Eighty six (69.4%) of the respondents are the owners of the farms they operate, while thirty eight (30.6%) are not individual owners of the farms, instead they are an association or act on behalf of the owner. Most of the farmers who own farms either work within a scheme, e.g. Vuvulane irrigated farms (VIF), or belong to an association which organises the inputs, and arranges for harvesting and transportation on behalf of the member farmers. Some farmers pool machinery like tractors, forming an association. This machinery is then hired to the members of that association. Farmers who operate a cooperative or an association pool their land and operate as one entity, which upon selling their cane and paying their obligations, share the proceeds according to an agreed formula.

The results indicate that more than three-quarters of the respondents (78.2%) are married and most of them (80.6%) are above the age of 40. Although some farmers have other businesses, apart from their sugarcane business, the majority of the farmers (54%) rely on sugarcane production as their sole source of income. Normally, it takes about 11 months before sugarcane is ready for harvesting. Moreover, while the crop is growing, money is required for the various operations necessary before the crop is ready to be harvested. Therefore, farmers require money to pay for labour and other activities. Most of the respondents (80%) are financed by commercial banks (for example the Swaziland Development and Savings Bank) and the Enterprise Fund in order to cater for these activities. The Enterprise Fund was established by His Majesty the King in order to support Swazi entrepreneurs at a reasonable interest rate. Half of the respondents have been in the sugarcane business for more than 10 years, while the other half has been involved in the business for less than 10 years.

Table 5.1b shows that the average distance for the between the farmers and the mill is 20.5km, while the average sucrose content in 1997 to 2001 seasons was 14.04%. While the average distance suggests that most of the farmers are closer to the mill, it is worth noting that some farmers are far away from the mill. The minimum distance to the mill is 5km, while the maximum distance is 106km. The results also show that on average the profit per ha for these

farmers is R7, 409.03 and the revenue per ha is R15, 611.74. There is a big variation in the distance between the farmers and the mill as well as the profit per ha and the revenue per ha as indicated by the respective standard deviations.

Table 5.1a: A profile of cane growers' interviewed, 2001 (n = 124)

Characteristics	Frequency	%
Gender		
Male	99	79.8
Female	25	20.2
Mill supplied		
Ubombo	45	36.2
Mhlume	75	60.5
Simunye	4	3.2
Ownership of sugarcane farms		
Owner of the farm	86	69.4
Not owner of the farm	38	3.2
Marital status		
Single	7	5.6
Married	97	78.2
Divorced/separated	1	0.8
Widowed	19	15.3
Age		
15-20	1	0.8
21-30	8	6.5
31-40	15	12.1
41-50	26	21
51-60	34	27.4
61-70	22	17.7
More than 70	18	14.5
Have other businesses		
Yes	56	45.2
No	68	54.8
Sources of finance for farming		
Commercial bank	28	22.6
Enterprise fund	15	12.1
Commercial bank and Enterprise fund	37	29.8
Commercial bank and IFAD	4	3.2
Association/cooperative	40	32.3
Number of years in farming		
Less than 10 years	62	50
More than 10 years	62	50

Table 5.1b: Sample farmers' performance indicators (n = 124)

Indicators	Mean	Std dev
Distance to the mill (km)	20.5	17.5
Av. Sucrose content (1997-2001) (%)	14.04	1.52
Profit per ha (R)	7409.03	5984.34
Total revenue per ha (R)	15611.74	4432.49

5.3 PERCEPTIONS OF CANE GROWERS

The perceptions of farmers were measured using a four point likert scale where one indicated that they strongly disagreed and four that they strongly agreed. Therefore, a response value above the midpoint of 2.5 means the respondent agrees with the statement, whilst a response value less than the midpoint means the respondent disagrees with the statement. Table 5.2 shows the level of certainty cane growers have in their relationship with the millers, their commitment in the relationship, the level of perceived cooperation, perceived practise of opportunism by the millers, perceived influence by the millers, the farmers' satisfaction with the relationship, the cane growers' level of trust in the millers and the level of farmers' dependence on the millers.

Table 5.2: Sample cane growers' perceptions of their relationship with millers, 2001 (n = 124)

Item	Mean	Std dev
Certainty of the relationship	3.382	0.391
Commitment	3.315	0.376
Cooperation	2.267	0.461
Influence by partner	2.914	0.476
Opportunistic behaviour	2.792	0.538
Satisfaction	2.853	0.585
Trust	2.531	0.350
Relative dependence	2.703	0.526

The results indicate that cane growers are certain about, and are committed to their relationship with the millers. However, they perceive poor cooperation between themselves and the millers. This is further evidenced by their perception of the practise of opportunistic behaviour by the millers. Despite this and their perceived dependence on the millers, cane growers are satisfied with their relationship and still trust the millers. It is worth noting, however, that farmers possess the minimal level of trust. This suggests that farmers have contractual trust rather than goodwill trust towards the millers. Contractual trust is trust limited to the contractual agreement, while goodwill trust goes beyond just fulfilling contractual obligations.

5.3.1 Certainty

Certainty in this context refers to the farmers being well informed on the operations of the sugar industry, being clear on how they are paid for their cane, having clear knowledge of the production processes and being assured of a stable market for their sugarcane. Table 5.3 presents the results of the perceptions of the farmers regarding certainty in their relationship with the millers. Although some farmers were uncertain about their exchange relationship with the millers, the majority (98.4%) of the respondents were certain. The fact that they have an agreement to deliver a certain amount of cane to the mill and that the mill is obliged to accept it as outlined in each farmer's quota, assures the farmers that their cane will be sold. Moreover, the SSA and the Swaziland Government provide extension service to these farmers to ensure that they are familiar with sugarcane farming. Although the industry faces a threat of having some of its sugar sold in the world market if it overproduces and if its access to preferential markets ceases, smallholder farmers do not recognise this threat. The SSA would have to explain this to the farmers.

Table 5.3: Certainty of sample cane growers in their exchange relationship with millers

Item	Frequency	Percent
Not certain	2	1.6
Not sure	0	0
Certain	122	98.4
Total	124	100

5.3.2 Relationship commitment

Relationship commitment is concerned with the engagement of the partners in their relationship. Commitment refers to the desire to continue a relationship. It could be either calculative or affective commitment. Calculative commitment refers to a partner's commitment because of anticipated benefits, while affective commitment is because the committed party likes the other partner in the relationship. Explicitly, commitment aids in strengthening an existing relationship through specific investments or considering the relationship in a wider scope, not just an exchange. The results in Table 5.4 show that most of the respondents (96%) are committed to their exchange relationship with the millers, a few were not sure (2.4%), while a minority are not committed (1.6%). The results suggest that most of the farmers would like to continue their relationship with the millers.

It is noted that sugarcane production requires a lot of investment in terms of land preparation, machinery, human capital and other specificities that cannot be used elsewhere when the farmers stop sugarcane farming. This implies that farmers have no choice but to continue their exchange relationship with millers. Another possible explanation could be that presently, sugarcane farming has a comparative advantage compared to other crops in Swaziland. Therefore, the type of commitment these farmers have is likely to be a calculative one rather than affective.

Table 5.4: Commitment on the sample farmers to their relationship with millers

Item	Frequency	Percent
No commitment	2	1.6
Not sure	3	2.4
Commitment	119	96
Total	124	100

5.3.3 Relationship cooperation

Inter-organisational cooperation reflects the abilities of two or more firms to collaborate and work together in an effort to achieve their respective goals. Cooperation is regarded as a product of positive exchange episodes between buyer and seller. Closer cooperation between

the members of a supply chain reduces transaction costs, enhances the ability of the commodity system to adjust to changing consumer demands, and improves supply chain integrity. Cooperation facilitates better matching of supply and demand. The results on the farmers' perception of the level of cooperation between farmers and the millers are presented in Table 5.5. These results indicate that the majority of farmers in the study (72%) perceive that there is no cooperation between farmers and the millers.

The lack of cooperation as perceived by farmers may be attributed to farmers feeling cheated by millers and that millers are concerned only about themselves, not with the welfare of the farmers. For example, during a discussion with some of the farmers it was indicated that there is a need for a stronger cane growers association to bargain with millers. Some of the farmers argued that "smallholder farmers are black, a black man is ignorant. How can a black man argue with a white man because the millers are white people?"

In contrast, some farmers attributed the lack of cooperation to certain farmers. They argued that: "Some farmers exchange their sugarcane when they have exceeded their quota, so that they will not be penalised by being paid a segregated price". Overall, the perception of lack of cooperation may be regarded as a result of lack of transparency between millers and farmers and the lack of benevolence trust on the part of both farmers and millers.

Table 5.5: Sample cane growers' perceptions of cooperation between farmers and millers

Item	Frequency	Percent
There is no cooperation	89	71.8
Not sure	0	0
There is cooperation	35	28.2
Total	124	100

5.3.4 Influence by partner

Influence by the partner firm is shown when the influenced firm makes decisions because of an assumed pressure to satisfy the power holder's wishes. Unlike authority, influence can be subtle rather than explicit. The imbalance of power between cane growers and the millers is

indicated by most of the respondents. Table 5.6 presents the farmers' perceptions of the millers influence on them. About three-quarters of the respondents (76.6%) indicated that millers exert influence on the cane growers.

Originally the sugar industry was vertically integrated with both production and milling in the hands of the milling companies. Gradually, the industry involved independent out-growers, mainly large-scale farmers. It is only recently that the industry has involved smallholder cane growers. These farmers are still new to the sugar industry and still have to familiarise themselves with the industry's regulations and operations. Therefore, they feel they are more dependent on the millers and more vulnerable to the power exerted by millers. This situation is compounded by the fact that smallholder farmers' production is insignificant when compared to the production by large companies and the millers themselves. Hence, the farmers regard themselves as being powerless and subject to the influence of the millers.

Table 5.6: Sample cane growers' perceptions of influence by partner

Item	Frequency	Percent
No influence by partner	22	17.7
Not sure	7	5.7
Influence by partner	95	76.6
Total	124	100

5.3.5 Farmers' trust in millers

Trust in this study is regarded as the farmers'/millers' confident belief in the millers'/farmers' honesty towards the farmers/millers. Trust economises on information search and transaction costs. It creates the conditions where exchanges between technologically and legally separate entities can take the form of problem solving rather than bargaining. Therefore, trust enhances supply chain performance by improving information availability, reducing transaction costs, reducing opportunistic behaviours, diminishing the likelihood of free-riding and other negative externalities. The main theme is that trust increases the propensity of people to cooperate and produce socially efficient outcomes and to avoid inefficient non-cooperative traps.

Every transaction has some element of trust. The fact that transactors agree to exchange shows that there is some level of trust, however, it is minimal trust. Trust in relationships is very important as it enhances cooperation between parties. The results in Table 5.7 shows that less than half of the respondents (46.8%) trust the millers. Trust in an exchange relationship is important because it reduces opportunistic behaviour and promotes cooperation and commitment in the relationship. The results indicate that farmers were divided on the issue of trust, since the percentage of those who do not trust the millers (42.7%) was very close to those who trusted. It can be noted in Table 5.2 that smallholder farmers have minimal trust. This implies that farmers trust that the millers will fulfil their obligation of accepting their cane as per contract. This trust results from the stable and consistent buying process of their cane by millers. However, the perception that millers cheat farmers tends to limit the farmer's trust to the minimum.

Table 5.7: Sample cane growers' trust on the millers

Item	Frequency	Percent
No trust	53	42.7
Not sure	13	10.5
Trust	58	46.8
Total	124	100

It is also worth noting that trust can be built in three ways in an exchange relationship. These include:

- Institutionally-based trust, which constitutes minimal trust based on formal controls such as rules, procedures and regulations in the industry. These specify the patterns of behaviour and penalties or sanctions to be applied in cases of non-conformance by both growers and millers.
- Characteristic-based trust, which is based on the reputation of the millers and farmers. This reputation collects, distributes and aggregates feedback about the millers and the farmers' past behaviour. Since farmers have the belief that millers are cheating them, they do not believe millers have a good reputation and
- Process-based trust, which results from the intensity of interaction between millers and farmers. Interaction between farmers and millers only occurs at the farmer/mill group committees and through representatives at the SSA.

The fact that an extension service is provided by the government and the SSA results in farmers believing that millers are not making an effort to assist or interact with them. The risk involved in the interaction process becomes important in enabling trust. However, in the case of smallholder farmers and millers there is no risk of each party defecting the contract because it would be uneconomic for farmers to change mills or change to other crops as presently sugarcane has high economic returns in comparison to other crops. The millers own estates from which they supply their own sugarcane to their mills. Hence, they may not be affected by defection of some farmers. Therefore, there are no risks faced jointly by both parties and this hinders the development of trust. Relatedly, some farmers argue that millers refuse to employ farmers' representatives in the laboratories, because they would ensure farmers are not cheated during the testing of sucrose content. This is a clear indication of limited trust by farmers in the millers.

5.3.6 Cane growers' satisfaction with millers' relationship

Satisfaction is defined as the seller/buyer's affective state resulting from his overall appraisal of his relationship with the buyer/seller. In an on-going exchange relationship, satisfaction with previous exchanges generates confidence between both parties because they tend to feel that they are not exploited and are concerned with each other's welfare in the exchange relationship. The results in Table 5.8 show that more than half (62.9%) of the respondents were satisfied with their relationship with millers. Satisfaction is regarded as a measure of the effectiveness or the performance of the relationship. Like any rational individual, farmers weigh the costs and benefits of being in the sugar industry against other options and their satisfaction is based on this comparison.

Table 5.8: Sample cane growers' satisfaction in their relationship with the millers

Item	Frequency	Percent
Not satisfied	25	20.2
Not sure	21	16.9
Satisfied	78	62.9
Total	124	100

Not surprisingly, satisfaction is related to economic performance. Most of the farmers realise economic benefits from growing sugarcane. Therefore, their satisfaction in the relationship stems from the economic benefits they receive from the sugar industry.

5.3.7 Farmers' perceptions of opportunistic behaviour by millers

Suspected opportunism is one factor that can destroy a relationship, irrespective of whether the suspicion is factual or not. It is important to note that in any exchange relationship either party may be capable of opportunism if the right circumstances arise. In practise, opportunism includes overt behaviour such as distortion of information, subtle behaviour such as misrepresentation of information by not fully disclosing it, cheating and reneging on commitments. Table 5.9 presents the farmers' perceptions of opportunistic behaviour by millers. The results suggest that about two-thirds (66%) of the respondents regard millers as being opportunistic, whilst only a few (7.3%) are not sure. These results seem to contradict that farmers are satisfied with the relationship. However, the possible explanation could be that, though they claim to be cheated by millers, they are better-off being in this relationship compared to other alternatives. This is because is better profit in cane production than in other crops.

The results suggest that the relationship between millers and smallholder cane growers is not a healthy relationship since farmers accuse millers of being unfair. They feel they are cheated by millers. In a discussion with farmers some stated that they want to be paid for all the products derived from sugarcane, including bagasse, molasses and compost. Others revealed that millers have a tendency to test the sucrose content of their cane whilst it is still in the field and if the sucrose content is low, they postpone harvesting until the sucrose content is higher. In contrast, the sucrose content for farmers' cane is tested at the mill and if it is low, the farmers lose-out financially since payment is based on sucrose content in the cane.

Table 5.9: Sample cane growers' perceptions of opportunistic behaviour by the millers

Item	Frequency	Percent
There is no opportunistic behaviour by millers	33	26.6
Not sure	9	7.3
There is opportunistic behaviour	82	66.1
Total	124	100

In another instance, farmers' associations submitted that the mill deducted R20,000 from their pay and when they enquired about this, they were told it was meant to cover the costs of producing white sugar. The concern for these farmers was that these deductions should not be effected on farmers. Hence, they regarded such an action as cheating and an act of opportunistic behaviour by the millers. However, they indicated that discussions were underway to get their money back.

5.3.8 Relative dependence

It is often argued that dependent firms will accept directions and changes requested by the dominant partner to sustain their relationship. On the other hand, the dominant partner will direct actions that will achieve its individual preferences over those that are jointly acceptable to both parties. In this study farmers were asked about their perception in regard to their dependence on the millers, and these results are presented in Table 5.10. The results indicate that more than half (56%) of the respondents perceive that cane growers are more dependent on the millers than millers are dependent on them.

As indicated in Chapter one, most of the sugarcane supplied for processing comes from mill cum-planters with the exception of the Ubombo mill. This suggests that even if cane growers were to withhold their cane, the mills could still operate with minimal disruptions. On the other hand, cane growers have no alternative market for their sugarcane. As a result of asset specificity that they incur in cane production in terms of machinery, equipment and other specificities, they find themselves locked in a dependence situation because the switching costs would be too high.

Table 5.10: Sample cane growers' perception of dependence on the millers

Item	Frequency	Percent
There is no dependence on the millers	39	31.5
Not sure	16	12.9
There is dependence on the millers	69	55.6
Total	124	100

The issue of dependence was stressed by some farmers who asked; “how can millers expect smallholder farmers to have equal powers with them”. Relatedly, when the farmers were asked how they monitor whether the mill honours its agreements in terms of payment arrangements, price and procedures, they said; “that is a very difficult question since we mainly depend on the millers for processing our cane into sugar”. This implies that farmers regard themselves as being helpless and dependant on the millers.

5.4 PERCEPTIONS OF MILLERS

The respondents for the millers' data consisted of three cane supply managers, one from each mill. These were chosen because they work closely with the smallholder farmers. The perception of the millers regarding their relationship with cane growers was assessed by finding the means of their responses on the item scales measuring each construct. The questionnaire used to collect data on the millers' perceptions was similar to that of the cane growers except in that it was specific to the millers (see Appendix F). In a 4-point likert type scale, where 1 represented strongly disagreeing with the statement and 4 represented strongly agreeing with the statement, an average response value above the midpoint of 2.5 implies the respondent agrees, while a score below 2.5 means the respondent disagrees with the statement. Table 5.11 presents the results of the perceptions of the millers in their relationship with cane growers. The results show that although millers are dependent on the cane growers (mean = 3.40), they have minimal trust in the growers (mean = 2.58). The results also indicate that millers are committed to and certain about their relationship with cane growers. They seem to be satisfied with this relationship (mean = 3.08). Unlike the cane growers' the results indicate that millers do not perceive any threat of opportunistic behaviour from cane growers (mean = 2.22). They also feel that cane growers have no influence on the millers (2.00). This could be due to the fact that, though smallholder farmers are numerous, their contribution in

terms of production and their proportionate representation in the sugar industry structure is low. However, they regard their cooperation with the cane growers to be high (mean = 3.33).

The results based on the perception of millers are not surprising. Smallholder farmers only contribute a small amount to the sugarcane produced in Swaziland. Moreover, millers are aware that smallholder farmers are dependent on them, since sugarcane has a comparative advantage over other crops. Therefore, they are certain that farmers will always grow sugarcane, hence maintaining the relationship with them.

Contrary to the farmers' perceptions where they indicated that there is lack of cooperation, millers perceive a high level of cooperation between themselves and the farmers. This is because farmers are dependent on the millers and as a result they are forced to cooperate. This suggests that cooperation is one sided, which implies compliance by farmers rather than cooperation since cooperation is viewed as reciprocal.

As expected, the millers indicated that smallholder cane growers do not influence their decisions. This is because of the small percentage of sugarcane produced by smallholder cane growers compared to the total production by the industry as a whole and they are not well represented in the structures of the sugar industry. As a result of their insignificant contribution, the millers do not perceive any threat of opportunistic behaviour by these farmers.

The millers had to expand their mill capacities in order to accommodate more sugarcane when smallholder farmers joined the industry. Therefore, it makes sense for the millers to view themselves as dependent on the farmers because, without the farmers' input the mills will be under-utilised.

Table 5.11: Millers' perceptions of their relationship with cane growers, 2001 (n = 3)

Item	Mean	Std dev
Certainty of the relationship	2.833	0.288
Commitment	2.890	0.697
Cooperation	3.333	0.461
Influence by cane growers	2.000	0.433
Opportunistic behaviour by cane growers	2.220	0.191
Satisfaction	3.083	0.382
Trust	2.583	0.144
Dependence to cane growers	3.417	0.520

5.5 DESCRIPTION OF CANE GROWERS' PERFORMANCE AND INDICATORS

The success of contractual relationships differ in spite of equal conditions in object and time based aspects. The objective of any contractual relationship is to increase the quality of the product and the benefits that accrue to each partner, while minimising the total costs associated with adding value incurred by both the buyer and the supplier. A contractual relationship must guarantee and communicate ex-ante that the contracting partners have higher benefits with the relationship than without. Also the benefits of remaining in the contractual relationship must be higher than the costs of coordinating the actions. Therefore, the economic performance of the cane growers may be affected by several transaction costs incurred during the exchange process. Table 5.12 shows the relationship between economic performance of the cane growers and the sources of transaction costs.

Table 5.12 suggest that respondents who indicate that they make a profit from the sale of sugarcane have less transportation costs (R523.78) per tonne compared to those who reported that they are not making a profit (R642.25), they also have more irrigation water (36.12 cusec) as opposed to those who claim they are not making profit (26.76 cusec) and they have high percentage changes in quota (71%). The results show that the distance between the farmers' production sites and the mill is important for cane growers to realize a profit. Even if farmers could use the same type of transport and obtain the same yields, the difference in their location (specificity) would result in differences in profit. The results show that farmers who

reported making a profit are closer to the mill to which they supply (20.41 km) compared to those who do not make a profit (20.91km).

The availability of assets in any business is regarded as important in production because farmers are able to use these assets at their convenient time and at a lower cost than when leasing such assets. Farmers who reported making a profit were found to have a high value of assets per ha (R1,229.36) than those who reported not making a profit (R1,094.07). Relatedly, such farmers also have less value of leased assets per ha (R4075), while those who reported not making a profit had high value of leased assets per ha (R4,369.61). The results further indicate that farmers who reported making a profit have more land under sugarcane production (24.16ha), high yield per ha (96.12 tonnes) and high sucrose content (13.92%) compared to 9.05ha, 78.31tonnes and 13.77% respectively for those respondents who reported not making profit.

Further analysis of the performance factors based on the smallholder farmers indicate that the performance of smallholder farmers is also dependent on transport cost, distance to the mill, percentage change in production quota, yield per ha, and duration of the relationship with millers (years in sugarcane farming). The results imply that these factors are important for the farmers to realise economic benefits from the sugar industry (Appendix A).

Table 5.12: Sample farmers' economic performance and sources of transaction costs in 2001

Item	Do you make profit					
	Mean for <u>Yes</u>	Std dev	N	Mean for <u>No</u>	Std dev	N
Transport cost per tonne (Rands)	523.78	642.25	95	614.51	1080	16
Irrigation water (cusecs)	36.12	20.98	82	26.76	14.55	14
Percent change in quota (%)	0.71	3.06	95	0.10	0.44	17
Distance to the mill (km)	20.41	16.92	95	20.91	24.49	16
Total value of assets per ha (Rands)	1229.36	1901.91	95	1094.07	1915.40	17
Total value of assets leased per ha (Rands)	4075	7585.93	95	4369.61	8893.50	17
Farm size (ha)	24.16	33.29	95	9.05	8.54	17
Yield per ha (tonnes)	96.12	22.79	92	78.31	25.44	16
Average sucrose content (%)	13.92	0.97	90	13.77	0.87	15

5.5.1 Farmers' satisfaction and perceptions of their relationship with millers

Conceptually, satisfaction and performance are closely related. Satisfaction is an affective response to evaluation of perceived performance and performance can be assessed at different levels. It can be assessed at product level, service level and at relationship level. At relationship level, performance has been shown to be related to relationship outcomes like satisfaction. Therefore, satisfaction is a proxy for performance in an exchange relationship. Table 5.13 shows the relationship between satisfaction and the perception of the farmers regarding their relationship with the millers.

All the respondents who are satisfied with their relationship with the millers as well as almost all (96.2%) of those who are not satisfied with their relationship, expressed their commitment to the relationship. As indicated before, respondents in this study perceived poor cooperation between themselves and the millers. About 85% of those cane growers who are not satisfied with their relationship perceived a lack of cooperation between farmers and millers, whereas (62.0%) of those who are satisfied also have a similar perception. The results show that about three-quarters (77.5%) of satisfied respondents and more than half (56%) of those not satisfied with their relationship feel they are relatively dependent on the millers. From the results it can be noted that more of the farmers who are satisfied are committed to the relationship and are dependent on the millers compared to those who are not satisfied. In contrast, more of those farmers who are not satisfied with their relationship with millers perceive that there is no cooperation between farmers and millers. This suggests that cooperation and satisfaction are positively correlated. It may be argued that farmers who are satisfied with their relationship with millers have trust in the millers and realise economic benefits from their exchange relationship. Hence, they are satisfied with the relationship since satisfaction is based on either economic or social benefits.

Table 5.13: Sample farmers' satisfaction and perceptions of their relationship with millers

Item	Respondents not satisfied (N=53)	Respondents satisfied (N=71)	Total respondents (N=124)
No commitment	2 (3.8)	0 (0)	2 (1.6)
There is commitment	51 (96.2)	71 (100)	122 (98.4)
No cooperation	45 (84.9)	44 (62.0)	89 (71.8)
There is cooperation	8 (15.1)	27 (38.0)	35 (28.2)
No relative dependence	23 (43.4)	16 (22.5)	39 (31.5)
There is relative dependence	30 (56.6)	55 (77.5)	85 (68.5)

5.5.2 Farmers' trust and perceptions of their relationship with millers

Trust is regarded as an important asset in an exchange relationship between supply chain members like the cane growers and millers. Its importance is rooted in the belief that it leads to desirable attitudes of commitment and that it reduces transaction costs associated with monitoring and providing safeguards in an exchange relationship.

Table 5.14 compares the perceptions of the farmers who trust the millers and those who do not trust them. The results indicate that almost all respondents who trust them (98.6%) and those who do not trust (98.1%) the millers are certain about their relationship with the millers. Almost all respondents (96.2%) who do not trust the millers and all those who trust them indicated their commitment to their relationship with the millers. The perception by farmers of lack of cooperation by the millers is evident in both farmers who trust as well as those who do not trust the millers. More than three-quarters (84.9%) of the farmers who do not trust millers and about two-thirds (62.0%) of those who trust millers expressed a perceived lack of cooperation in their relationship with the millers. Both farmers who trust and those who do not trust millers perceived dependence on the millers. More than half (56.6%) of the respondents without trust and more than three-quarters (77.5%) of those who trust perceive that farmers are dependent on the millers. The results also suggest that more than three-

quarters (88.7%) of farmers who do not trust the millers and 77.5% of those who trust millers feel that farmers are influenced by millers. About ninety percent (90.6%) of those farmers who do not trust millers and 59.2% of those who trust them, perceive that millers exercise opportunistic behaviour towards farmers. The majority of those who trust (91.5%) and those who do not trust millers (64.2%) are satisfied in their relationship with the millers.

Collectively, the results suggest that more of those farmers who trust millers than those who do not trust are certain of their relationship with millers, are committed to the relationship, are dependent on the millers and are satisfied with their relationship with the millers. On the other hand, more of those farmers who do not trust millers than those who trust them perceive that there is no cooperation between farmers and millers, farmers are influenced by millers, and opportunism by millers. The results show the importance of trust in an exchange relationship.

Table 5.14: Sample farmers' trust in millers and their perceptions of their relationship

Item	Respondents without trust (N=53)	Respondents with trust (N=71)	Total respondents (N=124)
Uncertain	1(1.9)	1 (1.4)	2 (1.6)
Certain	52 (98.1)	70 (98.6)	122 (98.4)
No commitment	2 (3.8)	0 (0)	2 (1.6)
There is commitment	51 (96.2)	71 (100)	122 (98.4)
No cooperation	45 (84.9)	44 (62.0)	89 (71.8)
There is cooperation	8 (15.1)	27 (38.0)	35 (28.2)
No relative dependence	23 (43.4)	16 (22.5)	39 (31.5)
There is relative dependence	30 (56.6)	55 (77.5)	85 (68.5)
No Influence by miller	6 (11.3)	16 (22.5)	22 (17.7)
There is influence by miller	47 (88.7)	55 (77.5)	102 (82.3)
No opportunistic behaviour	5 (9.4)	28 (39.4)	33 (26.6)
There is opportunistic behaviour	48 (90.6)	42 (59.2)	90 (72.6)
No Satisfaction	19 (35.8)	6 (8.5)	25 (20.2)
Satisfaction	34 (64.2)	65 (91.5)	99 (79.8)

It is a common phenomenon that the element of trust in relationships is linked to economic benefits. In most cases people who realise economic benefits in their relationship are likely to have developed trust in that relationship. Table 5.15 presents the results of the respondents who trust millers and those who do not trust the millers with their perceptions on profit. The results show that nearly all the farmers (94.2%) who trust the millers indicated that they make a profit from the sale of sugarcane. Nearly three-quarters (72.3%) of those who do not trust the millers also indicated that they make a profit. The results suggest that both farmers who

trust and those who do not trust the millers realise economic benefits from their relationship with the millers. However, most of those who trust the millers compared to those who do not trust them indicated that they make a profit in sugarcane production. This indicates the importance of trust in enhancing economic benefits.

Table 5.15: Trust and profit making

Item	Respondents without trust (N=47)	Respondents with trust (N=69)	Total respondents (N=116)
Not making profit	13 (27.7)	4 (5.8)	17 (14.7)
Making profit	34 (72.3)	65 (94.2)	99 (85.3)

5.5.4 Farmers' trust and duration of relationship with millers

The relationship between exchange partners is expected to improve with time. The longer the duration of engagement between parties involved in the relationship, the stronger the relationship. Thus, the level of trust in a relationship is expected to be higher as the period of relationship engagement increases. However, the results in Table 5.16 show a negative relationship between the number of years in the farmers' exchange relationship and their trust in the millers. More than half (57.7%) of the farmers who trust the millers have less than 10 years in sugarcane farming, while 61.2% of those who do not trust millers have more than 10 years in sugarcane farming. However, there was no difference in the duration of exchange relationships in terms of the farmers' perceptions of opportunism by the millers. The results indicate that more than half (60%) of the respondents who had been farming sugarcane for less than 10 years and more than three-quarters (85%) of those who had been farming for more than 10 years regard millers as being opportunistic (Table 5.17). A closer look at the results indicate that more of the farmers who perceived opportunistic behaviour by millers are those who have been farming sugarcane for more than 10 years. This implies that since these farmers have been working with the millers for a long time, they are familiar with the operations of the industry and expected more than what they presently receive from the millers. Thus, they feel millers are cheating them.

Table 5.16: Duration of relationship and sample farmers' trust in millers

Item	Respondents without trust (N=49)	Respondents with trust (N=71)	Total respondents (N=120)
Less than 10 years	19 (38.8)	41 (57.7)	60 (50.0)
More than 10 years	30 (61.2)	30 (42.3)	60 (50.0)

Table 5.17: Duration of relationship and sample farmers' perceptions of opportunism

Item	Less than 10 years experience (N=60)	More than 10 years experience (N=60)	Total respondents (N=120)
No opportunistic behaviour	24 (40.0)	9 (15.0)	33 (27.5)
There is opportunistic behaviour	36 (60.0)	51 (85.0)	87 (72.5)

5.6 SUMMARY

This chapter presented the descriptive part of the study. It also examined the characteristics of the cane growers sample used in the study.

A closer look at the perceptions of the cane growers reveals that smallholder farmers are certain of their relationship with the millers and are committed to the relationship. Though the farmers perceive poor cooperation between the millers and themselves, they however possess some contractual trust towards the millers. The farmers perceive millers to influence farmers' decisions and to display some opportunistic behaviour towards them. Farmers also perceive that they are more dependent on the millers than the millers are on the farmers.

The results of the millers' perceptions indicate that millers are certain and committed to their relationship with farmers, millers believe there is cooperation between themselves and the farmers and they do not perceive any opportunistic behaviour by the farmers. Like the cane growers, the millers also possess contractual trust towards the farmers. They regard themselves as being dependent on the cane growers and they are satisfied with their relationship with the farmers.

Based on the results of the cane growers' performance, it is evident that the performance of the smallholder farmers, and hence the performance of the sugar industry supply chain, is influenced by two categories of factors. Firstly, those factors that are mainly dependent on the farmers themselves. Such factors include; transportation costs, percentage changes in the farmers' production quota, the distance between the farmers' production site and the mill, the value of the farmers' assets, farm size, yield per ha, and sucrose content of the sugarcane. Secondly, those factors that depend on the relationship between the farmers and the millers, such as perception of opportunistic behaviour, dependence on the millers, perceived poor cooperation between farmers and millers, and lack of goodwill trust by both farmers and millers. The results suggest that most farmers who trust the millers are committed to the relationship and a few of them perceive a lack of cooperation compared to those who do not trust the millers. The farmers' perception of opportunistic behaviour by the millers is associated with a few of those who trust, but more of those who do not trust the millers, while the majority of farmers who are satisfied in their relationship with the millers are associated with trust.

This chapter provided an informative description of the cane growers, their perceptions as well as the perceptions of the millers about their relationship. The next chapter will provide analytical tests of the social factors affecting the performance of the cane growers, and hence the supply chain. It further provides tests of the model for smallholder cane growers and the millers' relationship.