Agricultural Competitiveness White Paper Submission - IP593
Business Council of Co-operatives and Mutuals
Submitted 17 April 2014

GPO Box 5166 Sydney NSW 2001
P 02 9239 5915 E info@bccm.coop
www.bccm.coop

BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Submission to the Agricultural Competitiveness White Paper

April 2014

Table of Contents

Executive Summary

The Business Council of Co-operatives and Mutuals (BCCM) represents the interests of co-operatives and mutuals at a national level.

This submission seeks to raise awareness of the co-operative business model by demonstrating its:

- strong role in the development of major Australian agricultural industries
- ability to provide countervailing power to smaller farm businesses in competitive global and domestic markets
- commitment to providing a full range of member services such as business and agricultural advisory services, education and training and other ancillary services such as bulk purchasing and infrastructure development
- ability to adapt and prosper in the face of market deregulation and globalisation, and
- beneficial impact on sustainability and diversity in regional communities.

The BCCM, in this submission provides information to the Agricultural Competitiveness Taskforce on the recent legislative changes to co-operatives legislation, the Co-operatives National Law. It identifies the positive effects that the new law will have by removing anti-competitive regulations and facilitating access to financial markets through the implementation of laws for the issue of new financial securities by co-operatives.

Four recommendations are made for inclusion in the proposed White Paper as matters to be addressed to improve agricultural competitiveness through co-operatives. The recommendations are:

1. That there should be funding for more focussed research on the value of co-operatives in the agricultural sector both at a national level and as contributors to regional economic prosperity.
2. That government at all levels should promote diversity of enterprise models in agriculture by raising awareness of the co-operative model of doing business.
3. That educators and professional organisations recognise the potential of the co-operative as a means of doing business and enriching regional communities by focussing more research and more professional education on co-operative regulation, management and finance.
4. That consideration be given to addressing instances of double regulatory requirements for co-operatives in respect of fundraising through security issues.

About this submission

The Business Council of Co-operatives and Mutuals (BCCM) was formed in July 2013 to represent the interests of the co-operative and mutual sector nationally on a range of issues that impact on this important and growing sector of the Australian economy.

The BCCM promotes awareness of the contribution of these businesses to Australia's economic and community development. The BCCM engages with government on the benefits of the co-operative business model for building dynamic local economies, sustainable, local employment, community reinvestment and community-generated, self-help solutions to shared needs.

Visit www.bccm.coop for more information.

What are co-operatives?

Co-operatives have a long history of contributing to Australia's economic development and social well-being.

They provide:

- Benefits to producers and consumers by buying and selling goods at fair and competitive rates;
- branding, marketing and distribution services for members' products, particularly in the agricultural sector;
- services to members, such as health, childcare, electricity, travel, housing and roadside assistance.

They build social capital, through educational resources and information and skill sharing that encourages ownership, co-operation and participation.

Financial co-operatives or mutuals comprise credit unions, mutual building societies and banks and friendly societies. Financial co-operatives are a key source of finance to the agricultural sector.

Co-operatives foster and develop the principles and practice of self-help, sustainability and democracy through community engagement and ownership. They conduct their businesses in the context of internationally recognised co-operative principles that are enshrined in legislation in Australia.

Co-operatives are incorporated bodies and have the same corporate powers as companies. They aim to generate a profit and, like other business enterprises, they must make prudent business decisions. However, profits from the co-operative enterprise are channelled back into the co-operative in the form of improved services or lower costs to members as users rather than distributed in dividends to shareholders. Co-operative members are usually required to hold shares in the co-operative; however, it is their active membership relationship to the co-operative that is at the core of this corporate body type.

This method of doing business removes the need to pursue business solely for the purpose of rewarding capital investors with dividends. The result is a simplified cost sharing structure to deliver benefits to members.

The BCCM welcomes the Agricultural Competitiveness Issues Paper. It raises awareness of this important part of the Australian economy and is an opportunity to engage public debate about how to plan for the best possible outcomes for Australian agriculture.

This submission seeks to inform about the nature of co-operatives and their role in the agricultural sector as well as their potential in Australia's future.

The co-operative sector in Australia and its importance for agriculture

Co-operatives are the 'quiet achievers' in the Australian economy. There are over 1700 registered co-operatives in Australia. Eight in ten Australians are members or customers of a co-operative or mutual organisation.

Agricultural co-operatives have a strong and proud history and demonstrate that they have much to contribute to the competitiveness and sustainability of agriculture in Australia.

As well as providing a market for farmer members most agricultural co-operatives, such as Co-operative Bulk Handling Ltd and Southern Quality Produce Co-operative Ltd operate bulk purchasing activities for members to reduce input costs. There are many more small agricultural purchasing co-operatives and co-operative service providers for farmers and other co-operatives such as co-operatives that operate farm and machinery field days, livestock and farming education particularly in organic and biodynamic farming methods in Australia.

Co-operative Bulk Handling (CBH) in grain and Murray Goulburn Co-operative (dairy) each with revenue of over $2 billion, are also the largest two co-operatives in Australia by revenue in any sector.

Dairy co-operatives, with over $3.5 billion in revenue, dominate the top ten agricultural co-operatives. Murray Goulburn, Dairy Farmers Milk and Norco have been part of the fabric of Australian agriculture for a long time and they continue to survive because of their ability to adapt to changing regulatory and competitive circumstances.

Murray Goulburn Co-operative processes around one third (3.6 billion litres in 2010-11) of the nation's milk supply. The Dairy Farmers Milk Co-operative manages milk supply agreements for its farmer members, primarily with National Foods/Lion. They supplied 921 million litres of milk in 2010-11. Norco Co-operative has a milk purchasing and supply division along with agribusiness, rural and food divisions. Norco supplied 137 million litres of milk in 2010-11.

Background: Agriculture and Co-operatives

The majority of agricultural producers in Australia are individuals or farming families, who operate either as sole traders, partnerships, and trusts or closely held family companies. For these producers, processing, marketing and the creation of supply chains present major challenges. Co-operatives have been and continue to be core suppliers of these services to their farmer members.

Co-operatives operate in diverse agricultural areas marketing and processing dairy, grain, meat, fish, oils and other fresh products and providing agricultural advisory, education and training services to their members.

The first agricultural co-operative was formed in the dairy industry as the South Coast and West Camden Co-operative Company, in the 1880s. Its aim was to remove 'middle men' and improve returns for farmers.

Norco Co-operative Limited is a dairy-based co-operative that has been in business since 1895. Norco is still owned by its nearly 300 members who operate Australian dairy farms and supply milk to the co-operative to be sold into the fresh milk market or processed into value added products. Norco has a network of rural stores in Northern New South Wales and South East Queensland and an Agribusiness division.

Co-operative Bulk Handling (CBH), formed in 1933 is Australia's biggest co-operative (by turnover). It has grown through innovation with operations including grain storage, handling, transport, marketing, shipping, and domestic and off-shore processing. Based in Western Australia and owned and controlled by around 4,200 grain growers, CBH's core role is to create and return value to members, principally by lower fees for grain storage, handling and freight, and investment in the upgrade and maintenance of storage and handling infrastructure including a huge investment in the development of rail infrastructure. In 2010-2011 CBH handled 6.5 million tonnes of grain. In 2013-14 they expect to handle the largest grain crop in Western Australia of more than 15 million tonnes.

With 197 receivable sites and 4 grain export terminals, CBH exports to more than 20 markets with offices in Hong Kong, Japan and the US. CBH provides significant employment with over 1000 permanent staff and 1500 casual staff during harvest. CBH supports not only individual agricultural producers but also many rural and regional communities.

Murray Goulburn Co-operative Co Ltd, established in 1950, is a supplier of dairy ingredients and retail products, processing over a third of Australia's milk supply. Based in Victoria, Murray Goulburn has 2,580 dairy farmer owners. The Co-operative exports to major markets around the world and has a strong presence in the Australian domestic market.

Namoi Cotton Co-operative Limited began as a co-operative of cotton farmers in northern NSW and Queensland and throughout the 1960's developed infrastructure for the benefit of members. It developed a strong supply chain and robust R & D programmes in collaboration with international researchers. Namoi Cotton continues to be a leading cotton processor and provider of support services to its members.

Co-operative enterprises such as these are examples of how well co-operatives can provide individual farmers with leverage into markets and support to improve productivity.

Contribution to agriculture by co-operatives

The top 10 co-operatives turned over in excess of $7.4 billion in 2012.

Recent performance of agricultural co-operatives shows that they are improving productivity and continue to grow despite challenges to farmers from drought, climactic conditions and the strong Australian dollar.

The Business Review Weekly (BRW) list of Australia's Top 500 private companies for 2013 revealed that although mutually owned businesses comprised just 12.4% of the total firms in the list, they represented 70% of the Top 20 companies.

"This includes firms from a range of sectors with many, such as the Victorian dairy products manufacturer Murray Goulburn ($2.38 billion up 0.2%) and Western Australian bulk grains storage and handling business CBH ($2.32 billion up 10.7%) representing some of the nation's largest companies.

"In fact their contribution is even stronger if the list is amended to include several mutually owned businesses that were left out of the BRW league table."

"They include these agricultural co-operatives each of which had an annual turnover in 2012/13 in excess of $83 million:

- Dairy Farmers Milk Co-operative Ltd (NSW) $502.94 million
- Namoi Cotton Co-operative Ltd (NSW) $410.36 million
- Western Australian Meat Marketing Co-operative Ltd (WA) $124 million
- Ravensdown Fertiliser Co-operative (WA) $120 million
- NSW Sugar Milling Co-operative (NSW) $103.36 million

"Co-operatively owned businesses reported an average annual turnover in FY2012/13 of around $1.84 billion with an annual growth rate in turnover of 48%. By comparison their investor owned counterparts reported an average annual turnover of around $395 million, and annual average growth in turnover of only 4%.

"The mutually owned businesses in the wholesale trade sector also performed well in terms of their percentage change in annual turnover including Geraldton Fisherman's Co-operative (WA) with $150.50 million in annual turnover and an improvement of 11.7% over the previous financial year.

"Another strong performer, this time from the manufacturing sector, was the NSW meat processor Northern Co-operative Meat Company (NCMC) which reported a 23.5% improvement in annual turnover to $210.0 million."[1]

[1] Mazzarol, T, "Mutual Ownership within Australia's Top 500 Companies" Sustainable Cooperative Enterprise Research Program White Paper 001, September 2013, http://www.cemi. com.au/sites/all/publications/CoopsWP-1-2013VFFF.pdf

Issue 1 Food Security - by fostering a sustainable, diverse agricultural sector

(a) Countervailing power

Global and domestic food security is assured by measures that encourage farmers to continue farming. Given that the majority of farmers in Australia are small or family owned enterprises, a key factor in encouraging farmers to continue to farm is to provide fair markets and to foster good supply chains.

The impact of the co-operation between producers and their co-operative is greater than the supply of services to members. As co-operatives are owned and managed by members, they are highly focussed upon improving the viability and sustainability of their farmer members. This focus translates into ensuring fair farm gate pricing, ancillary support and education for farmers and, importantly a strong market representation.

Research on global food supply chains in the US and Europe shows that there is a 'choke point' between producers and consumers at the buyer point because of unequal bargaining power.

Co-operatives are able to better deal in these competitive environments than individual members both at a global and domestic level.

According to the International Co-operative Alliance, agricultural co-operatives impact positively on economies and food supply chains.

They deliver:

Improved food *security* - According to the Global Forum on Local Development, investments which support the establishment and operation of farmer and producer co-operatives have demonstrated success in improving food security, and can help to address the imbalance between smallholder farmers and other stakeholders in the value chain.

Improved rural incomes – Co-operatives increase rural incomes through improved production, access to markets and greater access to food at the local levels builds resilience of poor families and communities and makes them less vulnerable to external impacts.

Reduce price volatility - Co-operatives strengthen the bargaining power and livelihoods of small farmers who are less vulnerable to price fluctuations, through working together.

Effective in reducing hunger - UN Secretary-General Ban Ki-moon said in a message to World Food Day 2012 that agricultural co-operatives would be crucial in meeting the Zero Hunger Challenge that he launched at the Rio+20 UN Conference on Sustainable Development in June 2012.

Scale to make a difference - The co-operative sector accounts for a significant share of gross domestic product (GDP) in many economies. Worldwide, co-operatives have more than one billion members, a large proportion of which are in the agriculture sector. For example, in Brazil, 37 per cent of agricultural GDP is produced through co-operatives; in Egypt, four million farmers earn their income through co-operative membership; in Ethiopia the equivalent figure is 900,000; and in India, 16.5 million litres of milk are collected every day from 12 million farmers in dairy co-operatives. In Europe, agricultural co-operatives have overall market share of about 60 per cent of the processing and marketing of agricultural commodities and about 50 per cent of the supply of inputs, while equivalent figures in the United States are 28 per cent of processing and marketing and 26 per cent of input supply.

In domestic markets co-operatives have a strong history and continuing potential to contribute to food security through developing farmer sustainability and supply chain networks.

In Australia the consumer food market is dominated by a duopoly of supermarkets, making it difficult for farmer producers to obtain reasonable farm gate prices and for consumers to obtain fresh food from Australian producers that has travelled the least number of miles. This buyer choke point can be alleviated by co-operatives. There is little question that the number of Australian farmers has fallen significantly over recent decades. Like many businesses farming has become increasingly mechanised and farms have had to grow larger and more capital intensive to remain competitive. For example, in Western Australia the membership of CBH was around 15,000 in the late 1960s, today is around 4,500. There has also been a decline in the number of co-operatives in the last fifty years.

Farmer owned co-operatives once dominated the Australian dairy-processing sector. Today however, many have been converted to investor owned firms. Dairy Farmers Milk partly demutualised in 2004 and sold its processing enterprise to National Foods, which is now owned by Lion Pty Ltd and Warrnambool Cheese and Butter (WCB) was listed in 2004. The recent takeover battle for WCB focussed upon investor returns but there has also been a broader debate about foreign or concentrated ownership of processing and its impact on our dairy farmers. Whilst foreign ownership of dairy processing and export may not be inherently bad, for the thousands of small family owned dairy farms, the lack of bargaining power is a cause for concern.

Co-operatives such as Murray Goulburn offer farmers greater control over the future of their industry because they are the owners of such businesses.

As member owned and focused enterprises, dairy co-operatives serve the interests of the small family farm businesses. Farm gate pricing is set at a fair rate designed to maintain the economic viability of both the co-operative and the farmer. Unlike investor owned firms that need to pay substantial returns to shareholders, the purpose of a co-operative is to improve the relative competitiveness of their members.

Perhaps the most significant force that has impacted on farmer co-operatives has been the deregulation of agricultural markets. The movement to open up the Australian economy to greater international competition commenced in the 1980s and early 1990s and has continued ever since.

Market deregulation is generally a positive objective and one that has helped to transform Australia from a closed and largely uncompetitive economy, to an open and efficient one that compares well against most other nations. This trend in market deregulation has been mirrored around the world and reflects the broader “globalisation” of markets.

However, while enhanced competition is a good thing, it can have negative consequences, particularly for small business operators such as farmers. These producers sell their commodities into national and international supply chains. They have relatively limited – if any – power to negotiate farm gate prices with major buyers who control “choke points” in the supply chain.

As an example of what has happened in domestic agriculture, the enormous rationalisation that resulted from the deregulation in the dairy industry in 2000 led to dairy farmers becoming price takers with fewer and fewer processors. Prior to deregulation, farm gate prices for milk were regulated by government authorities creating inequality between States. Since deregulation, the “price war” role of major supermarkets in the domestic economy has effectively replaced regulated farm gate prices. Even dairy processors are also becoming price takers as a result of highly competitive "milk price wars" between Coles and Woolworths. The effect of this limited number of buyers in this market creates the choke point for dairy product domestically.

Dairy production, like other agricultural industries, has become a cost laden industry. With increase in costs for fodder, labour, water, repairs and maintenance as well as herd health and land management. Lower farm gate prices make it unviable for many small farmers to continue. In 1982 in Australia there were 20,300 dairy farms. By 2013 there were only 6,686 registered dairy farms (IBIS World, 2013).

Co-operatives are adapting to the changes in the regulatory environment and the developments in the dairy processing and domestic retail market. Fair farm gate prices and bargaining power on behalf of individual farmers means that co-operatives like Murray Goulburn and Norco are better able to contribute to sustainability for dairy farmers.

Dairy co-operatives have traditionally provided a range of support and ancillary services to members, and Murray Goulburn has instigated a "Next Generation" programme targeting younger farmers to stay on farms and with financial and advisory support from their co-operative, these younger farmers are encouraged to expand and improve productivity.

(b) Alternative retail outlets for farm produce

There has been an increase in the number of consumer food co-operatives in both urban and regional areas that buy fresh or locally produced food for sale to member consumers. These co-operatives are committed to sourcing and buying food from local producers at fair prices. These food co-operatives are also concerned to reduce supply chain costs and are in the process of developing second tier co-operatives that are able to provide distribution networks at each co-operative location.

Co-operatives such as these have memberships that are committed to connecting with their farmer producers, enhancing local food security and encouraging self reliance and sustainability. Sometimes such co-operatives form to develop an alternative market supply chain in response to the closure or wind up of a major local produce purchaser, such as the producer co-operative which formed in the wake of the Heinz cannery closure in Girgarre Victoria.

(c) Foster product diversity

There are a growing number of niche market food producers in Australia. Many rely on co-operatives to market the products of their members.These products include dates, bananas, apples, olives, biodynamic products, bush foods and specialist meat products.

For the same reasons that dairy and grain co-operatives are able to deliver sustainability to their agricultural industries, these niche co-operatives can foster small and emerging food industries by providing bargaining strength and supply chain networks.

They may assist with the development of branded and niche products destined for the Asian market as a value added export market which repatriates all profits back into the Australian agriculture sector due to the local ownership and management of the co-operative structure.

(d) Offer a different purpose to Investor-Owned Firms

"The co-operative enterprise continues to offer benefits to Australia's farmers just as they still do across most other countries which compete with us within global food supply chains. They have a different overall purpose to investor-owned firms and this "co-operative difference" revolves around the fact that they are owned by their members who also supply to and buy from them. They also operate with a highly democratic governance model in which it is not possible for a small number of shareholders to take control of the company.

Comparing co-operatives and investor-owned firms is difficult due to the different purposes that drive them. Like any business their performance and efficiency compares favourably with investor-owned firms when run well. However, they need to be assessed not just in their share price and profitability, but also in the wider benefits that they deliver to their members. This may not be best measured in price per share, but in their ability to offer fair prices, and greater stability of farm gate pricing and supply contracts."[2]

Issue 2 Farmer decisions for improving farm gate returns and attracting the next generation of farmers

The BCCM takes the view that farmers are best placed to make their own business decisions in respect of their enterprise. However, the best business decisions can only be made with the best possible information and with effective risk management to deal with physical variables such as weather and water supply and market risks.

[2] Mazzarol, T, "The role of co-operative enterprise in Australian agri-business", The Conversation, 19 January 2014, http://theconversation.com/the-role-of-co-operative-enterprise-in-australian-agribusiness-22147

Co-operatives have a proven track record in providing information, education, and advisory services to their members to improve product quality and yield. Combined with marketing and processing services co-operatives help farmers achieve optimum farm gate prices.

Agricultural co-operatives not only provide markets and supply chain networks, but they strive to provide ancillary services to their members through agricultural advisory services, bulk purchasing for members and business development services. Larger co-operatives like Murray Goulburn have developed positive programmes to encourage the next generation of dairy farmers.

The ability of co-operatives to create an environment that fosters farm producers by making a broad range of ancillary services available as well as providing a market entree for members has the potential to attract new farmers to the industry.

There is a strong example of the potential for co-operatives to attract new and younger people to farming in the efforts of the Manchester Co-operative in the United Kingdom. Co-operatives such as these aim to provide farmers with a sustainable income by developing domestic supply chains and providing opportunities for new farmers to learn how to farm with access to the supply chain created and supported by the co-operative.

Issue 3 Enhancing access to finance

Given that the majority of participants in the agricultural sector are smaller entities or closely held family farming corporations, access to finance is generally through secured debt from financial institutions. Wealth is accrued through surpluses and the increase in capital value of the farm. There is no access to capital through equity markets because these enterprises tend to retain control of their enterprise and they are too small.

Public companies present the opposite profile when capital investment through equity markets dilutes control and profits from the agricultural pursuit are distributed to shareholders wherever they are.

Co-operatives have a unique capital structure. Shares in a co-operative can only be held by active members of the co-operative. For agricultural co-operatives, an active member is usually the farmer producer or farm entity. Co-operative shares are fixed in value and cannot be traded on a securities exchange. Member shareholders can receive a limited dividend, which can be franked, on their shares. However, most member shareholders receive benefits in terms of access to cheaper services from their co-operative that, in turn, contributes to individual profitability and sustainability. Whilst co-operatives have the ability to issue debt securities, this has not been an attractive option because of the potential for this to erode their debt to equity ratio.

Recent changes to co-operatives legislation can improve their access to capital finance markets.

Under the Co-operatives National Law, co-operatives can issue a new form of security called a Co-operative Capital Unit (CCU). CCUs are hybrid securities that can be traded on a securities exchange. Holders of CCU securities do not have voting rights in the co-operative. The members still democratically manage the co-operative. CCUs issued by Namoi Cotton Co-operative Limited are listed on the ASX and classified as shares.

These securities have been available to co-operatives in NSW for some time, but due to the limited knowledge of them (because of their restriction to NSW) their potential is yet to be fully explored.

Research by the University of Western Australia shows that these flexible securities could significantly open up access to capital for co-operatives without compromising the democratic control and purpose of a co-operative.

All co-operatives, regardless of size, will have the power to issue these securities making it possible for large co-operatives to access public finance markets and smaller co-operatives to access local community investment to support their local economies.

Members of co-operatives that are able to finance their growth through external investment will collectively benefit through the ability of their co-operative to provide more and more services.

As tradeable securities, CCUs can provide opportunities for domestic and foreign investors whilst retaining ownership of the co-operative by its agricultural members.

Issue 4 Increasing agricultural competitiveness and its value chains

Co-operatives in agriculture have proven worth, in a competitive market they have further potential that is presently not realised. Recent changes to co-operatives legislation is a key to realising that potential.

Legislative change for co-operatives

Until recently, co-operative numbers have declined. Existing co-operatives have disappeared through natural attrition or through conversion to companies and new co-operative formations have not kept pace with the numbers exiting the sector. The legislative environment was seen as a significant factor in this decline. There is good news for the co-operative sector in the form of a new uniform law for co-operatives.

States and Territories regulate co-operatives. Under the auspices of the former Ministerial Council on Consumer Affairs, States and Territories signed an inter- state agreement for uniform co-operatives legislation using template legislation. As well as achieving uniformity of regulation, the scheme provided an opportunity to modernise the legislation and remove regulatory provisions that tended to place co-operatives at a competitive disadvantage to companies. In particular, the requirement to register in each State or Territory in order to carry on business outside their "home" State placed high regulatory compliance costs on co-operatives, along with costly and unnecessary financial reporting.

The new legislation seeks to address problems of access to capital for co-operatives through the introduction of CCUs.

The template legislation, referred to as the Co-operatives National Law, was passed by NSW in 2012 and has been adopted by most jurisdictions and it commenced operation in Victoria and NSW in March of this year.

It is expected that all other jurisdictions will commence the Co-operatives National Law or an alternative consistent statute, by May 2015.

Whilst the Co-operatives National Law goes a long way to placing co-operatives on a more level playing field with companies the remaining impediment for co-operatives relate to additional costs in accessing capital through the issue of CCUs.

The legislative responsibility for financial markets rests with the Commonwealth. Disclosure in respect of the issue of securities across a State border is governed by dual regulatory requirements under the Corporations Act 2001 and State co-operatives legislation.

A co-operative wishing to raise finance through the issue of CCUs to the public which may be taken up by a person across a State border is required to lodge disclosure documents to the relevant State Registrar and also to ASIC.

Both disclosure processes attract substantial fees.

Lack of understanding in the market

As noted above the co-operative sector has declined over the last half century with the rise of the company model as a flexible and profitable means of doing business nationally.

There is a paucity of professional expertise in co-operative law and management and very little formal education regarding co-operatives. Professional accounting bodies only require their members to hold qualifications in company law and business or tax law. These qualifications do not include training in co-operatives law or management.

Co-operatives need to be valued against different criteria. They are best understood or measured in terms of their contributions to member sustainability instead of standard accounting measures of entity profitability. In other words the "co-operative difference" is currently able to be measured and compared in the corporate sector which primarily focuses on shareholder dividends.

The changes brought about by the Co-operatives National Law are new and will take some time to become familiar for the sector and amongst professional advisers. Also the lack of familiarity with CCUs as securities in the market means that it will take some time for these instruments to realise their potential.

Issue 5 Enhancing agriculture's contribution to regional communities

In assisting members by improving returns and underpinning their sustainability, co-operatives enhance and revive regional communities.

Agriculture continues to be a mainstay for regional communities. In regions where farms are smaller or family held enterprises the regional economy will react to agricultural highs and lows as a result of weather or market forces. In this way regional economies are closely linked to the fortunes of their local agricultural participants.

Co-operatives can provide more stability for smaller agricultural producers through the provision of support services and a ready market. Co-operatives can also provide regional employment opportunities for people with relevant business skills.

Not only can co-operatives support existing farmers to continue farming, but they can provide a supportive environment for succession planning by farmers as well as encouraging new entrants to the farming sector.

Co-operative principles of open and voluntary membership and concern for community guide co-operatives to be sensitive to the needs of their members and their local communities as stakeholders.

It is this philosophy of inclusion that underpins many examples of co-operatives that support a town or region such as the Community Co-operative Store (Nuriootpa) in the Barossa Valley, Batlow Fruit Processing Co-operative, Hastings Co-operative, Mt Barker Co-operative in Western Australia, Macleay Regional Co-operative, Maple Street Co-operative in Maleny, Queensland and the Yendah Producers Co-operative in the Murrumbidgee Irrigation Area.

These co-operatives, and many more like them began as agricultural co-operatives but then grew to become the largest enterprise in their locality. They provide services to their members, local employment in the varied aspects of the business that they do and reinvestment in their communities.

Co-operatives in Australian agriculture have a strong and proud history. Recent legislative changes mean they can continue that tradition for Australian farmers, rural and regional communities and all consumers.

Recommendations

The BCCM makes the following recommendations for inclusion in the Government's White Paper:

1. That there should be funding for more focussed research on the value of co-operatives in the agricultural sector both at a national level and as contributors to regional economic prosperity.

2. That governments at all levels should promote diversity of enterprise models in agriculture by raising awareness of the co-operative model of doing business.

3. That educators and professional organisations recognise the potential of the co-operative as a means of doing business and enriching regional communities by focussing more research and more professional education on co-operative regulation, management and finance.

4. That consideration is given to addressing instances of double regulatory requirements for co-operatives in respect of fundraising through security issues.

References

"Australia's Top 100 Co-operatives, Credit Unions and Mutuals by Annual Turnover", Co-operatives Australia Statement, August 2012, http://www.australia.coop/ca/images/Top100August2012.pdf

Port Jackson Partners, "Greener pastures: The global Soft Commodity Opportunity for Ausralia and New Zealand", ANZ Insight, Issue 3, October 2012

Mamouni Limnios, E., Watson, J., Mazzarol, T. & Souter, G., Co-operative Capital Financing as a solution to Co-operative Financing, http://cemi.com.au/sites/all/publications/CEMI-DP1201-Limnios-Watson-Mazzarol-Soutar-2012.pdf

Mamouni Limnios, E., Watson, J. & Mazzarol, T., Research Paper: Structuring Co-operative Capital Units: Symposium Findings, University of Western Australia, 2012, http://cemi.com.au/sites/all/publications/CCU-Symposia-Outcome-Report-Final.pdf

Mazzarol, T, The future of rural enterprises in the global food chain, 2013, theconversation.com/the-future-of-rural-enterprises-in-the-global-food-chain-13759