

A critical role for cooperatives in enhancing regional prosperity and development

A submission to the Agricultural Competitiveness Taskforce

This paper highlights areas where the cooperative system brings economic benefits and social value to the regional economy, as well as to the Australian agricultural industry as a whole. This paper outlines the combined NSW Northern Rivers cooperatives' critical role in the region's prosperity and development.

**Prepared by Southern Cross University in partnership with the
NSW Northern Rivers Combined Cooperatives Group**

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Preamble

This submission has been prepared by researchers from Southern Cross University on behalf of the New South Wales (NSW) Northern Rivers Combined Cooperatives Group, which includes senior management from: Northern Cooperative Meat Company Ltd., NORCO Cooperative Limited, NSW Sugar Milling Cooperative Ltd., Clarence River Fisherman's Cooperative, Summerland Credit Union Limited and the Ballina Fishermen's Cooperative Ltd.

Background

Given that agriculture will be of greater importance to the nation in the face of a declining manufacturing sector, it is imperative that Australian farmers receive assistance with respect to ensuring that they maintain their competitiveness in both domestic and international markets. Among their many positive attributes, cooperatives offer a means to ensure that government investment in promoting greater efficiency is capitalised on, with the cooperative acting as a vehicle to disseminate best practice and innovation.

Cooperatives have been a strong fixture in the NSW Northern Rivers community since the late 1800s. At present, the NSW Northern Rivers Combined Cooperatives Group represents a combined annual turnover of in excess of \$700 million across six key cooperatives, with a membership base extending to over 28,500 members regionally, and with 2,500 people employed locally. Cooperatives are user-owned businesses and, in this case, the owners are the local farmers. The basic functions of an agricultural cooperative include input supply, storage, processing, aggregating and selling produce provided by members.

Cooperatives contribute to a vibrant and viable local and regional community, because not only are the farmers customers, patrons and members, but also are the owners of the cooperative business. This means that there is an inherent motivation to align the cooperative with the needs and values of the local community, which proudly identifies with local cooperative brands. Further to this, the cooperative distributes business profits back to the community through its distribution to members or as improved community resources.

This paper highlights areas where the cooperative system brings economic benefits and social value to the regional economy, as well as to the Australian agricultural industry as a whole. It outlines the combined NSW Northern Rivers cooperatives' critical role in the region's prosperity and development, and specifically the role for agricultural cooperatives in the context of the 2014 Agricultural Competitiveness Issues Paper.

Increasing the competitiveness of the agricultural sector and its value chains (Issue 4)

The 2014 Agricultural Competitiveness Issues Paper describes the need for the agricultural sector to be competitive at three levels: within its supply (or value) chain; in competing for resources with other sectors; and in competing with overseas producers (refer to Issue 4). The cooperative is well suited to

providing competitive advantage for farmers on each of these three levels. The following points detail how:

- *Fair prices for farmers:* When retailers, such as supermarkets, have significant market share and exert exceptional buying power, the cooperative provides significant advantages to its farmer members. Cooperatives can act as negotiating agents, thereby ensuring that farmers receive the fairest price for their product.
- *Market access for farmers:* The combined power of the cooperative allows the farmer greater access to major buyers and the ability to foster long-term relationships with these buyers, together with better branding and positioning approaches than farmers would achieve on their own.
- *A higher proportion of value-add for farmers:* Since cooperatives often own processing facilities, value added to the primary goods through additional processing and packaging reverts to the cooperative, and the farmer members by extension, instead of to a third party in the supply chain.
- *An integrated supply chain:* Cooperatives provide a united front for farmers when accessing new global markets. A collective approach to establishing new markets allows the farmer member to take advantage of combined quantity of supply so as to increase their economy of scale.
- *Food processing competitiveness:* The cooperative allows the farmer member to improve supply chain efficiencies through combined access to inbound and outbound logistics, centralised processing facilities, group purchasing and shared infrastructure.

Enhancing agriculture's contribution to regional communities (Issue 5)

Agriculture is a key industry within the NSW Northern Rivers region of New South Wales, and provides a significant source of jobs across the region (Refer to the 2014 Agricultural Competitiveness Issues Paper - Issue 5). Agricultural cooperatives are invaluable to the local community for a number of reasons, as detailed below:

- *Meeting the needs of the local community:* There is inherent motivation to align the cooperative with the needs and values of the local community, because the owners of the cooperative are part of the local community. Such close community ties mean that the community proudly identifies with their local cooperative and are important stakeholders in the cooperative's success.
- *Reinvestment in the local community and job creation:* Cooperatives provide flow-on economic and social benefits to the broader regional community, through expenditure, investment, sponsorship and their critical role in providing secure employment. This is particularly the case in regional Australia, where agricultural jobs are often the lifeblood of the local community.

Improving the competitiveness of inputs to the supply chain (Issue 6)

The 2014 Agricultural Competitiveness Issues Paper (Issue 6) describes the need to consider the efficiency and competitiveness of inputs to the value chain, such as skills, training, education, human capital and research and development. The cooperative system is well placed to deliver this competitiveness, through the following:

- *Community of self-regulation:* The cooperative provides a structure for self-regulation, where produce quality is benchmarked and overarching standards of excellence are maintained so as to provide a greater assurance of integrity.
- *Sustainable best practice:* The cooperative acts as a clearing house for information on industry best practice and continuous improvement. Cooperatives possess codes of conduct that ensure industry workplace standards are maintained and ethical conduct is encouraged. Some cooperatives even possess accredited sustainability certifications.
- *Access to research and development:* Cooperatives are better placed to participate in research and development than individual farmers. They are well positioned to maximise the diffusion of innovation from government investment in regional research and development.
- *Consistency of supply as a competitive advantage:* The combined supply of produce from members provides a collective buffer against inconsistencies in supply given that individual producers may not always be able to supply at the volumes expected by commercial buyers of agricultural products.

Conclusion

The cooperative system brings clear and ongoing economic benefits and social value to the local economy of our primary producing regions, as well as to the Australian agricultural industry as a whole. The Australian Government should therefore acknowledge the invaluable role that the agricultural cooperative plays in a region's prosperity and economic development, as demonstrated by the successful cooperatives located within the Northern Rivers region of New South Wales. In short, agricultural cooperatives contribute to a vibrant and viable local and regional community, and therefore warrant special consideration by the Australian Government into the future. In particular, cooperatives are especially well placed to ensure that farmers benefit from government assistance in research and development initiatives aimed at helping Australian farmers to innovate and remain competitive in an increasingly globalised marketplace.

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