

Agricultural Competitiveness Taskforce  
Department of the Prime Minister and Cabinet  
PO Box 6500  
CANBERRA ACT 2600

GPO Box 5166 Sydney NSW 2001  
P 02 9239 5915 E [info@bccm.coop](mailto:info@bccm.coop)  
[www.bccm.coop](http://www.bccm.coop)



## **Submission on the Agricultural Competitiveness Green Paper**

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make this submission as part of the government's commitment to invite input on the final strategic directions and policy commitments contained in the White Paper.

We believe the Agricultural Competitiveness White Paper will be a watershed contribution to Australian agricultural policy.

We have prepared a brief submission in response to the Agricultural Competitiveness Green Paper. This submission appends and expands on the recommendations proposed in our original submission to the Issues Paper (April 2014).

Please feel free to contact the BCCM if you would like to discuss our submission or co-operative agriculture more generally.

Yours sincerely

A handwritten signature in blue ink that reads "Melina Morrison".

Melina Morrison  
Chief Executive Officer

## Preamble

The Business Council of Co-operatives and Mutuals (“the BCCM”) notes the Agricultural Competitiveness Taskforce’s Green Paper which seeks to incorporate the views of the Australian stakeholders for improving the competitiveness of Australian agriculture.

In line with its submission to the Taskforce’s Issues Paper, the BCCM welcomes the Federal Government’s focus on the matter of agricultural competitiveness as a means of providing a platform for enhancing the contribution of agriculture to economic growth, employment creation and national prosperity, through increased innovation, productivity, investment and trade.

In particular, the BCCM welcomes the Taskforce’s recognition of the importance of co-operatives in the agricultural sector, as they note on page 38 of the Green Paper that ‘...co-operatives have the additional benefit [over company structures] of retaining direct ownership with the family farm and can assist with keeping smaller and medium sized operations viable, which in turn can help maintain local communities.’

As the Taskforce is aware, the co-operative sector is an important part of the Australian economy. The *2014 National Mutual Economy Report* finds Australian co-operatives and mutuals including member-owned superannuation funds contribute around 7 per cent of our country’s earnings. Two out of the top five private Australian firms are agricultural co-operatives (*2014 IbisWorld Top 500 Private Companies*). In 2013, the combined annual turnover of the Australian Top 100 co-operative and mutual enterprises (excluding superannuation funds) was \$25 billion.

In the agricultural sector, CBH Group is the largest exporter of Australian grain, shipping on average forty percent of Australia’s grain harvest every year. The world’s biggest exporter of rock lobster is Geraldton Fisherman’s Co-operative. Devondale Murray Goulburn processes around a third of Australia’s milk supply and is our largest dairy exporter, exporting 336,000 tonnes of product in 2013. Norco Dairy Co-operative was the first Australian company to secure a deal to export fresh milk to China. Oz Group packages 35 per cent of Australia’s blueberry crop, and Northern Co-operative Meat Company is the largest employer in the northern New South Wales electorate of Page, and currently employs 1,100 people.

These co-operative enterprises contribute significantly to the Australian economy and provide diversity to the sector, thereby ensuring strength and continuity of the sector into the future. The importance of these businesses to the economy and their local communities cannot be underestimated.

Finally, co-operatives have significant spheres of influence extending outside of Australia. CBH Group is Australia’s largest agribusiness investor in Indonesia, one of Australia’s most important trading partners. As foreshadowed above, Murray Goulburn is an aggressive exporter with 48 per cent of sales revenue originating from international sales.

As the peak body representing co-operatives and mutuals in Australia, the BCCM is broadly supportive of the Agricultural Competitiveness Taskforce’s Green Paper and would make the following comments and policy suggestions as a means of clarifying this endorsement. The BCCM would welcome the opportunity to discuss these proposals further with the Taskforce.

## Comments and Recommendations

With reference to the specific focuses of a future Australian Government agricultural policy as noted in the Green Paper:

### 1. Increase returns at the farm gate

Co-operatively owned businesses in all sectors 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%<sup>1</sup>. Due to the fact that co-operatively owned businesses are not required to return profits to shareholders who may not be producers, the profits from these enterprises are returned directly to the farmer member-owners, thereby increasing returns at the farm gate.

As co-operatives are owned and managed by members, they are highly focussed on 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.

Assistance from the Australian Government to grow and develop co-operative enterprises will ensure that farm gate returns are maintained in the Australian agricultural sector by empowering farmers to maintain pricing. Specific recommendations in relation to the growth and development of co-operatives are contained in sections 2 and 7.

### 2. Keep families as the cornerstone of farming

As detailed in the BCCM's original submission, 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 the core suppliers of these services to their farmer members. Agricultural co-operatives have traditionally provided a range of support and ancillary services to members. For example, Murray Goulburn Co-operative has instigated a 'next generation' programme targeting younger farmers to stay on farms. With financial and advisory support from their co-operative, these younger farmers are encouraged to expand and improve productivity.

#### Recommendations:

- i. The BCCM welcomes the Australian Government's interest in the co-operative sector, and the increasing recognition of the model as an excellent one for the sector to improve competition, market diversity and productivity.

---

<sup>1</sup> 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/CoopsWP12013VFFF.pdf>

The BCCM encourages the Government to implement activities to support the formation of agricultural co-operatives. Such activities should include but are not limited to: education and training on the co-operative model in mainstream legal, business, accounting and agriculture courses, business development in the form of support from existing business enterprise programmes, start-up grants to assist in paying for legal advice and business planning, governance support, and training in best practice.

It is noted that these initiatives should be supported and assisted by the sector through collaborative initiatives targeted at the sector. The BCCM coordinates the availability of relevant and accessible education and training, peer to peer learning, promotion of the business model and information dissemination and would be happy to assist the Government to deliver programmes targeted at the sector.

### **3. Build the infrastructure of the 21<sup>st</sup> Century**

Co-operatives greatly assist in investment and upgrading of infrastructure and are proven, successful long term custodians of key infrastructure. Areas of infrastructure that benefit from co-operative investment include irrigation, transport and energy generation.

The co-operative structure is the standard corporate structure used for irrigation schemes in Australia for the past 20 years. The irrigation schemes using the structure were often originally privatised Government assets, but in recent years the structure has been used to finance new irrigation infrastructure.

Co-operative Bulk Handling, formed in 1933, is Australia's biggest co-operative by turnover. 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.

#### Recommendations:

- i. The BCCM recommends that the Government recognise co-operatives for the positive role they play in investing in the farm sector and the opportunities for co-operatives to manage infrastructure and assets and invest in new infrastructure in some contexts.
- ii. The BCCM recommends that the following areas of infrastructure concern are addressed by the Australian Government, possibly in partnership with industry, so as to ensure the continued viability of the sector:
  - Access for B doubles and triples on all roads;
  - Cross border transport regulation and compliance;
  - In the North, GMW owned bridges over irrigation channels are designed for mid-last century freight movements and require upgrade;
  - Road infrastructure and maintenance including bridges needs to be prioritised; and

- Strategic investments in road/bridge upgrades to facilitate improved transport efficiencies (for example allowing different configurations of trucks).

#### **4. Create employment opportunities in agriculture**

Co-operatives account for a significant employment market within the agricultural sector. Larger co-operatives have significant employment interests in local communities, such as CBH which employs over 1100 permanent staff and 1800 casual staff during harvest. Further to this, smaller co-operatives are able to react dynamically to changing local conditions and employ local people, including young people and seasonal labourers.

The nature of co-operatives as locally operated businesses, owned by members of the community, means that they place a greater importance on supporting the local community by ensuring fair and equitable employment in the sector. Oz Group blueberry co-operative near Woolgoolga in northern NSW employs 70 equivalent full time employees on a permanent and seasonal basis as well as significantly boosting the profitability of the Member growers to create ripple economic activity in the regional centre.

The growth of the co-operative sector will be instrumental in creating employment opportunities in the agricultural sector, and the Australian economy as a whole.

#### **5. Reduce unnecessary regulation at all levels of government**

The legislative environment governing co-operatives has been seen as a significant factor in the decline in co-operatives in the 1980s and 1990s. Currently, 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 places high regulatory compliance costs on co-operatives, along with costly and unnecessary financial reporting. National adoption of the recently drafted Co-operatives National Law would greatly assist in reducing this regulatory burden.

##### Recommendations:

- i. All States and Territories should promptly adopt and commence the Co-operatives National Law in their respective jurisdictions.
- ii. States and Territories should develop and publish consistent policy statements and regulatory guides.

- iii. All States and Territories should develop consistent registry and administrative services to enable efficient and simplified access to information on public registers and to regularise registration details for co-operatives, in particular to address delays in registration processes which challenge co-operatives in start-up mode.
- iv. The BCCM proposes that the Taskforce investigate amendments to the Trade Practices Act to change the way co-operatives are assessed under merger or acquisition proposals in terms of pre-farmgate competition. In essence current competition considerations fail to take into account the objectives of a co-operative to lift returns to members and it is possible to assess that a merger or acquisition will reduce competition when in fact it would improve supply chain efficiency and lift member returns. The co-operative model – for example where farmers are all member/shareholders of the co-operative, addresses the concerns of reduced competition and Government should ensure that competition policy clearly recognises that a merger or acquisition involving a co-operative should be considered differently to a standard corporate case.
- v. Further, the BCCM reiterates the importance of addressing instances of double regulatory requirements for co-operatives in respect of fundraising through security issues as noted in our original submission to the Taskforce.
- vi. The BCCM welcomes a discussion around the need to support new and innovative methods for co-operative and mutual enterprises to raise capital. For example Government should provide regulatory protection and support co-operatives and mutuals that seek to raise non-voting equity. Under these structures member would maintain control of the co-operative but external investors can share in returns under structured arrangements. This avenue of equity raising has the potential to assist current co-operatives and mutuals who seek capital for growth or potentially help start up co-operatives that may struggle to raise funds from members and therefore be required to take on additional debt.

For example the BCCM suggests that Australian Securities and Investment Commission provides legislative protection to the co-operative structure where non-voting equity holders have a return on investment stake.

- iv. The BCCM strongly recommends that Government conduct a bi-partisan inquiry to investigate the contribution of agricultural co-operatives to the economy and the impediments to co-operative formation and their competing equally with proprietary companies – particularly around possible regulatory barriers.

## **6. Promote access to key export markets**

CBH exports to more than 30 overseas markets with offices in Hong Kong, Japan and the US. Norco is the first Australian dairy producer to secure entry into the Chinese market with fresh milk products. Murray Goulburn also exports dairy products internationally.

Recommendations:

- i. The BCCM notes the Australian Government has provided assistance to help businesses access international markets, in particular in the form of the Free Trade Agreements negotiated with Japan and China in recent months. Additional assistance provided in this regard will be beneficial to the co-operative sector, the agricultural sector more broadly, and the Australian economy as a whole.

As evidenced by the Coles deal with Murray Goulburn and Norco, co-operative produce has immense brand-credibility for the domestic and the foreign domestic markets as wholesome, reliable products which are produced and manufactured in Australia by Australians.

The BCCM proposes that the Australian Government target negotiations to reduce timeframes for testing, quarantining and inspecting fresh Australian products when exporting to many of our largest export partners. The reduction of these timeframes would allow produce to be exported in a more timely, streamlined manner and greatly increase the capacity of all organisations to export into these large and developing international markets.

**7. Focus on Australia's competitive advantages**

The Australian agricultural sector has a distinct competitive advantage in foreign markets because it is seen as a credible brand with a unique selling proposition. Australian-owned brands are often seen as being gold-standard producers in primary industries such as food production, marketed for their high quality, safe, and 'clean and green' qualities. In order to achieve appropriate marketing of products from Australia's agricultural co-operatives it is necessary to invest in education and training on the co-operative sector, and ensure that all trade representatives are thoroughly briefed on the local ownership aspects of the sector.

Recommendations:

- i. The BCCM supports the Australian Government's commitment to investing in research, development and extension, and notes the current funding provided to the six ongoing agricultural Co-operative Research Centres referred to on page xxxii of the Green Paper. The BCCM notes the importance of continued investment in this area, and in ensuring that the research and development makes it through to the farm.

The BCCM has previously noted the importance of funding 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. The BCCM proposes that the Government provides access to investment programmes where co-operatives are treated as community entities whereby when funded, they return investment directly into the community for community benefit. The BCCM notes

that there is no private good in a co-operative and therefore the benefits flow directly to the community representing an excellent return on investment.

The BCCM proposes that the Australian Government treats co-operatives as community groups for the purpose of funding as start-ups and for scaling up purposes.

- ii. Trade facilitation: There have been recent successes in facilitating new markets in Asia for Australian produce that has a co-operative brand. The BCCM recommends that the Australian government conduct research on whether international markets can be further developed by marketing Australian co-operative produce under a common Australian “co-operative” brand marque.
- iii. Further, the BCCM encourages any activity which improves the environment for co-operatives to grow and prosper. The Australian Government can create an enabling environment for co-operatives to prosper, including through targeted tax relief and exemptions from export tariffs in the instances that these organisations trade internationally.

## **8. Support strong and vibrant 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 increase rural incomes through improved production, access to markets and greater access to food at the local levels, which builds resilience of families and communities and makes them less vulnerable to external impacts. Further, because co-operative enterprises are owned by community members, surplus funds are more likely to be invested back into the community to provide education, training and other opportunities to enable the community to grow.

The Northern Co-operative Meat Company (NCMC) is improving the sustainability of their grower members with a primary focus on their economic development. NCMC has commissioned a report detailing the current value and more importantly the potential value of beef and pork in the northern NSW region. This represents an investment by the growers themselves in their future growth and profitability. The co-operative is also facilitating and formulating a strategy with local (LGA economic development officers), State (LLS and NSW Trade and Investment) and Federal (MLA) agencies to deliver on the ground services, including extension and research work. NCMC regards public-private partnership as the cornerstone to delivering this support mechanism. Being a co-operative and with a focus on investing in members, this provides an opportunity for the vertical supply chain support desired by many agriculture enterprises.

### Recommendations:

- i. The BCCM notes the importance of a strong and diverse agricultural sector for the benefit of the Australian agriculture industry and the economy more broadly.



To assist in ensuring the strength and diversity of the sector, the BCCM proposes that the Australia Government enter into a Public-Private Partnership arrangement involving the Government developing a 'Members' Business Development Strategy'. The strategy would enable the Government to provide a contribution to match companies investing in and scaling up co-operative enterprises which have demonstrable outcomes for local employment, market development and regional economies.

The BCCM proposes that the strategy would be developed in consultation with the co-operative sector to ensure that it is able to be utilised effectively to ensure maximum return on investment for the Government and industry. Existing member economic development strategies could be viewed as pilot projects and Federal support for these would be welcomed.

## **9. Maintain access for all Australians to high quality and affordable fresh food**

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. 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.

## **Conclusion**

Co-operatives make an important contribution to the competitiveness of markets. The recommendations we propose would be to facilitate the formation of new co-operatives and strengthen the position of existing co-operatives in the agriculture sector.

The importance of education, skills and training noted in the Green Paper is stressed here in relation to enabling the growth of agricultural co-operatives. Stakeholders emphasised that ongoing skills development, education and training was important to retain and attract new entrants to farming. The Government is supporting the education and training sector through providing higher education and vocational education and training (VET) funding. Government also has an important role to play in ensuring that the co-operative business model is integrated into mainstream higher education as it is not currently represented in the curriculum, especially in the areas of law, accounting, business and commerce.

Educators and service professionals should recognise the potential of co-operatives as a means of doing business and enriching regional communities, by focusing more research and professional education on co-operative regulation, management and finance issues.