

1. Introduction

The Business Council of Co-operatives and Mutuals (BCCM) thanks the Victorian Government for the opportunity to make a submission to the Food and Fibre Consultation Process and congratulates the Government on the foresight and thought leadership involved in creating the Future Industries Fund and the underlying strategies.

This submission is made by the Business Council of Co-operatives and Mutuals (BCCM), on behalf of Australia and Victoria's co-operative and mutual businesses and is focused on promoting competition and industry outcomes in the Victorian agricultural sector to bring the best possible advantages to the State and Victorians more broadly.

Co-operative and Mutual Enterprises (CMEs) contribute significantly to Victoria's economy, the Top 10 of which provided \$5.35 billion in turnover in 2013.¹ Two of the six largest CMEs in Australia are domiciled in Victoria, being Murray Goulburn Co-operative (number two) and Australian Unity (number six). Other well-known Victorian CMEs are Australian Unity, RACV, Defence Health Ltd, GMHBA Ltd, Common Equity Housing Ltd, Hepburn Wind, Australian Scholarships Group, Bank Australia (formerly Bankmecu), ME, Victoria Teachers Mutual Bank, and Defence Bank.

CMEs are good for the State economy. Locally owned and managed, these businesses reinvest their profits in the local economy, provide long-term sustainable local employment, and do not repatriate when times are tough. Because the 'board rooms' are literally 'domiciled in the State', CMEs manage their businesses prudently and responsibly to stay in business in Victoria for the benefit of their members. Their management understands local issues, and their directors recognise the responsibility of the business to the local economy and the communities in which they operate.

2. Agricultural co-operatives in Victoria

Agriculture is the second largest of the co-operative and mutual sectors in Australia, accounting for 28.6% of the sector in 2012/13, with a combined turnover of \$7.2 billion. Significant CMEs in Victoria in the agricultural sector include Murray Goulburn, Yenda Producers Co-operative, which is the State's largest exporter, and the Organic Dairy Co-operative.

In recent times co-operatives have been used by regional Victorian communities to save local jobs and businesses.

Birchip Butcher

The town of Birchip in western Victoria faced the prospect of losing the local butcher, due impending retirement in 2014. The community started a co-operative, with each member contributing \$500 to \$1,000, and guaranteeing that the business would have regular clientele. The business was saved, and now supplies meat they source from local producers to the supermarket, the hospital, sporting clubs, pubs, service clubs, and other local organisations. The business employs apprentices, mature age workers and two fully qualified female butchers, in a previously male-dominated industry.²

¹ 2014 National Mutuals Economy Report, Business Council of Co-operatives and Mutuals. Online at: <http://bccm.coop/wp/wp-content/uploads/2014/11/2014-NME-Report.pdf>

² ABC Western Victoria, *Birchip butcher breaking with tradition*, 8 May 2015 (accessed 28 August 2015), <http://www.abc.net.au/local/photos/2015/05/08/4232284.htm>

This development of a co-operative in the town has sustained local producers, provided employment opportunities to locals, and brought the community together with a common goal.

Goulburn Valley Food Co-op

The Goulburn Valley Food Co-operative started in the wake of Heinz closing their tomato sauce factory in Girgarre, Victoria. The closure of this factory caused the loss of 146 jobs in the local area³, having a potentially devastating effect on the local economy with an estimated 700 further jobs affected.⁴ Despite numerous setbacks, the group succeeded in producing pasta sauce and other products, and has assisted with the set-up of a co-operative cider business, Faire Ferments.⁵ Speaking in 2013, Les Cameron, one of the founding directors, noted that the importance of the co-operative for the local community could not be overstated: “it provided a beacon of hope for a group that was...feeling shattered by the Heinz closure”.⁶

The BCCM commends Victoria’s support for agricultural co-operatives through the food and fibre marketing co-operative programme⁷. The BCCM notes that this approach to use co-operatives to assist agricultural producers to strengthen their financial position, be more attractive to investors, improve their bargaining power and to operate beyond the farm gate, has been adopted by the Federal Government which has committed to a two year pilot program with a budget of \$13.8 million to provide farmers with knowledge and materials on co-operatives and collective bargaining.⁸

3. Co-operatives in Victoria

Co-operatives in Victoria contribute social and economic value to the State. Organisations such as RACV, Common Equity Housing Limited, and Westgate Health Co-operative, represent diverse industries and scales of Victorian business, from the very large, to the local, community owned.

These organisations contribute by more than simply reinvesting profits. CMEs invest in local infrastructure and communities⁹, engage in advocacy to benefit their members, and support the development of programmes to assist those who are not yet their members. In May 2014, Murray Goulburn Co-operative announced \$127 million worth of capital projects in the dairy sector, demonstrating the co-operative’s commitment to reinvest in the State’s economy to increase its competitiveness and to grow the State’s agricultural economy.

4. How can the Victorian Government help the sector?

The Victorian Government can support the co-operative and mutual sector, to support the State of Victoria, through legislative support, business advice, education and training.

Co-operatives National Law

³ Sydney Morning Herald, *Heinz Sacks 340 workers and moves production to New Zealand*, 28 May 2011 (accessed 28 August 2015), <http://www.smh.com.au/national/heinz-sacks-340-workers-and-moves-production-to-new-zealand-20110527-1f8to.html>

⁴ Sydney Morning Herald, *Never Say Die*, 7 July 2013 (accessed 28 August 2015), <http://www.smh.com.au/national/never-say-die-20130706-2pj60.html>.

⁵ Faire Ferments, <http://www.faireferments.com.au/about/>.

⁶ Above n. 3.

⁷ <http://www.ruralfinance.com.au/industry-programs/food-and-fibre-marketing-cooperative-grants>

⁸ Australian Government, *Agriculture Competitiveness Review White Paper at a glance*, p4.

⁹ RACV, *RACV Community Foundation Grants Assist Local Communities*, 13 May 2015, http://www.racv.com.au/wps/wcm/connect/racv/internet/auxiliary/news+_+events/media+releases/racv+community+foundation+grants+assist+local+communities.

The BCCM congratulates the Victorian Government's in being the second State in Australian to enact and commence the Co-operatives National Law in 2014. This vital piece of legislation, harmonising the previous State based acts, goes some way to

addressing the lack of parity in regulatory treatment experienced by co-operatives to date.

The Victorian Government should ensure that there are current, high quality resources and consistent policy guidelines to support Co-operatives National Law to support the State's leadership in enacting the new legislative framework.

Where possible, the Victorian Government should advocate with other State and Territory governments for the national enactment of the Co-operatives National Law.

Information on business websites

Currently the co-operative structure is included on the Business Victoria website, and the BCCM congratulates the Victorian Government for being one of only two state jurisdictions providing consistent information about this legal structure on relevant government business advice websites.

The Victorian Government should ensure that this information is kept up to date, is easily accessible and is promoted to the food and fibre industry sector.

Appoint a minister with responsibility for CMEs

As CMEs often face a unique range of regulatory and other impacts, due often to regulatory oversight which occurs by virtue of the fact that CMEs are not front of mind to law-makers and regulators, **the BCCM strongly recommends that the Victorian Government place responsibility for this sector with a dedicated Minister or Parliamentary Secretary.** This would ensure that the CME sector is represented in discussions about regulatory changes, and has the champion it deserves within government.

5. Conclusion

CMEs contribute significantly to the Victorian economy, in many areas of activity in Victoria, from health care, roadside assistance, health and other insurance, banking and financial services, affordable housing, and agriculture. They support a large range of other businesses and provide employment to many Victorians. They invest in the State's infrastructure and reinvest their surpluses in local economies.

The BCCM recommends that any consultations with industry about the Future Industries Fund should include representatives from the co-operative and mutual sector, to assist with ideas and opportunities for industry, government and the community to work in partnership to secure the long term, sustainability of the State.

The BCCM welcomes the opportunity to participate in consultations as an industry representative, or to recommend representatives to the Government of Victoria.

6. Further reading

- BCCM Submission to the Federal Government Senate Inquiry into co-operative, mutual, and member-owned firms.