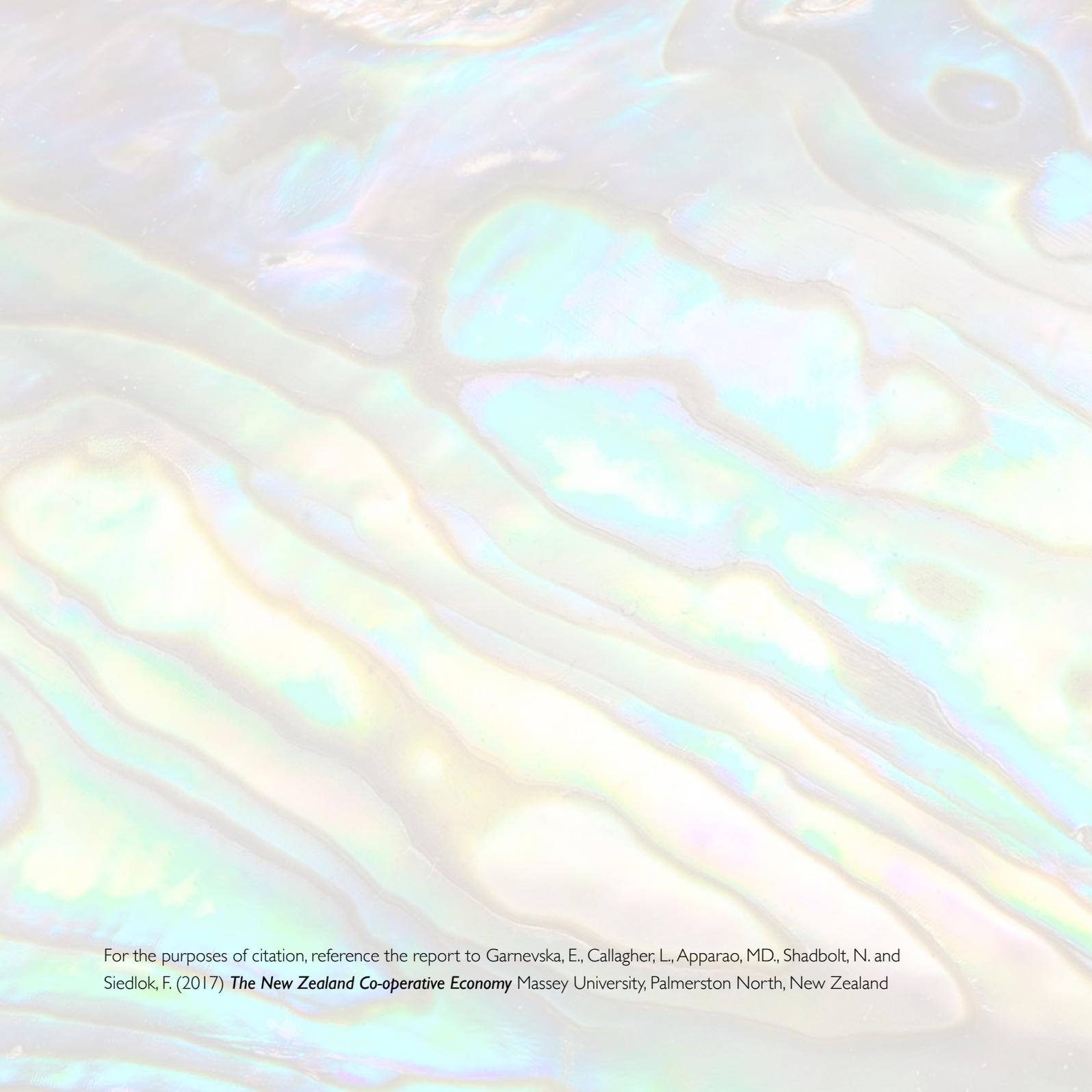




THE NEW ZEALAND CO-OPERATIVE ECONOMY

JANUARY, 2017



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RESEARCH PARTNERS



LEAD BUSINESS PARTNERS





THE NEW ZEALAND CO-OPERATIVE ECONOMY

With the co-operative sector making up a large part of the NZ economy, a comprehensive study titled “The NZ Co-operative Economy”, to be provided jointly by the University of Auckland and Massey University, is very much welcomed. As New Zealanders, and in particular as NZ business participants and stakeholders, we need to better understand the strength and social and economic importance of co-operatives, along with the co-operative business model, towards NZ’s stability and growth as a country.

This report will assist co-operatives when informing and educating policy-makers, consultants and other stakeholders about their role and importance while enabling more accurate comparisons with co-operatives in other countries. While raising the profile of co-operatives within their respective sectors and industries within NZ and internationally, this report will also provide a framework for potential longitudinal study (either annual or biennial) that will help stakeholders understand emerging trends and issues within NZ’s co-operative economy.

Finally this study will assist advocacy work aimed towards raising the profile and needs of organisations operating within NZ’s co-operative economy, as well as encourage co-operative organisations and their individual members to take pride in and celebrate the extent and importance of the local co-operative economy.

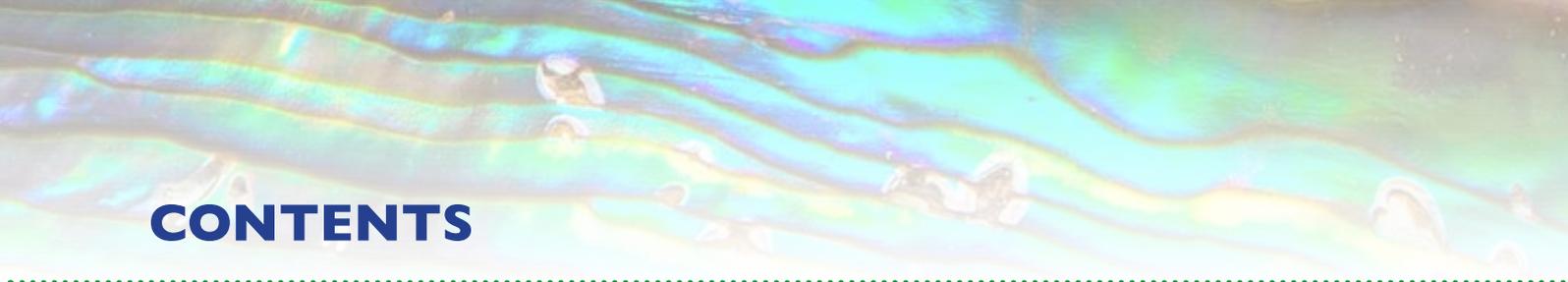
Craig Presland

CEO Co-operative Business NZ

January 2017

SUPPORTING BUSINESS PARTNERS





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“A SMALL BODY OF DETERMINED SPIRITS FIRED BY AN UNQUENCHABLE FAITH IN THEIR MISSION CAN ALTER THE COURSE OF HISTORY.”

Gandhi

“NOTHING TRULY VALUABLE CAN BE ACHIEVED EXCEPT BY THE UNSELFISH COOPERATION OF MANY INDIVIDUALS.”

Albert Einstein

“CO-OPERATIVES HAVE A KEY ROLE TO PLAY IN THE ECONOMIC, SOCIAL AND ENVIRONMENTAL PILLARS OF SUSTAINABLE DEVELOPMENT.”

Juan Somavia, Former ILO Director-General

THE CO-OPERATIVE ECONOMY EXPLAINED

3

CHARACTERISTICS

Principles - Voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among co-operatives, concern for community

Values – Self help, responsibility, democracy, equity, equality

Ethics – Open, honest, socially responsible, care for others

3

DIFFERENCES

Ownership - The co-operative is **owned** by the people who use it

Control - The co-operative is **controlled** by the people who use it

Benefit - The **benefits** are generated on the basis of supply and/or usage (patronage)

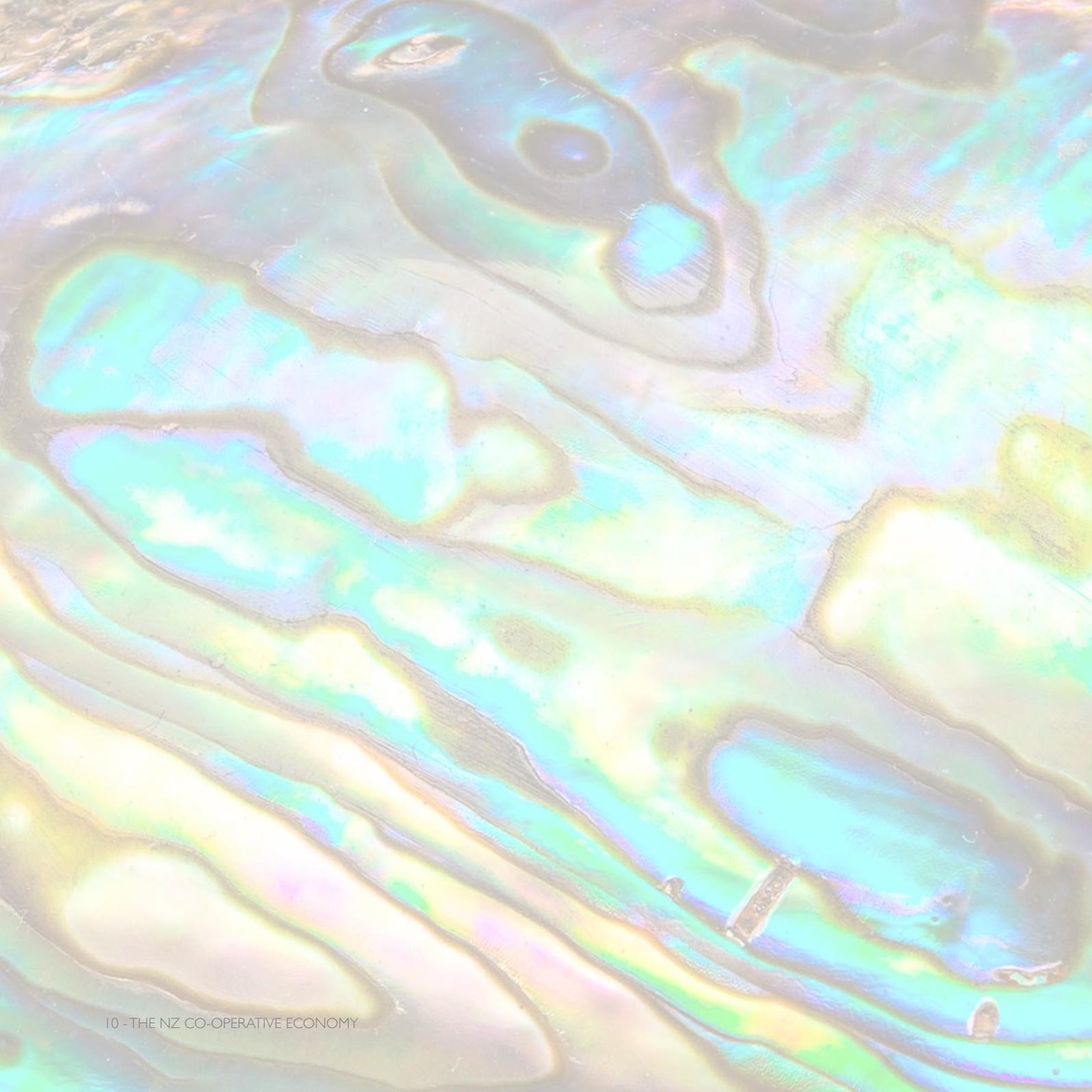
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SUCCESS FACTORS

People – Co-operatives and mutuals are committed to the development and empowerment of people

Profit – The co-operative business model is suited to finding new ways to sustain growth in an uncertain and rapidly changing environment

Planet – Co-operatives and mutuals are putting environmental and social impacts at the heart of their business to serve their communities and conserve natural resources



An aerial photograph of terraced agricultural fields, likely in a mountainous region. The fields are arranged in a complex, winding pattern and are filled with water, reflecting the sky. The colors range from deep blue to light purple, creating a textured, almost abstract appearance. The terraces are separated by narrow paths or ridges.

GLOBAL PICTURE

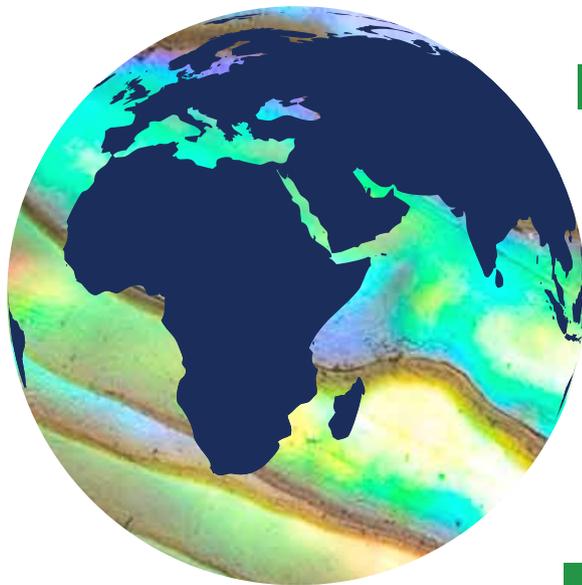
DID YOU KNOW...

2.5 MILLION CO-OPERATIVES IN THE WORLD

ONE BILLION PLUS MEMBERSHIPS GLOBALLY

**GLOBALLY CO-OPERATIVES AND MUTUALS CREATE
DIRECT EMPLOYMENT FOR 12.6 MILLION PEOPLE**

EVOLUTION OF CO-OPERATIVES AND MUTUALS' INTERNATIONALLY



1831

The first co-operative congress held in Manchester, England

1844

Equitable pioneers of Rochdale Society established first co-operative principles

1862

Establishment of Reiffesen (co-operative banks in Europe that are rooted in the early credit unions of Friedrich Wilhelm Raiffeisen)

1895

International Co-operative Alliance (ICA) is founded

1937

ICA defines the 1st co-operative principles

1966

ICA revises co-operative principles

1971

Committee for the Promotion and Advancement of Co-operatives (COPAC) founded – a joint committee for the promotion of Agricultural Co-operation established by International Labour Organisation, Food and Agricultural Organisation & ICA

1995

ICA revise Co-operative principles to current edition

2012

United Nations celebrate International Year of Co-operatives

CO-OPERATIVES ARE MUCH LESS LIKELY TO FAIL THAN INVESTOR-OWNED FIRMS. US DATA SHOWS THAT 60 – 80% OF INVESTOR-OWNED FIRMS FAIL AFTER THEIR FIRST YEAR WHEREAS ONLY 10% OF CO-OPERATIVES FAIL THEIR FIRST YEAR. AFTER FIVE YEARS ONLY 5% OF INVESTOR-OWNED FIRMS REMAIN ACTIVE, WHEREAS NEARLY 90% OF CO-OPERATIVES ARE STILL OPERATING

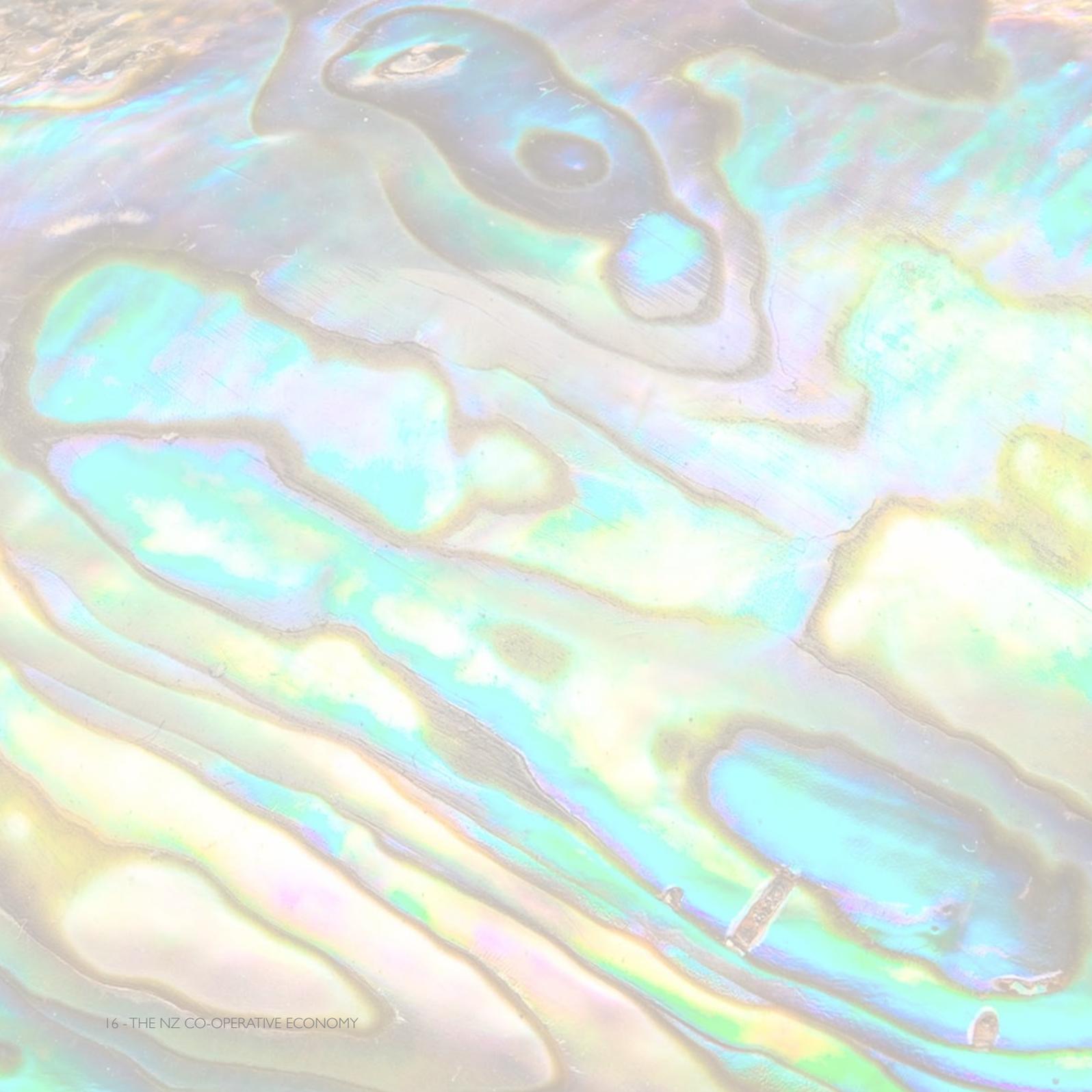
IN 2013, THE TOP FIVE COUNTRIES IN TERMS OF COMBINED TOTAL TURNOVER OF CO-OPERATIVES WERE USA, FRANCE, GERMANY, JAPAN, AND THE NETHERLANDS. NEW ZEALAND WAS 18TH, AHEAD OF SWEDEN (19TH) AND AUSTRALIA (20TH)

Sources: Williams (2007) and International Co-operative Alliance & Euricse (2014)

GLOBAL FACTS AND FIGURES



1 Data on turnover by region from International Co-operative Alliance and Euricse (2015)
Data on number of co-operatives by region from Dave Grace & Associates (2014)



An aerial photograph of a coastal landscape, likely in New Zealand, showing terraced agricultural fields in shades of blue and purple. A small building is visible in the lower right corner. The text "NEW ZEALAND PICTURE" is overlaid in white, bold, sans-serif font in the center-right area.

NEW ZEALAND PICTURE

“ORGANISATIONS SUCH AS YOURS HAVE THE PEOPLE, STRUCTURE AND CULTURE THAT STAND THE TEST OF TIME. IT IS THIS POSITIVE, LONG-TERM VIEW THAT DELIVERS LONG-TERM ECONOMIC SUCCESS”

Bill English

Minister of Finance speech at Co-operative Business New Zealand Annual General Meeting, August, 2016

EVOLUTION OF CO-OPERATIVES AND MUTUALS IN NEW ZEALAND



1846

First dairy exports from New Zealand

1869

Southland Building, Land and Investment Society (now SBS Bank) forms

1871

The first Dairy co-operative in NZ is registered in Otago

1908

The Industrial and Provident Societies Act is passed

1920-1940

Emergence of 600 dairy factories, of which 85% are co-operatives. Emergence of co-operatives in other sectors (e.g. Medical Assurance Society, Foodstuffs, Market Gardeners, Electricity Ashburton, CDC, Co-operative Bank)

1940-1980

Continued emergence of co-operatives and mutuals in various sectors (e.g. Alliance Group, Farmlands, Ashburton Trading Society, New Zealand Plumbers & Merchants Society, Mitre 10, Ravensdown, Farmers Mutual Group)

1984

New Zealand Agricultural Co-operatives Association (now known as Co-operative Business New Zealand) is formed.

1996

The Co-operative Companies Act passes into law

2012

United Nations lists New Zealand as the most co-operative economy as part of the International Year of Co-operatives

TOP 30 NEW ZEALAND CO-OPERATIVES AND MUTUALS

TOTAL REVENUE – \$42.3 BILLION

TOTAL ASSETS – \$33.5 BILLION

TOTAL EBIT - \$2 BILLION

**TOP 30 CO-OPERATIVES AND MUTUALS'
REVENUE TO NZ GDP – 17.5%**

**1.4 MILLION CO-OPERATIVE AND MUTUAL
MEMBERSHIPS IN A COUNTRY OF
4.5 MILLION PEOPLE**

**TOP 30 CO-OPERATIVES AND MUTUALS
EMPLOY 48.5 THOUSAND PEOPLE**

TOP 30 BY REVENUE IN 2015

RANK	CO-OPERATIVE	REVENUE (IN MILLIONS)
1	Fonterra Co-operative Group	18,845.0
2	Foodstuffs - North Island	6,238.8
3	Foodstuffs - South Island	2,721.3
4	Silver Fern Farms	2,434.4
5	Farmlands Trading Society	2,210.0
6	Alliance Group	1,501.5
7	Zespri	1,458.6
8	Ballance Agri-Nutrients	892.7
9	Southern Cross Medical Care Society	817.8
10	Ravensdown Fertiliser Co-operative	711.4
11	Mitre 10 (New Zealand)	708.6
12	Westland Co-operative Dairy Co	639.3
13	Independent Timber Merchants Co-operative	398.0
14	Market Gardeners	328.9
15	CDC Pharmaceuticals	293.1
16	Tatua Co-operative Dairy Co	285.7
18	Capricorn Society	261.4
19	Livestock Improvement Corporation	228.4
10	FMG (FMG Insurance Limited)	209.3
20	Southland Building Society (SBS Bank)	183.3
21	NZPM Group	174.8
22	Dairy Goat Cooperative (NZ)	156.7
23	Eastpack	135.2
24	Pharmacy Wholesalers (Bay of Plenty)	132.9
25	Ashburton Trading Society	119.4
26	The Co-operative Bank	110.7
27	Union Medical Benefits Society	52.7
28	Electricity Ashburton	46.8
29	Medical Assurance Society	32.7
30	Co-op Money NZ	24.7
Total Revenue		42,354.10

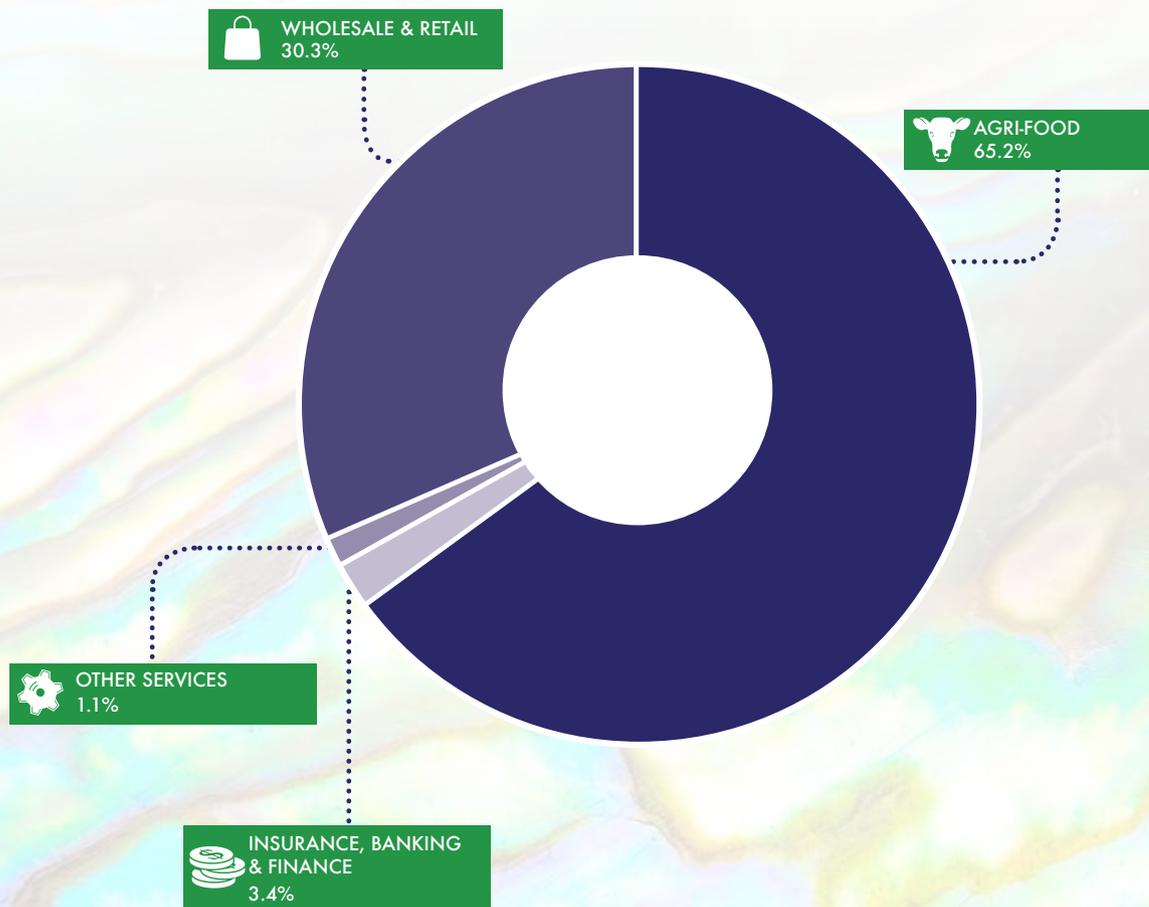
Organisations were drawn from the 2015 Top 40 Co-operatives and Mutuals by revenue published by Cooperative Business New Zealand and who meet the member/user ownership, control and benefits criteria elaborated on in the methodology. We except this definition excludes some organisations that operate as co-operatives or mutuals in other countries but not in New Zealand since in these instances ownership, control and benefits accrue to the overseas members (e.g. Rabobank).

Data on revenue was gathered from annual reports and/or financial statements published by the organisations. These were retrieved from the NZ Companies Office register or from the organisations' websites. Where annual reports or financial statements were not publically available, the information was sourced by contacting the organisations directly.

The reporting period considered was 2014/2015. However, there is some variability in the reporting period/financial year among the co-operatives and mutuals.

Revenue for Capricorn Society Limited in New Zealand and Independent Timber Merchants Co-operative are not the revenue figures reported on the Profit and Loss statements. The figures represent the total value of purchases made by respective Members (e.g. retail stores) from their parent company buying offices.

REVENUE BY CATEGORY - 2015



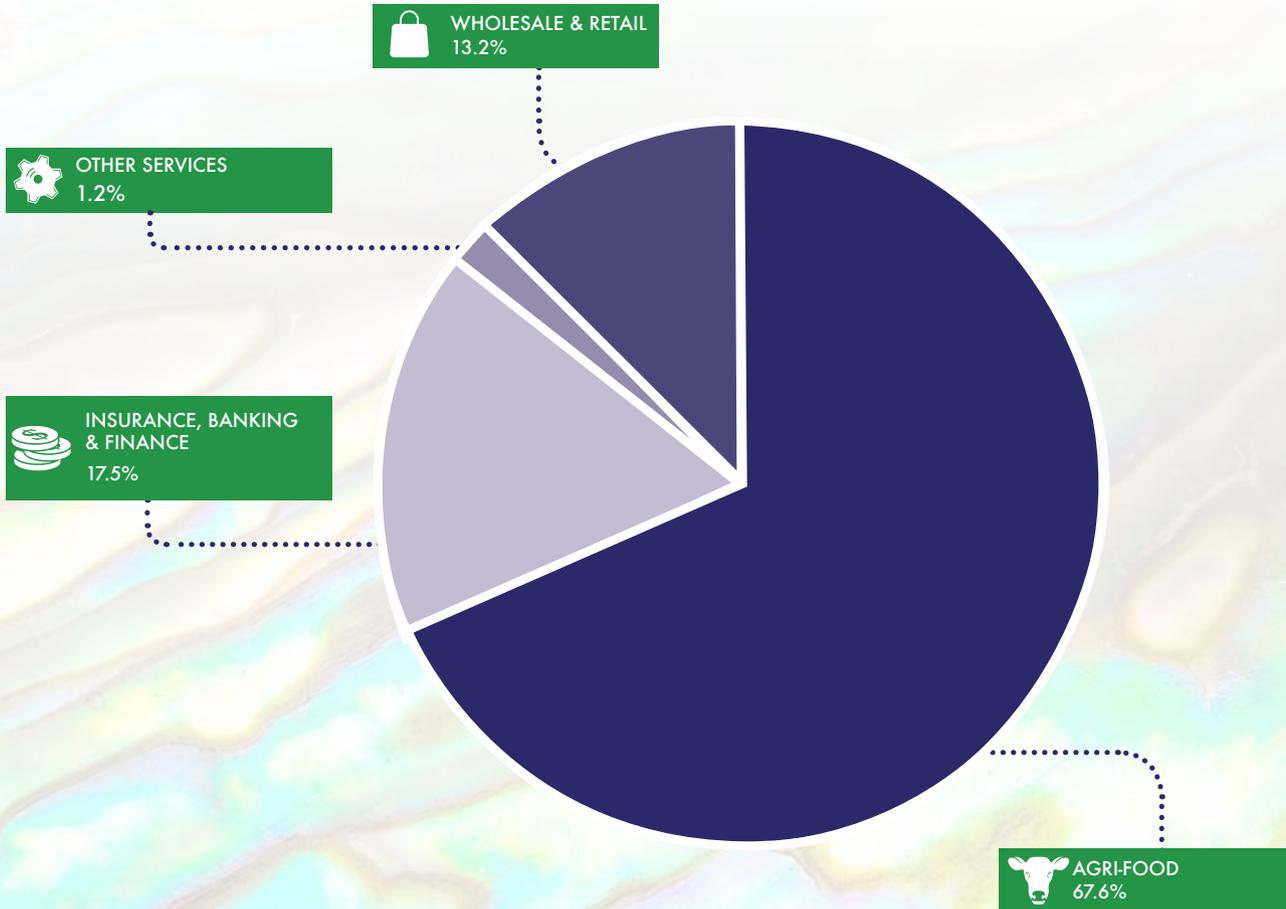
TOP 30 BY ASSETS IN 2015

RANK	CO-OPERATIVE	TOTAL ASSETS (IN MILLIONS)	RANK BY REVENUE
1	Fonterra Co-operative Group	18,315.0	1
2	Southland Building Society (SBS Bank)	2,862.6	20
3	Foodstuffs -North Island	2,645.6	2
4	The Co-operative Bank	1,806.3	26
5	Foodstuffs - South Island	1,010.5	3
6	Silver Fern Farms	627.0	4
7	Southern Cross Medical Care Society	602.1	9
8	Ballance Agri-Nutrients	541.8	8
9	Westland Co-operative Dairy Co	538.1	12
10	Alliance Group	536.1	6
11	Ravensdown Fertiliser Co-operative	533.2	10
12	Zespri	461.2	7
13	FMG (FMG Insurance Limited)	419.1	19
14	Farmlands Trading Society	411.6	5
15	Livestock Improvement Corporation	301.5	18
16	Electricity Ashburton	251.1	28
17	Tatua Co-operative Dairy Co	241.4	16
18	Dairy Goat Co-operative (NZ)	232.3	22
19	Market Gardeners	180.2	14
20	Mitre 10 (New Zealand)	174.8	11
21	Eastpack	139.6	23
22	Co-op Money NZ	115.9	30
23	Union Medical Benefits Society	112.7	27
24	NZPM Group	111.4	21
25	Medical Assurance Society	85.5	29
26	Independent Timber Merchants Co-operative	68.5	13
27	CDC Pharmaceuticals	63.3	15
28	Capricorn Society	35.5	17
29	Ashburton Trading Society	31.3	25
30	Pharmacy Wholesalers (Bay of Plenty)	22.4	224
Total Assets		33,477.7	

Data on total assets was gathered from annual reports and/or financial statements published by the organisations. These were retrieved from the NZ Companies Office register or from the organisations' websites. Where annual reports or financial statements were not publicly available, the information was sourced by contacting the organisations directly.

The reporting period considered was 2014/2015. However, there is some variability in the reporting period/financial year among the co-operatives and mutuals.

ASSETS BY CATEGORY - 2015



TOP 30 BY EMPLOYEES IN 2015

RANK	CO-OPERATIVE	NUMBER OF EMPLOYEES	RANK BY REVENUE
1	Fonterra Co-operative Group	22,000	1
2	Silver Fern Farms	7,000	4
3	Alliance Group	4,700	6
4	Eastpack	2,700	23
5	Foodstuffs- North Island	1,800	2
6	Foodstuffs - South Island	1,350	3
7	Farmlands Trading Society	1,000	5
8	Ballance Agri-Nutrients	760	8
9	Southern Cross Medical Care Society	750	9
10	Ravensdown Fertiliser Co-operative	750	10
11	Mitre 10 (New Zealand)	750	11
12	Livestock Improvement Corporation	710	18
13	NZPM Group	603	21
14	FMG (FMG Insurance Limited)	468	19
15	Westland Co-operative Dairy Co	375	12
16	Market Gardeners	360	14
17	Southern Building Society (SBS Bank)	350	20
18	Tatua Co-operative Dairy Co	345	16
19	The Co-operative Bank	310	26
20	Zespri	250	7
21	Capricorn Society	214	17
22	Dairy Goat Co-operative (NZ)	190	22
23	Electricity Ashburton	175	28
24	Medical Assurance Society	175	29
25	CDC Pharmaceuticals	125	15
26	Ashburton Trading Society	90	25
27	Co-op Money NZ	60	30
28	Pharmacy Wholesalers (Bay of Plenty)	35	24
29	Union Medical Benefits Society	35	27
30	Independent Timber Merchants Co-operative	25	13
Total Employees		48,455	

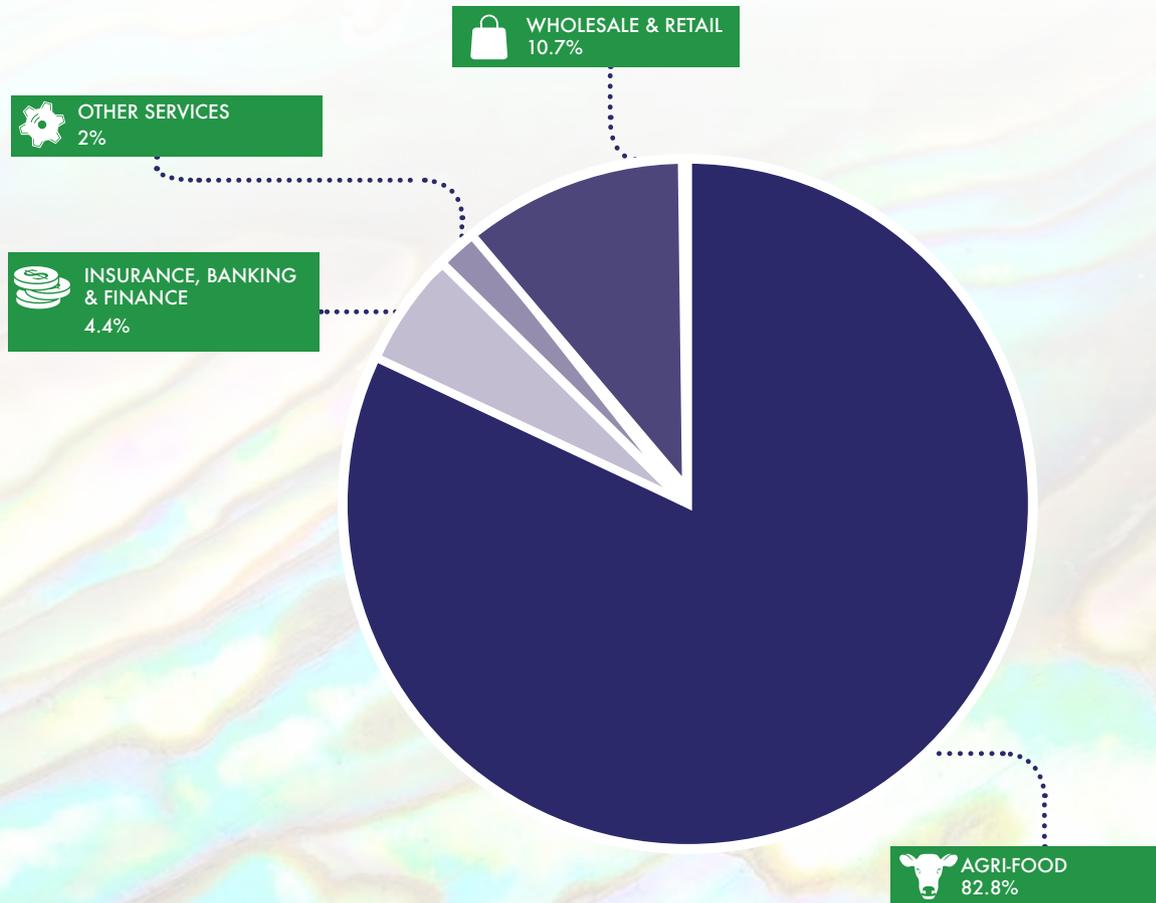
Data on employees was sourced from annual reports and/or financial statements published by the organisations. These were retrieved from the NZ Companies Office register or from the organisations' websites. Where data on employee numbers was not available from annual reports, the information was sourced from responses to the University of Auckland Icehouse survey or the Kompass database.

Since the Kompass database provides a range for employee numbers, the midpoint of the range was used, and hence the data should be interpreted with caution.

The reporting period considered was 2014/2015. However, there is some variability in the reporting period/financial year among the co-operatives and mutuals.

Some data includes overseas employees.

EMPLOYEES BY CATEGORY - 2015



TOP 30 BY MEMBERSHIPS IN 2015

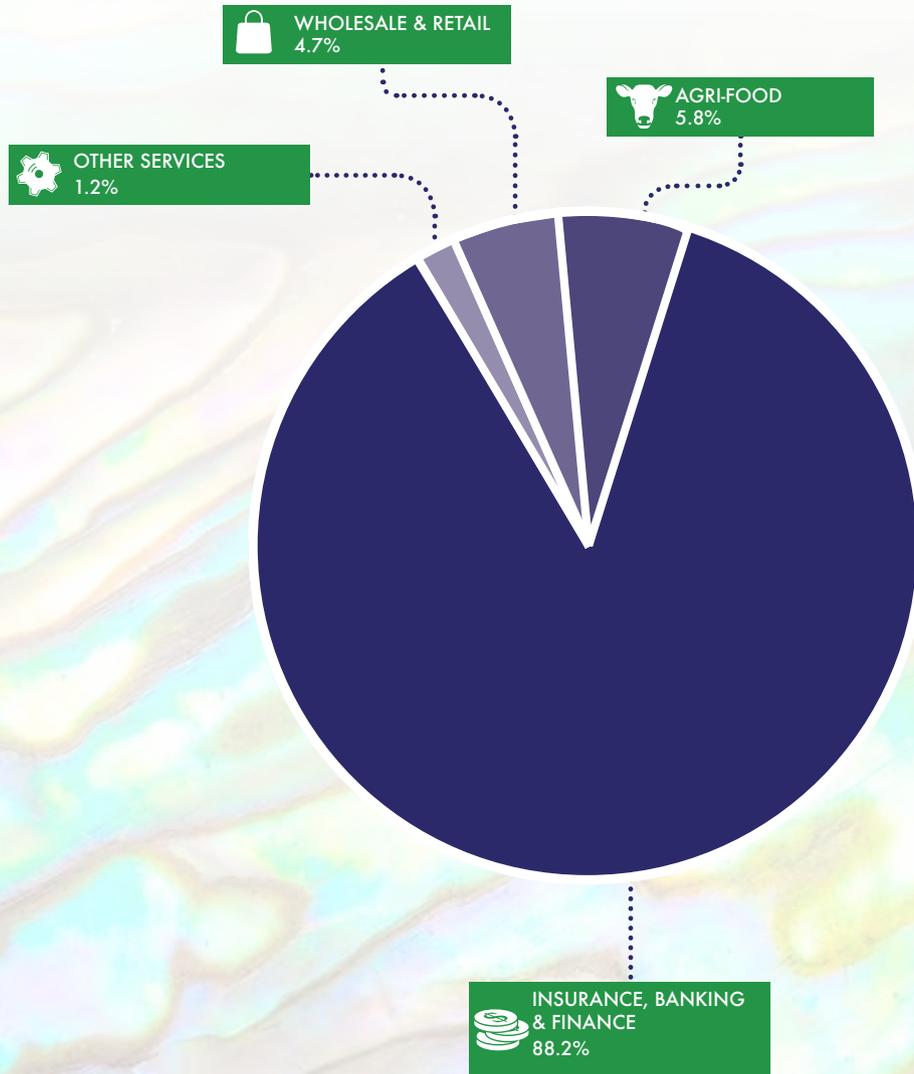
RANK	CO-OPERATIVE	NUMBER OF MEMBERSHIPS	RANK BY REVENUE
1	Southern Cross Medical Care Society	811,462	9
2	Co-op Money NZ	190,000	30
3	The Co-operative Bank	120,000	26
4	Farmlands Trading Society	62,500	5
5	FMG (FMG Insurance Limited)	52,000	19
6	Southland Building Society (SBS Bank)	40,000	20
7	Medical Assurance Society	28,000	29
8	Ravensdown Fertiliser Co-operative	26,000	10
9	Ballance Agri-Nutrients	19,250	8
10	Electricity Ashburton	12,782	28
11	Fonterra Co-operative Group	10,753	1
12	Livestock Improvement Corporation	10,537	18
13	Silver Fern Farms	6,000	4
14	Alliance Group	5,000	6
15	Capricorn Society	3,660	17
16	Zespri	3,000	7
17	Ashburton Trading Society	2,701	25
18	NZPM Group	1,000	21
19	Foodstuffs - South Island	500	3
20	Eastpack	500	23
21	Foodstuffs- North Island	433	2
22	Westland Co-operative Dairy Co	400	12
23	CDC Pharmaceuticals	270	15
24	Market Gardeners	240	14
25	Pharmacy Wholesalers (Bay of Plenty)	170	24
26	Tatua Co-operative Dairy Co	118	16
27	Independent Timber Merchants Co-operative	94	13
28	Dairy Goat Co-operative (NZ)	72	22
29	Mitre 10 (New Zealand)	65	11
30	Union Medical Benefits Society	NA	27
Total Memberships		1,407,507	

Data was sourced from annual reports and/or financial statements published by the organisations. These were retrieved from the NZ Companies Office register or from the organisations' websites. Where data on membership numbers was not available from annual reports or organisations websites, it was supplied by Cooperative Business New Zealand or sourced from responses to the University of Auckland Icehouse survey.

These are counts of memberships. We recognise that some members will belong to more than one co-operative or mutual that is listed. Data on individual members is not publicly available to report the number of individual members.

The reporting period considered was 2014/2015. However, there is some variability in the reporting period/financial year among the co-operatives and mutuals.

MEMBERSHIPS BY CATEGORY - 2015

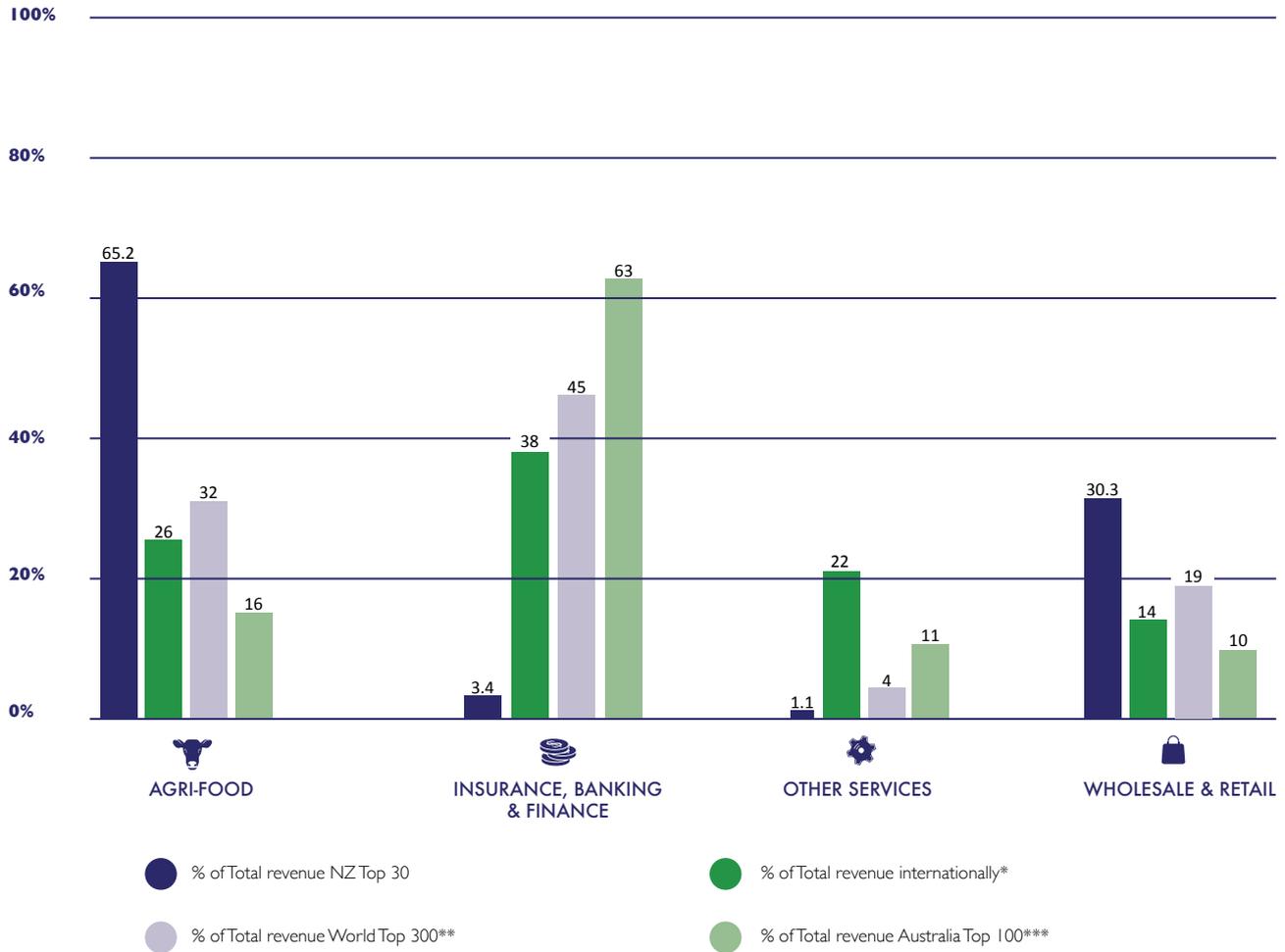


DID YOU KNOW...

**FONTERRA, FOODSTUFFS NORTH ISLAND,
FOODSTUFFS SOUTH ISLAND, SILVER FERN FARMS
AND FARMLANDS APPEAR IN THE WORLD
CO-OPERATIVE MONITOR'S TOP 300 GLOBAL
CO-OPERATIVE BI-ANNUAL REPORTS**

Source: United Nations and DaveGrace & Associates (2014)

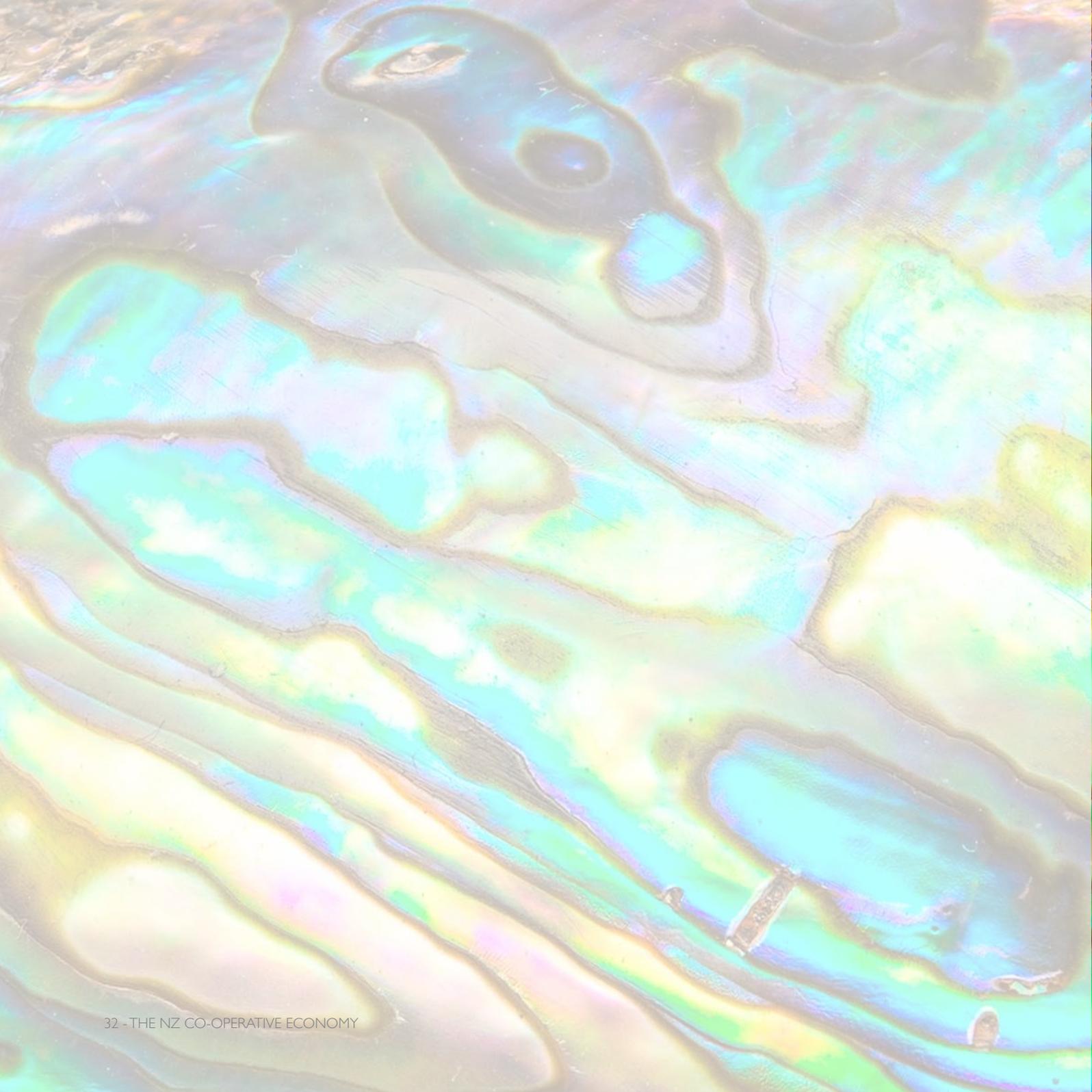
HOW DO NEW ZEALAND'S TOP 30 CO-OPERATIVES AND MUTUALS COMPARE?



*The data is from 2,370 cooperatives across 63 countries (ICA, 2016). Health insurance is included in other services.

**The data is from the World Top 300 cooperatives (ICA, 2016). Health insurance is included in other services.

***The data is from the Australia Top 100 cooperatives (BCCM, 2016). Health insurance (17%) is included in the Insurance, Banking & Finance category.



An aerial photograph of a coastline, likely a fjord or a similar geographical feature, with a blue and purple color overlay. The water is a deep blue, and the surrounding land is a mix of purple and blue tones. The text is centered in the middle of the image.

VIEWS FROM THE TOP: PEOPLE, PROFIT, PLANET

PEOPLE

Co-operatives and mutuals are committed to the development and empowerment of people.

"I believe in the co-operative model. It works for the small farmer and the large, and treats them both equally. It recognises that scale comes from collective effort and the more effort we put in, the more we get back. It works for our people". (CEO, Fonterra, 2015 Annual Report)

"We have also identified a need to return to our co-operative roots and we are putting our farmers at the front and centre of our business".
(Chair & CEO, Alliance Group, 2015 Annual Report)

"By listening to members, not just to understand what they wanted from their bank, but what they wanted from their lives, SBS Bank has been able to play a meaningful part in its members' path to financial independence"
(Chair, SBS, 2014 Annual Report).

"Foodstuffs South and North Island is taking an inclusive approach to developing the capability of our people in all areas of the organisation"
(CEO Foodstuffs North Island, 2015 Annual Report)

"We all go together and we do it together, that's the reason we're in a co-operative"
(Interview with Chairman, agribusiness co-operative)

External recognition:

- FMG Insurance was named New Zealand's best large place to work in 2015 based on IBM Best Workplaces Survey results. FMG has been a finalist every year since 2011, demonstrating their consistently strong workplace climate and employee engagement
- Fonterra won 2016 Workplace NZ's Safeguard Workplace Health and Safety Award for innovative employee health and wellness initiatives
- Medical Assurance Society (MAS) and FMG Insurance both received 2016 Consumer NZ People's Choice awards for insurance services
- Union Medical Benefits Society received the Canstar Blue Award for Most Satisfied Customers Health Insurance in 2013 and 2014

PROFIT

The co-operative business model is suited to finding new ways to sustain growth in an uncertain and rapidly changing environment.

"What the industry structure enables, is two things which fundamentally enable innovation. The first thing that it does, is that it means **the margins in our business are sufficient to enable us to spend money on innovation.** There is sufficient margin in the business to be able to invest, that **investment can then be leveraged over significant scale, because we're leveraging that investment over the membership....** Because **growers are working together, then they all benefit from that innovation spend"** (CEO, agribusiness co-operative)

"MG's **commitment, beyond profit, is to support our grower shareholders to ensure long-term sustainability.** To do this most effectively we need to develop a closer working relationship with our network of growers to make sure they are getting the best returns and are not drawn to other business models that deliver less long-term value". (Chair & CEO, Market Gardeners, 2014 Annual Report)

"We've upheld our disciplined approach to cost management... **This enables us to offer fair pricing and deliver strong returns to our shareholders, and affords us the flexibility to reinvest to grow the business** when the right opportunities come our way". (Chair & CEO, Ballance, 2014 Annual Report)

"We are also reviewing our **capital structure to ensure that it is set up for the future,** and has the **flexibility required to maximise market opportunities"** (Chair, Westland Milk Products, 2015 Annual Report)

External recognition:

- Established in 2008, Flooring Extra and its 44 members have grown to become New Zealand's largest flooring retail brand in less than ten years

PLANET

Co-operatives and mutuals are putting environmental and social impacts at the heart of their business to serve their communities and conserve natural resources.

“We’re proud to support the communities where we do business and we’re passionate about making them strong, vibrant places for us all to live. SBS Bank staff don’t just work in their local communities, they’re a part of them. The members they deal with on a daily basis are their friends, family, neighbours and supporters of their local community groups”.

(Chair, Southland Building Society, 2014 Annual Report)

“It’s not all about money, it’s about being here for the next generation. We want our members to conduct their farms as if it’s going to be in their family for 150 years. **What you do today is going to have an effect later.** This business is exactly the same and that’s what is so good about it; **they’re not just here for now, they’re here for the next generation and the one after that”.** *(Interview with Chairman, agribusiness co-operative)*

“As a Mutual, FMG has a higher sense of accountability in terms of giving-back to the rural community”. *(CEO, Farmers Mutual Group, 2015 Annual Report)*

External recognition:

- Ravensdown’s Smart Maps tool received international recognition with a 2014 Special Achievement Award in Geographical Information Systems from the US -based Environment Systems Research Institute, ahead of 100,000 other nominees
- Fonterra’s Edendale site is the most energy efficient dairy manufacturing site in New Zealand according to the Energy Efficiency and Conservation Authority (EECA) and has reduced energy consumption by 48% per tonne of product since the programme began in 2003

PEOPLE

Co-operatives and mutuals demonstrate their commitment to PEOPLE:

- Foodstuffs South Island's Community Trust allocated nearly \$460,000 across 61 educational grants and 160 community grants in the 2013/2014 period
- Co-op Money, FMG, Fonterra, Ravensdown and Zespri all offer new graduate schemes taking on high-potential graduates who complete placements within key business functions in the 2014/2015 year
- FMG partnered with the Mental Health Foundation to launch a rural wellbeing initiative called *Farmstrong*. The 2015 programme provided farmers, families and rural communities with tools and resources to help them "live well and farm well"

PROFIT

Co-operatives and mutuals demonstrate their commitment to sustainable PROFIT:

- The Co-operative Bank lifted its annual profit 16% to \$10.3 million in the 2014/15 more than doubling the rebate paid to members in the 2012/2013 year
- Ravensdown annual earnings jumped 35% to \$62 million (before tax and rebates) in the year ended May 31 2016, up from \$46 million on the previous year
- 2014 was the second best year in FMG's history, with an after-tax profit of \$26.8m
- Eastpack turnover increased by 33% in 2015 from \$102m to \$135m
- Market Gardeners reported 2014/15 as a record year for sales with 13.7% increase – since starting in 1923.
- In 2016 Mitre 10 paid their shareholders the highest dividend in the last 17 years

PLANET

Co-operatives and mutuals demonstrate their commitment to valuing the PLANET:

- Southland Building Society supported more than 390 community events throughout the country in the 2013/2014 year
- Ballance Agri-Nutrients donated \$500 to local charities for every day their Kapuni project site met all of its health and safety requirements in 2014, demonstrating how commitment to staff and community can go hand-in-hand
- Southern Cross Healthcare hosted 50 experts at a 2014 Think Tank aimed at finding solutions to the looming fiscal crisis in healthcare, showing how a collective approach can drive discussion and awareness around wicked problems
- Ballance is helping to build farming role models through the Ballance Farm Environment Awards, run for 20 years, 12 of these as principal sponsor
- Fonterra's Milk for Schools and Milk for Schools Recycling Programmes have integrated the delivery of more than 70 million cartons of milk and implementation of recycling practices to primary schools throughout the country since 2008
- Silverfern Farms Memorandum of Understanding with the Federation of Maori Authorities displays their commitment to deepen a common understanding of the Maori dry-stock farming sector

KEY OBSERVATIONS

- Co-operatives operating in the Agri-food sector dominate New Zealand's co-operative economy in terms of revenue – 65.2%, assets – 67.6%, and employment – 82.8%. An important observation is the significance of agri-food co-operatives in New Zealand in comparison to other developed economies. The World Co-operative Monitor's analysis of the Top 300 co-operatives reports that agri-foods accounts for 32% of co-operative activity (ICA, 2016). Similarly, the 2016 National Mutual Economy reports agri-business as 16% of combined turnover in the Australian co-operative economy. The contrast that New Zealand's co-operative agri-foods sector is more than twice that of the global trend and four times that of Australia reinforces the importance of agri-foods in New Zealand's co-operative economy.
- The next largest sector in New Zealand's co-operative economy by revenue is Retail and Wholesale, accounting for 30.3%. Similar to Agri-foods, the Retail and Wholesale sector in New Zealand accounts for twice as much as the global trend (14%, ICA, 2016) and three times that of Australia (10%, BCCM, 2016).
- Another interesting observation is the importance of the Insurance, Banking, and Finance Sector in terms of membership, accounting for 88.2%. A large proportion of that is Southern Cross Medical Care Society's 811,462 members, which by itself accounts for over half of all memberships of New Zealand's co-operative economy. Furthermore, the fact that these memberships are predominantly held by individuals and their families shows the extent to which the co-operative economy is weaved into the everyday lives of New Zealanders.
- In terms of comparing New Zealand's Insurance, Banking, and Finance sector with global trends, it is important to note considerable variation in the way that health insurers are treated. The Global Top 300 classifies many of them as part of the Health and Social care sector. Differently again, the Australian National Economy Report classifies Health Insurance separately from Banking and Finance, and the Health and Social care sector. Notwithstanding these classification differences, it is very clear that Insurance, Banking, and Finance are more significant parts of the co-operative economy in other jurisdictions. Insurance, Banking and Finances accounts for 45% of revenue of the Global Top 300 and 63% of the Australian Top 100. This contrasts dramatically with the 3.4% revenue from Insurance, Banking, and Finance (including health insurance) in New Zealand. More sector-specific analysis is required to understand and realise the potential growth in the Insurance, Banking, and Finance sector in New Zealand's co-operative economy.

- A second sector for growth potential is the Health and Social care sector. While this sector is not large, globally it accounts for 4% of revenue and in Australia it accounts for 1% (specifically Housing), there are organisations forming to provide these core services. In particular, recent studies show the emergence of health and social care co-operatives in response to increasing demands for healthcare accessibility and affordability² in a number of developed economies that New Zealand is often compared to, including England, Canada, Sweden, and Wales. Yet, there appears to be little growth of co-operatives in this sector in New Zealand. More work is required to understand the organisational arrangements used to deliver devolved health, social care and housing, and given the clear user –ownership, -control, and benefits, how co-operatives and mutuals could be leveraged to deliver such services.
- Across all the sectors it is important to acknowledge the role of medium-sized co-operatives and mutuals to New Zealand's co-operative economy. There are a number of well-established co-operatives and mutuals generating between \$15 million and \$24.5 million in annual revenues. While they sit outside the current Top 30 list, their capacity for economic growth and new job creation has to be recognised. Furthermore, understanding why and how these organisation grow is needed if we are to develop supportive public policy for New Zealand's co-operative economy.

2 Osborn, R., Squires, D., Doty, M. M., Sarnak, D. O., & Schneider, E. C. (2016). In New Survey of Eleven Countries, US Adults Still Struggle With Access To And Affordability Of Health Care. *Health Affairs*, 10.1377/hlthaff.2016.1088. <https://doi.org/10.1377/hlthaff.2016.1088>;

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Borzaga, C., & Fazzi, L. (2014). Civil society, third sector, and healthcare: The case of social cooperatives in Italy. *Social Science & Medicine*, 123, 234–241. <https://doi.org/10.1016/j.socscimed.2014.10.001>;

**UNTIL THE SCOPE AND POTENTIAL OF
CO-OPERATIVES CAN BE BETTER
UNDERSTOOD RESEARCH ON SMART
POLICIES TO PROMOTE CO-OPERATIVES
WILL BE HAMSTRUNG**

Source: United Nations and DaveGrace Associates (2014)



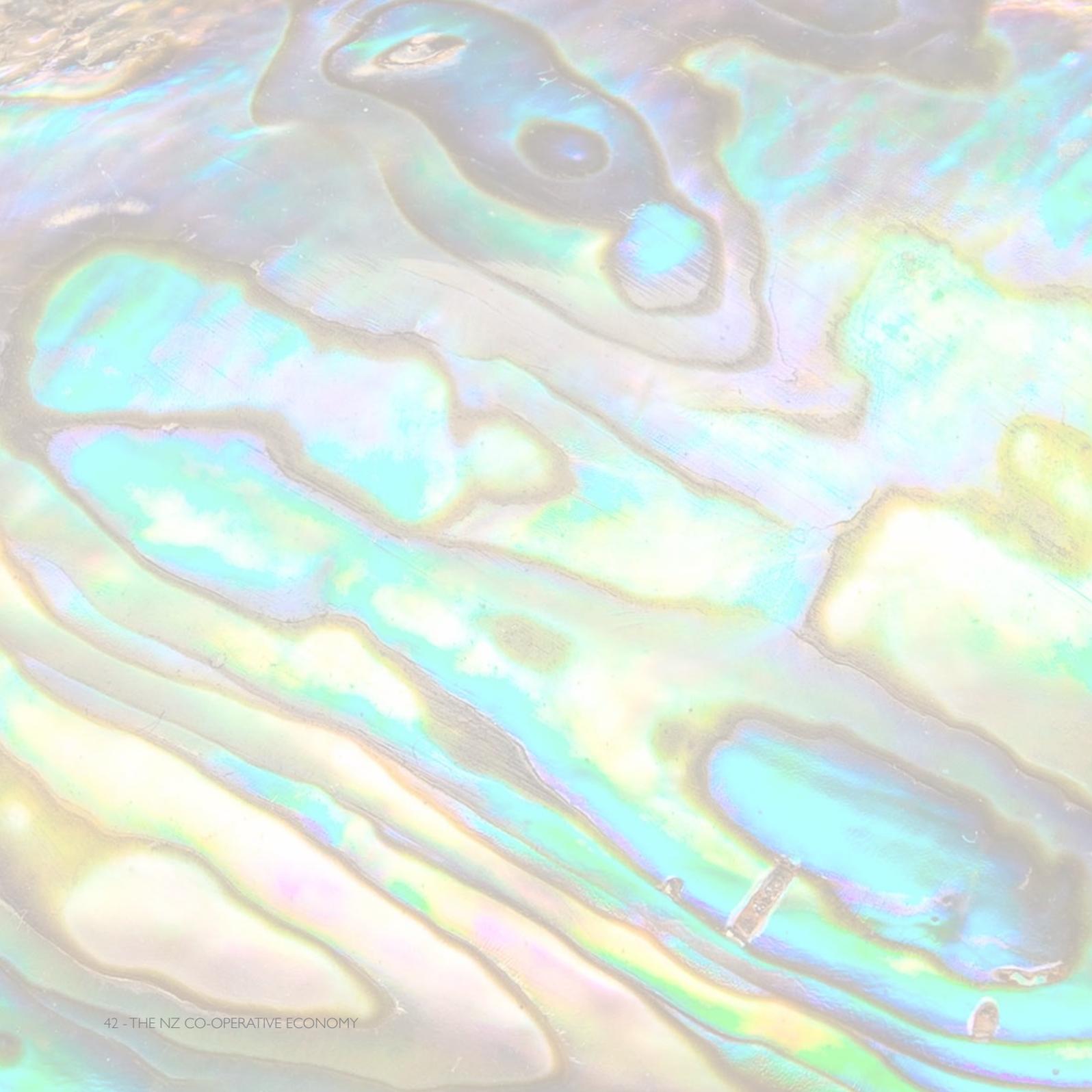
WHAT ARE THE NEXT STEPS?

Co-operatives and mutuals are an important part of the New Zealand economy and society; their successes should be celebrated and their business model better understood. While this report demonstrates the impact of co-operatives and mutuals, discussions with executives and other informed stakeholders highlighted challenges for the future. Potential Next Steps are summarised below.

- **A co-operative business strategy:** New Zealand's co-operative sector remains fragmented and, as a result, lacks strong representation and a focused strategy that can influence public policy and facilitate greater co-operation across the sector. On a revenue basis CBNZ's current members represent over 80% of the NZ co-operative sector's revenue, yet only about half of registered co-operatives and mutuals are currently members. CBNZ's constrained financial and human resources limit its ability to fulfill its mission and support capability building, secure the provision of training and education, and promote the co-operative business model.
- **Co-operative research, training and education:** Educating the public and addressing the poor understanding of the co-operative business model remains a perennial challenge. Despite the fact that co-operative and mutual memberships represent some 30% of the New Zealand population, there is a lack of general understanding of the co-operative business model. This can be addressed through in-depth research to identify the specific characteristics of co-operatives and mutuals and how they successfully evolve, as well as the challenges they perceive.

Currently New Zealand does not have a research centre with a clear focus on co-operatives and mutuals to co-ordinate and deliver research and training support. Such centres are common in other countries (e.g. University of Saskatchewan's Centre for the Study of Co-operatives; the UK Society for Co-operative Studies; The University of Wisconsin Centre of Cooperatives). The advantages of co-operating on research and training is the development of local capability and stronger pathways to include the co-operative business model in the higher education and executive education curricula. However, such an approach requires greater co-operation among co-operatives and mutuals in order to develop a shared training and education strategy. Tailor-made courses for co-operative and mutuals staff, board members and members are needed to ensure the unique characteristics of the co-operative business model are understood for their future success. These research, training and education efforts should be informed by the current Government's focus on innovation and internationalisation too.

- **Detailed and ongoing mapping of the sector:** While this study provides a snapshot of the sector, more detailed research is needed to build a rich picture of New Zealand's co-operative economy, its strengths and opportunities, but also its needs. In particular, there is a dearth of longitudinal data needed to understand emerging trends or undertake comparative analysis of the performance of the co-operative business model versus investor-owned firms in the New Zealand context. Replication of research such as this on a bi-annual basis and collaboration to construct data sets that cover longer time periods would go some ways to addressing understanding New Zealand's co-operative economy.



An aerial photograph of a terraced landscape, possibly a vineyard or agricultural field, with a color palette dominated by deep blues, purples, and cyan. The terraces create a complex, organic pattern across the terrain. The word "INDEX" is printed in white, bold, sans-serif capital letters on the right side of the image.

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CO-OPERATIVE PRINCIPLES

The co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.



METHODOLOGICAL NOTES

The data presented in this report is derived largely from publicly available reports and documents. In addition to mapping the Top 30 co-operatives and mutuals on a number of financial indicators, we sought to enrich the picture of New Zealand's co-operative economy by leveraging other publicly available annual reports from the Top 30 and data from our existing research programs. This builds on a recent survey of all organisations registered under The New Zealand Co-Operative Companies Act (1996) and a number of our in-depth case studies in the agribusiness sector that are published elsewhere.

Defining Co-operatives and Mutuals in New Zealand's co-operative economy

It is difficult to clearly define co-operatives and mutuals in New Zealand because many co-operatives are not registered under the 1996 Co-operative Companies Act (1996), but with the Companies Act (1993), Building Societies Act (1965), Friendly Societies and Credit Unions Act (1982) and various other Acts. Irrespective of registration type, underpinning all co-operatives and mutuals is the commitment to user-owned, user-controlled organisations that distribute benefits on the basis of use. Organisations who demonstrate only some of these commitments are excluded from the study (e.g. Rabobank NZ). Therefore, for the purposes of this report co-operatives and mutuals are defined as organisations where members/users own, control and benefit from dealing with the company.

This definition and subsequent metrics are in line with those used by the World Co-operative Monitor (WCM) that has developed a global benchmark method. We employ their metrics to allow for some initial comparisons between New Zealand and other countries. More importantly, it should enable longitudinal work to monitor patterns and emerging trends in New Zealand's co-operative economy.

Quantitative measures

We make two notes regarding quantitative measures in addition to the footnotes through the report. First, in the report we used the ratio of turnover/revenue to GDP to demonstrate the significance of co-operatives and mutuals to New Zealand's economy. Readers should note that, as stated by WCM, the ratio of turnover to GDP is not intended to compute the contribution of each co-operative or mutual to the national GDP, but it is a first attempt to relate the turnover of co-operatives and mutuals to the wealth of the country in which they operate.

Second, the results of this report must be considered as exploratory, and not exhaustive. Since varying economic indicators have been used for different types of organisations (e.g. premium revenue for insurance co-operatives, sales revenue for dairy co-operatives etc.), any attempt at comparing co-operatives or mutuals across sectors should be made with caution.

Qualitative measures

We sought to collate the key strengths and achievements of co-operatives and mutuals as perceived by those at the top. These themes stood out in terms of the prevalence of comments made by Chairpersons and CEOs in annual reports that were publicly available and by top managers and board members who participated in our existing research programs. Quotes from the latter are presented without identifying participants as per the research ethics principles under which the data were originally collected.

This report is the result of a successful collaboration between academics from two preeminent New Zealand Universities – Massey University and the University of Auckland. Both universities have scholars actively researching co-operatives and the co-operative business model in New Zealand and abroad and who co-operate with the Cooperative Business New Zealand.

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