



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Growing for Queensland

Submission to the Queensland Government

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the Queensland Government's Discussion Paper, *Growing for Queensland*.

The Paper identifies the many government initiated industry support programs that have delivered valuable outcomes supporting new technologies and models for agriculture and food security. Recognising that Queensland is a major supplier of fresh produce to all of Australia, these contributions are of both State and national significance.

The BCCM is the national peak body for co-operative and mutual enterprises (CMEs) in Australia. It is a member driven and funded organisation representing CMEs operating in all industries, particularly agriculture.

Our membership includes:

- major farmer owned co-operatives such as the Northern Co-operative Meat Company, Geraldton Fishermen's Co-operative Ltd, Yenda Producers Co-operative Ltd and Co-operative Bulk Handling,
- agricultural services co-operatives such as Emerald & District Co-operative Society Ltd and Stock and Station Agents Co-operative Ltd, and
- mutual banking, insurance and financial services such as RaboBank, Regional Australia Bank and Heritage Bank.

The role of government in agriculture is an enabling one and the BCCM, in this submission, draws attention to the importance of including co-operatives in any policy to support the growth of a trusted, profitable and sustainable agribusiness and food sector in Queensland.

This submission to the *Growing for Queensland* Discussion Paper is in two Parts.

Part 1 outlines the contribution and potential of co-operatives to support the growth and development of Queensland agriculture and agribusiness.

Part 2 focusses on the government's regulatory role and its responsibility to provide trusted information and makes recommendations to improve the regulatory and information framework.

The BCCM is able to provide further information on each of the matters raised in its submission should this be required.

Yours etc.,



Melina Morrison
Chief Executive Officer

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About the BCCM

Formed in 2013 following the [United Nations International Year of Co-operatives](#), the Business Council of Co-operatives and Mutuals (BCCM) is the peak body for Australian co-operatives, mutuals and member-owned enterprises. The BCCM represents a diverse range of enterprises operating in sectors including agriculture, finance and banking, insurance, mobility services, health services, aged care, disability employment, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into [Cooperative, mutual and member-owned firms](#), and implementation of the [Hammond Review](#) recommendations to improve access to capital for CMEs. The Hammond Review recommendations were implemented in April 2019, with the passing of the [Treasury Laws Amendment \(Mutual Reforms\) Act 2019](#).

Executive Summary

In Part 1 of this submission, the Business Council of Co-operatives and Mutuals makes the case for co-operatives as a way forward for the Queensland agricultural and agribusiness sector. Information and examples are included to demonstrate that co-operatives have capacity to help drive the sector over the next decades, because they

- *contribute to the diversity, resilience and productivity of the agricultural sector*
- *provide a countervailing power in competitive markets*
- *contribute to food security and sustainability*
- *are capable of innovation and scaling up*
- *provide alternative outlets for farm produce*
- *recognise the value of farmer knowledge and experience, and*
- *enhance access to finance*

These factors together underpin the recommendation that the Department of Agriculture and Fisheries should actively recognise and promote the value of co-operatives as part of its policy to grow the food production and agribusiness sectors in Queensland by

- ***conducting research that identifies agricultural co-operatives in Queensland so that small farm businesses are able to assess the benefits of co-operatives and access their services***
- ***actively promoting the use of co-operatives as providing a countervailing balance for smaller businesses in the competitive agricultural industry.***

Part 2 identifies key barriers that inhibit co-operatives from delivering benefits to the agriculture sector.

These barriers are that Queensland has not adopted the nationally uniform scheme of legislation for co-operatives and government managed business advisory services and websites do not provide any basic information about co-operatives.

Under current laws, co-operatives registered in Queensland are not permitted to carry on business in other states or territories of Australia unless they had registered as foreign co-operatives prior to 2014. The failure of the Queensland government to adopt the uniform national law has left co-operatives in Queensland with out of date laws that present a real barrier to reaching their potential.

The BCCM accordingly recommends that the

- ***Queensland Government moves to adopt the Co-operatives National Law without further delay.***

It is imperative that people have freedom to choose the form of business model that best suits their enterprise and this can only happen if there is adequate information available about all forms of business models and structures is available through trusted information sources. The BCCM further recommends that

- ***business advisory websites managed by the Queensland Government should include information about the formation and management of co-operatives and that the Department of Agriculture and Fisheries should also include links to such information.***

Part 1: Co-operatives drive value and opportunity for Queensland farmers and agribusiness

Co-operatives are corporate entities that are built on principles of self-help, sustainability and democracy.

Much of Australia's agricultural development has been the result of co-operative enterprises, this is evident in the early development of the sugar cane industry, the marketing of fresh Queensland produce and the grain and dairy industries.

There are approximately 1700 Australian co-operatives with over 150 co-operatives registered in Queensland.

1.1 Co-operatives contribute to the diversity, resilience and productivity of the agricultural sector

The co-operative business model is one that enables small businesses to collaborate and share costs and resources. In food production, the ability to share costs of production, marketing and transport adds value to the bottom line for smaller farmers and also provides access to cheaper resources such as new technology and learning across a group of farming enterprises.

The Discussion Paper reveals that the majority of farming businesses are small farms, although the majority of output comes from large farms that also show a higher rate of return. Larger farms are generally owned by public companies with investors who do not necessarily have any connection with the agricultural activities of the farm other than their capital investment interest. Corporate entities operate on principles of delivering best profit and will make business decisions that do not have any concern for local communities. The larger the company, the more likely that their activities will be affected by speculative behaviour.

Co-operatives rely on their farmers who are part of their local communities. Local farmers live in and spend their money in their communities and they draw employees primarily from their communities.

Research conducted by the International Labor Organization in 2009 demonstrated that co-operative and mutual enterprises were resilient through the global financial crisis because they were built on ethical principles that engendered loyalty. The co-operative business model is not subject to speculative behaviour and business decisions focus on long term prudence and member value.

Co-operatives are able to bring a competitive edge to a market. By sharing costs rather than seeking to pay the highest dividends to investors, co-operatives can often deliver a better and more cost effective product to market.

Encouraging the formation of co-operatives to bring diversity to the agricultural sector was a key factor for the federal government to fund the [Farm Co-operative and Collaboration Pilot Program](#) in 2016 resulting in the formation of 57 new agricultural co-operatives and supporting the marketing and business strategy of many existing co-operatives.

1.2 Co-operatives provide a countervailing power in competitive markets

The number of Australian farmers has fallen significantly in recent decades including in Queensland. This has been the result of farming becoming more mechanised requiring farms to grow larger and to access more capital to remain competitive. At the same time agricultural markets have been progressively deregulated transforming the Australian market into an open global market. Farming is a cost laden industry and subject to local climate experiences as well as global climate changes. These factors will continue to impact on smaller farming enterprises in both domestic and global markets further contributing to the decline in number of farmers.

Co-operatives provide a countervailing power by balancing the bargaining power of smaller farmers against larger market participants ensuring a fair farm gate price for all farmers.

There are a number of long standing and successful co-operative marketing entities participating in markets for Queensland produce such as Sunfresh Marketing Co-operative and Bundaberg Fruit and Vegetable Growers Co-operative.

The federal Government's Competition Policy Review in 2015 recommended that government bodies should raise awareness of collective bargaining exemption provisions and co-operatives to "promote their use and potentially strengthen the bargaining position of small businesses dealing with large businesses" (Harper Review, page 86). Co-operatives have been particularly recognised as exempt from collective bargaining restrictions in the draft Guidance Note for a Collective Bargaining Class Exemption issued by the ACCC, consistent with their acknowledged value as providing bargaining strength for smaller businesses.

1.3 Co-operatives contribute to food security and sustainability

Co-operatives are member owned. They focus on the wellbeing and profitability of their members through their combined purchasing power for farm inputs and other ancillary services such as insurances, agribusiness advice and research.

According to the Global Forum on Local Development, investments that support the establishment and operation of farmer co-operatives have demonstrated success in improving food security by keeping small farmers in the value chain of food production. They also secure improved rural and regional outcomes by providing access to resources to help improve production and business management as well as providing bargaining power to reduce price volatility. Improving the resilience of local producers contributes to local communities and makes them less vulnerable to external impacts.

Co-operatives are connected globally through international alliances that promote and support ethical and value driven enterprises. All co-operatives must abide by seven internationally-agreed co-operative principles which are enshrined in legislation in Australia. The co-operative principles put their members, the farmers, at the centre of corporate decision-making and bind the enterprise to consider their communities and future generations of farmer members, making for a conscientious approach to decision-making.

In 2015 the United Nations identified Sustainable Development Goals (SDGs) that were also endorsed at the UN Climate Change Conference in Paris in 2015. As a global alliance, co-operatives have begun to report data on their progress towards achieving SDGs that address poverty, hunger education, gender equality, climate action and decent work for economic growth: World Cooperative Monitor Report 2018.

1.4 Co-operatives are capable of innovation and scaling up

Worldwide the co-operative sector accounts for a significant share of gross domestic product in many economies. In Europe, agricultural co-operatives have overall market share of about 60% of the processing and marketing of agricultural commodities and about 50% of the supply of inputs whilst in the United States co-operatives have a market share of approximately 28% of processing and marketing and 26% of input supply.

In Australia, for the financial year ending 2017, the largest agribusiness and fishing co-operatives reported a turnover of more than \$8 billion, which was invested back into their members through rebates and improved services.

The Mahogany Processors Co-operative was formed by a small group of forestry businesses to establish an export market and scale up to include a large number of other growers in the north of Queensland and the Northern Territory. While Norco, a well-established and innovative dairy co-operative in northern New South Wales and southern Queensland continues to support its dairy farmer members by opening up new export markets. The Northern Co-operative Meat Company (NCMC) serves cattle farmers on the east coast of Australia. NCMC exports 70% of its members product through the Port of Brisbane and recently won an Excellence in Export award.

Australian farmers are quick to adopt new technologies to connect with resources particularly in remote areas. Co-operatives have the capacity to adopt digital communication marketing resources by sharing adoption costs. There is a new generation of platform co-operatives being established where the platform for the exchange of information or the transactions hub is owned by the people who use it. Just as Uber has transformed the ridesharing and transport industry, co-operatively owned platforms are being developed by those who use or work in the industry and keeping the profits from technology with their users.

The Coffs Harbour Fisherman's Co-operative launched a new online fish auction platform to give fishermen greater control over their supply chain and customers greater information about product provenance. Co-operative Bulk Handling, Australia's largest co-operative grain exporter permits farmers to access grain prices and contract in real time at live prices through their online platform LoadNet, a resource made available through the joint enterprise over years of their farmer members. JoinData is a shared data co-operative being developed by the Dutch agricultural sector.

1.5 Co-operatives provide alternative outlets for farm produce

Consumer concerns about the provenance and freshness of food has led to the establishment of consumer co-operatives in both urban and rural areas that buy fresh or locally produced food for sale to members consumers. Consumer co-operatives are committed to fair prices for farmers by reducing supply chains and committing to support their local agricultural industries. Part of the 'paddock to plate' sensibility, they support the development of niche products and build a culture that values producers.

A recent example of an alternative market for small farmers is the farmer owned Family Food Co-operative Ltd, while the new Australian Beekeepers Co-operative formed in Queensland enables sales of local products with a social enterprise mission.

The Mary Valley Country Harvest Co-operative is committed to providing a market for local organic producers in the Sunshine Coast.

1.6 Co-operatives recognise the value of farmer knowledge and experience

Australian farmers are innovative and willing to invest in new production methods. Co-operative business models support innovation by enabling all farmers to share and access information and advice across the whole supply chain. Farmers who own their co-operative enterprise and trust that it exists to serve their interests have confidence that each of the services developed by their co-operative is focussed on the economic well-being of their members.

Co-operatives like Yenda Producers Co-operative began with 10 farmer members to assist with marketing fresh produce. Today it also provides agronomy services, livestock management, farm input supplies, insurance and livestock and water trading services. As part of the co-operative enterprise each of these services are trusted by members to assist in all factors affecting their own farming businesses.

As small businesses, many of them family owned, succession planning is a key issue requiring active policy and guidance. The co-operative principles dictate that these enterprises retain a capital core to ensure longevity and support for generations of farmers. Co-operative boards are guided by this principle and the principle of open membership that supports their growth. Membership of a co-operative is open to all new entrants that are willing to collaborate within the co-operative model. They actively support programs to ensure succession by supporting the entry of new participants and sharing experience and knowledge across generations of farmers.

1.7 Co-operatives enhance access to finance

Co-operatives are corporations with power to raise capital from their members and from the public. The unique nature of co-operative shares and the co-operative principles, however, ensure that democratic control remains with farmers who actively use their co-operative's services. Capital rewards as well as access to services remains with members.

As a corporate structure representing the power of many members co-operatives are well placed to negotiate financial accommodation from commercial banks, particularly mutual financial enterprises that share the same co-operative principles.

More importantly, however, co-operatives can raise capital from their members and they can also access capital markets through the issue of securities. However, it is this capacity to raise capital from members or the public that is currently not well served within the regulatory system in Queensland. Part 2 of this submission provides information about the role of the regulatory system and its impact on co-operative farming enterprises, along with a solution that has real potential to deliver benefits that exceed costs to government.

Recommendation:

The BCCM encourages the Department of Agriculture and Fisheries to actively recognise and promote the value of co-operatives as part of its policy to grow the food production and agribusiness sectors in Queensland by

- ***conducting research that identifies agricultural co-operatives in Queensland so that small farm businesses are able to assess the benefits of co-operatives and access their services***
- ***actively promoting the use of co-operatives as providing a countervailing balance for smaller businesses in the competitive agricultural industry.***

Part 2: The role of government as a regulator and a source of trusted information

Co-operatives in Queensland are regulated under the *Cooperatives Act 1997*.

In 2014 all states and territories, except Queensland, commenced the roll out of a nationally uniform law for co-operatives, the Co-operatives National Law (CNL). The CNL removed a number of anti-competitive regulations that impacted on co-operatives compared with companies.

As part of the review of laws regulating co-operatives, the CNL introduced two significant changes for the co-operative sector:

- a. it removed the obligation for co-operatives to register in multiple jurisdictions in order to carry on business in other jurisdictions. Prior to the CNL a co-operative registered in Queensland that wanted to carry on business nationally would have to register in seven other separate jurisdictions
- b. it introduced a new form of financial instrument, Co-operative Capital Units or CCUs, that have potential to deliver better access to capital markets for co-operatives without compromising their democratic nature.

2.1 Queensland co-operatives are not permitted to carry on business in other states and territories

Queensland withdrew from the CNL scheme of legislation in January 2015.

The CNL was drafted in consultation across all jurisdictions. To permit freedom of interstate trade the CNL removed all requirement for multiple registrations and authorised co-operatives that operated under the CNL to carry on business in CNL jurisdictions. Queensland is not a CNL jurisdiction and there is now no provision to permit co-operatives registered in Queensland to carry on business in other CNL jurisdictions.

Ironically, co-operatives from other jurisdictions are eligible for registration as a foreign co-operative in Queensland, but the reverse is not possible unless the Queensland co-operative had obtained foreign registration before 2014.

Jurisdictions operating under the CNL have experienced a steady increase in the number of new co-operative registrations, whereas new registrations in Queensland have been inhibited by the inability to freely trade across a state border.

2.2 Queensland co-operatives do not have power to offer new financial instruments - CCUs

The purpose of CCUs was to introduce a new flexible security instrument that could be designed to enable external investment of patient capital for co-operatives. Co-operatives shares can only be held by members who use the co-operative, that is the farmers who use their agricultural co-operative. By permitting investment in CCUs, other persons could invest in their local co-operative and provide financial capital to support its growth and development. Queensland co-operatives are empowered to offer debentures, however, this form of investment instrument lacks the flexibility of CCUs in today's modern capital markets.

2.3 Co-operatives in Queensland are regulated under by laws that prevent them from competing equitable with other corporations

The CNL modernised terminology and updated standards for director's duties, it also introduced some significant changes to deliver cost savings and member access such as

- removing mandatory audit requirements for small co-operatives and
- permitting the use of technology for meetings.

Small proprietary companies are not required to be audited unless they have revenue over \$50 million, assets over \$25million or employ more than 100 people. In Queensland, all co-operatives regardless of their size must prepare and lodge audited financial statements. Auditing is a high cost for business, so the CNL permits small co-operatives to choose whether they are audited but requires each member to be provided with basic financial statements.

Member meetings for co-operatives cannot use modern technology to permit attendance or voting. Company AGM's are able to be conducted using modern meeting technology so that as many voices and votes are counted, whereas a co-operative member must either attend the meeting in person or appoint a proxy. This is an issue in rural and regional areas where members may operate across vast geographical distances.

Recommendation:

The CNL was drafted in consultation with all states and territories including Queensland and there has been no evidence or policy position announced by the Queensland government that suggests that the CNL is inappropriate for Queensland co-operatives. Given that the CNL has been drafted with all jurisdictions, there is minimal cost for Queensland to pass the CNL whilst the benefits to the Queensland co-operative sector would be ongoing and greater than the cost to government. It is therefore recommended

That the Queensland Government moves to adopt the Co-operatives National Law without further delay.

2.4 There is a lack of information available to the agricultural sector about co-operatives

Persons wishing to start a new business or get advice about available business models and structures regularly access government websites to better understand available options. Websites such as [Business Queensland](#) are designed to provide advice about start-ups and other resources to help businesses grow and adapt to changing circumstances. The services of the Small Business Commissioner for Queensland are available to go to regional areas to present information that is agnostic in respect of the choice of business model or structure in Queensland.

Farmers are able to obtain information about business structures from professionals, however, the findings of the [Senate Economics References Committee](#) in 2016 indicated a lack of professional training and knowledge about co-operatives and recommended that both the Commonwealth and State governments work together to promote the formation of new co-operatives and to provide advice about their formation and management.

Recommendation:

Governments should be the source of trusted information. Individuals should have freedom to choose the business model that best suits their enterprise and they need access to information to make informed decisions and give clear instructions to their professional advisers about their choice of business model. It is therefore recommended

- ***That business advisory websites managed by the Queensland Government should include information about the formation and management of co-operatives and that the Department of Agriculture and Fisheries should also include links to such information.***

Attachment

The [National Mutual Economy Report for 2018](#) published by the BCCM is also attached for further information.

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