

Co-operative Farming: Blueprint for future proofing Aussie farmers



Acknowledgements

BCCM wishes to thank agricultural co-operative leaders for their contributions to this publication, including all participants in roundtables.


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A full list of subjects and photographers are available on page 78.

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For more information about BCCM visit: bccm.coop

For more information about the Co-operative Farming program visit: coopfarming.coop

About the Co-operative Farming Project

Co-operative Farming is an 18-month project designed to support farmers, fishers and foresters through the formation of new farming co-operatives and to foster the resilience and growth of established farming co-operatives, including those formed under the Farm Co-operatives and Collaboration Pilot Program (Farming Together).

Co-operative Farming will raise awareness about how **co-operatives support farmers and fishers and agricultural industries**. The program will provide education, information and support for the formation of co-operatives in farming, fishing and forestry.

The project includes information sessions in regional centres across all states and territories to raise awareness about how farmers, fishers and foresters can use co-operative business models to be more resilient and profitable agricultural producers. To make sure farmers and fishers have access to the best advice, skills and information on starting up and running successful co-operatives, we want to increase access to the knowledge of co-operative experts through a dedicated mentorship program and the development of legacy educational resources.

Three Project Envoys (covering the three regions of Western Australia and NT; South Australia, Victoria and Tasmania; and NSW/ACT and Queensland) have been appointed to lead the industry and community engagement aspects of the Co-operative Farming project.

Their role will be involved in promoting the co-operative model to farmers and industry groups and listening to farmers to ensure the project meets their needs.

Eight Champions have been appointed to the Co-operative Farming project. These mentors with a demonstrated track record in running successful agricultural co-operatives will engage with farmers and farm groups through facilitated information sessions and workshops and one-on-one communication to inspire, support and guide them through their co-op formation.

[Watch the full series of 19 episodes of Co-operative Conversations](#) comprised of interviews and roundtable discussions with Australia's leading farmers, growers and producers. This unique on-demand streaming series profiles successful enterprises who are successfully using co-operative farming business models to strengthen farming businesses and communities all over Australia, giving a competitive advantage and market power by scaling, collaborating and innovating.

Co-operative Farming is supported by the Department of Agriculture, Water and the Environment through funding from the Australian Government's Starting Farm Co-operatives Program.

Envoys and Champions

Envoys



Greg McNamara
Farmer and former Chair,
Norco



Simon Lane
Farmer and former Chair,
Almondco



Greg Wall
Former Group CEO,
Capricorn Society

Champions



Natalie Browning
Farmer and Deputy Chair,
CBH



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Farmer, former CEO Norco
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Basil Lenzo
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Farmer and former Chair,
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John Seccombe
Farmer and Chair,
Northern Co-operative
Meat Company



Simon Stahl
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Meat Company



Stephen Thandi
Farmer and Chair,
Oz Group

About the Business Council of Co-operatives and Mutuels (BCCM)



The Business Council of Co-operatives and Mutuels (BCCM) is the national peak body for co-operatives and mutuels in Australia.

It is a member funded and driven organisation, representing co-operatives and mutuels in all industries including agriculture, finance, insurance, mobility services, health, housing, retail and wholesale. The Council's 80 members comprised of 60,000 businesses and enterprises have more than 11 million members combined. Our membership includes leading agricultural co-operatives that support the profitability of thousands of Australian primary producers by providing market access, increased bargaining power and reduced business costs. The largest agricultural co-operatives in Australia have a combined turnover of approximately \$6.5 billion (National Mutual Economy Report 2019).

From 2016-2019 the BCCM coordinated industry action to work with Government to bring forward the first enabling legislation for co-operatives and mutuels in 18 years.

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Contents

Envoy's foreword	7
Preface	8
1. Executive Summary	9
2. Farming, fishery and forestry co-operatives	10
• What is a co-operative?	
• How co-operatives work	
• A deep history: Australia's first co-operatives	
• The scale of co-operative agriculture, fishing and forestry	
• Co-operatives as part of Australian agri-business	
• Fact file: a focus on Australia's leading agricultural co-operatives	
3. What co-operatives achieve	37
4. How co-operatives are good for Aussie farmers, fishers and foresters	39
5. How co-operatives are good for regional Australia	45
6. How co-operatives are good for Australia	53
7. International co-operative inspirations	59
8. Co-operative Farming: Blueprint for future proofing Aussie farmers	68
• Key recommendations	
• Actions for government and industry	

Envoy's foreword

This report is being published at an extraordinary time in human history as we confront the community and economic impact of the coronavirus pandemic. The crisis has also come on the back of a summer of unprecedented fires which followed prolonged drought. Many of the impacts will be long lasting and communities will need to be resourceful, resilient and entrepreneurial to meet the challenges ahead.

The storm clouds have aligned for the co-operative movement to step up with solutions; consumers want to support organisations that have community values, governments are willing to listen to the co-operative sector and are prepared to make positive changes, and agricultural producers are showing increasing interest in co-operative structures.

The growing interest of consumers to connect to the farm communities, and understand how their food is produced, is stronger than ever. And in the new world of COVID-19, consumers and government want to rebuild Australia's food manufacturing sector to secure our supply chains, food security and to support Australian businesses and farmers.

For this to occur will require a collaborative approach across the entire supply chain. Farmers will need to produce regular supplies of high-quality product to facilitate cost effective transport and manufacturing solutions. This will demand innovative thinking in research and development, not just at farm level but across the industry.

The Australian agricultural community is blessed with a 'can do' attitude.

We will find solutions that allow farmers and manufacturers to work collaboratively to improve productivity and manage our high cost of labour. A collective and collaborative approach is needed to ensure that our finished goods are fairly priced in the market so that the Australian consumer is getting value for money but also to facilitate the development of export markets.

Government can play a key role in supporting Australian co-operatives to lead this innovative and exciting period.

We are grateful for the Federal Government's investment in educating and informing farmers, fishers and foresters about the co-operative business model started with

the Farming Together program and now Co-operative Farming.

As a farmer that has been involved with co-operative enterprise for over three decades, I am pleased to be able to share my knowledge and experiences with a new generation of farmers looking for ways to compete and be sustainable in farming in Australia. This project created a fantastic opportunity for the farming community to discover how co-operating in business can lead to more sustainable farm incomes, a fairer return to the farm gate and high value, fresh produce for Australians and communities around the world.

Greg McNamara, CEO, Dairy farmer and Co-operative Farming Envoy



Preface

Agricultural co-operatives have a long and honourable history in Australia. They have grown out of the simple idea of collective self-help, where farmers, fishers and foresters come together to do things that they cannot alone. They support private enterprise by combining the strength of many small businesses so that they can compete in increasingly competitive global markets.

Their success is evident from the many thriving co-operative businesses that exist in Australia today. They are major exporters of high-quality produce, and key players in Australia's regional economy, providing quality long-term jobs as well as seasonal work, often as the main employer in town.

Co-operatives are good for Australia, and we need more of them.

In the globalisation of markets there are new challenges for Australian co-operatives, but as we have seen through more than a century of change, our co-ops have found ways to prosper.

We can also learn from other countries where co-operatives have grown into major international concerns. We must ensure that Australia has an open and fertile environment for co-ops to thrive.

It is vital that the Government's policy, legislative and regulatory frameworks work to encourage co-operative business, and through them the regional Australian communities they support. The co-operative industry must also play its role, helping self-help through mutual aid and solidarity – co-op to co-op.

In this way, together we can support co-operatives, to continue their work to future-proof Aussie farmers, fishers and foresters.



"COVID-19 has helped Australians to understand where their food comes from and to focus on building this connection. COVID-19 has helped us all to see the danger in supply chain vulnerabilities and to reacquaint our nation with the idea of sovereign capacity."

Melina Morrison, CEO, Business Council of Co-operatives and Mutuals

Executive Summary

Co-operatives are active in all parts of Australia's agricultural economy, helping farmers to compete in ways that they could not do alone. There are co-operatives for grain crops, livestock, dairy, horticulture, fishing and forestry. Co-operatives also support agricultural logistics through farm supply co-ops and irrigation mutuels.

Across Australia, there are 229 agri-business co-operatives, 189 of which are involved in farming, fishing or forestry and 40 irrigation co-operatives.¹

These co-operatives comprise almost 24,000 individual members, which are each separate agricultural businesses. They can be a family farm of thousands of hectares, a fisher with one or more vessels or an individual grower member of an irrigation co-operative.

Co-operatives are good for Aussie farmers, fishers and foresters:

- They enable independent Australian farmers to compete by providing access to markets and bargaining power
- They facilitate economies of scale by enabling individual businesses to jointly own and control their supply chain
- They provide a mechanism to transfer risk from the small producer to the shared business to reduce the barriers to operating successful farm businesses

- They support smaller farmers and fishermen to stay in business and remain independent
- Spread wealth back to farmers, fishers and foresters through profit-sharing and produce rebates

Co-operatives are good for Australia's regions:

- They maintain a traditional way of life whilst providing economic growth to strengthen Australia's regions
- They are key contributors to the effort to grow a successful, sustainable and domestically owned food manufacturing and processing sector
- They employ locally both for seasonal and long-term work. This is important in rural and regional areas where quality jobs are scarce, and workforces are changing

Co-operatives are good for Australia:

- They help to maintain the domestic ownership of strategic food assets
- They increase food security for Australians
- They help to generate significant export earnings



- Co-operatives handle and store 40 per cent of our grain
- Package and export 40 per cent of our blueberries
- Process and market 60 per cent of our almonds
- Process and export most of our Western Rock Lobster fishery
- In dairy and meat processing, co-operatives represent the remaining Australian producer-owned firms

¹BCCM analysis of co-operative registrations, June 2020

2 | Farming, fishery and forestry co-operatives



Farming, fishery and forestry co-operatives

Co-operatives and mutuals operate across much of the Australian economy.

From farming to finance, health to housing, motoring to manufacturing, they deliver trusted products and services in some of the most competitive domestic and international markets.

Agricultural co-operatives are formed by groups of producers to process, distribute and market their products. In some cases, they provide farmers and fishers with facilities for the supply and storage of inputs for agricultural production, such as fertilisers, seeds, fuel, water and ploughing or harvesting services.

Agricultural co-operatives seek to maximise the benefits to their farmer members by helping them to access markets, services and products on a more cost-effective basis than can be achieved individually.



"The first thing to remember is that a co-operative is a business, and you have to be really clear on your purpose and delivering the results that benefit your members."

Doriana Mangili,
Business Manager, Sweeter Banana Co-op,
May 2020

What is a co-operative?

A co-operative is a business that is user-controlled, user-owned, and benefits the user.

Together, those three components contrast co-operatives with non-co-operative firms. The main difference that people would notice is the ownership and control.

Because of co-operatives' member-focussed structure, their business goals differ from other types of companies. Like any business their performance and efficiency compare favourably with investor-owned firms when run well. However, they need to be assessed not just in their profitability, but also in terms of the wider benefits that they deliver to their members.

One of the core reasons co-ops exist is to help reduce the cost of doing business and to mitigate risk for member-owners. They do this by sharing costs, and by pooling their produce together there is one transaction, instead of many.

When they market their goods, the pricing, selling and shipping costs are shared, instead of being multiplied many times.

Their value to members may be best measured in their ability to offer fair prices and greater stability of farm gate pricing and supply contracts. All decisions are taken in the members' interests by their representatives, who are on the co-operative's board.

Those who buy inputs from the co-operative, or sell produce to it, are investing in the co-op by building the scale of products or services the co-op manages for members.

When a co-op earns a profit, at least some of that money is returned to member-owners. The rest is reinvested into the business. In this way, successful co-operatives can offer greater benefits to their members.

How co-operatives work

Co-operatives represent producers' desire to achieve fair payment for their labour and other investments. Many agricultural co-ops were created to supply farmers with goods and services of the required quality at competitive prices.

They have enabled groups of farmers and other producers to pool resources, minimise input costs, maximise the value of products and share profits from value-added processing, distribution and sales to consumers.

Australian agricultural co-operatives exist to receive, process or market rural produce and provide other services to farmers including herd or crop improvement, the purchase of farm inputs such as seed, water, fertilisers and chemicals, and services like transport, grading, packing, storage, promotion, wholesaling and exporting.

Like any business, co-operatives must be economically viable. But the purpose of a co-operative is not simply profitability, but also long-term benefit to members and the community.

Co-operatives are similar in many ways to other companies in terms of limited liability and the objects and powers embodied in the structure but are different in that the business is democratically owned and controlled by members not shareholders.

Members elect a board of directors for the co-op and may provide share capital to fund the co-op's operations and business development. Ideally, farmers support the co-operative with their business, invest in it, nourish a bond of association and uphold equitable, democratic principles, which emphasise the importance of the collective interests of the co-op.

The purpose of a co-operative is not simply profitability, but also long-term benefit to members and the community.



A deep heritage: Australia's first co-operatives

The earliest agricultural co-operatives emerged in the dairy industry on the NSW coast in the 1880s. These were formed by dairy farmers looking to bypass agents in order to get a better price for their products and to raise capital to build factories to process their milk.

The dream of each farmer was in the newness of their farm, where they survived the struggles and risks of early pioneers because they learned that every farm's security was linked to the success of their neighbours. By co-operating, they had a much better chance of long-term survival.

By the eve of World War I, the eastern Australian dairy co-operative movement, barely thirty-five years old, had grown significantly. More than 70 per cent of all dairy products were processed in co-operative factories and marketed and distributed through co-operative agencies.

Co-operatives were established across Australia beyond dairy, in wheat crops, horticulture, fruit, fishing and forestry. Since then, agricultural co-operatives have continued to help farmers process and market their products, improving profits for their members.

The dream of each farmer was in the newness of their farm, where they survived the struggles and risks of early pioneers because they learned that **every farm's security was linked to the success of their neighbours.**



The scale of co-operative agriculture, fishing and forestry

Australia is a significant producer of many agricultural products, including crops, livestock, horticulture and fish.

Agricultural production is of great importance to the prosperity of Australia. Around 70 per cent of Australian farm production is exported, with agriculture making up 11 per cent² of Australia's total exports.

Agri-business has a direct impact on the lives and livelihoods of many Australians. According to the Australian Bureau of Statistics³ there are nearly 90,000 farms in Australia, the majority family-owned.

Agriculture, fisheries and forestry collectively employ approximately 320,700 people, which accounts for 2.5 per cent of the total national workforce.⁴

Regional Australia relies on the success of the agricultural economy. It is home to just under a third of the Australian population and faces many challenges: high labour mobility, declining number of skilled jobs in resources industries, increased infrastructure and transport requirements.

Australia's agricultural sector has been remarkably resilient in 2019–20 despite prolonged drought and widespread bushfires. The value of farm production is expected to be \$59 billion—helped by high commodity prices.⁵

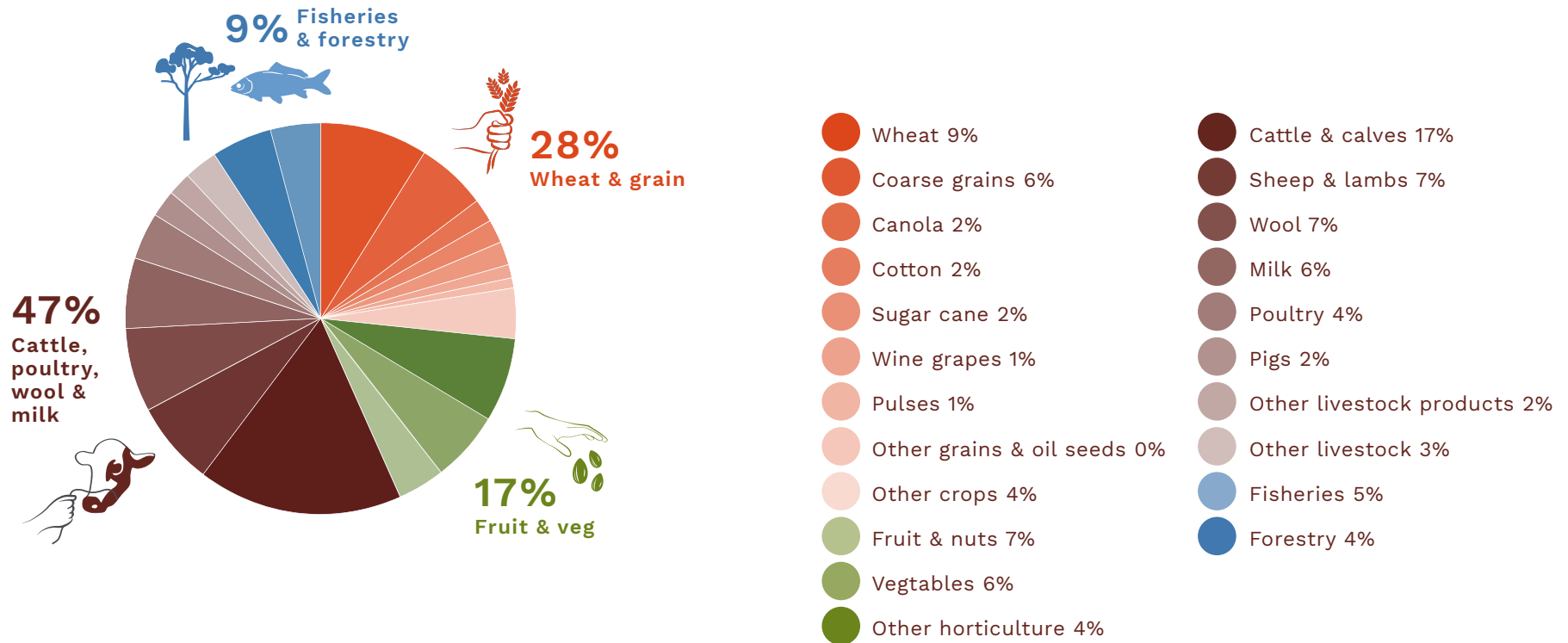
Co-operatives are important to Australia's agricultural economy and to the prosperity of its regions.



² Jackson, Zammit, & Hatfield-Dodds, 2020, 3- ABS 2020 (1), 4- ABARES, 2020, 5- ibid

The scale of co-operative agriculture, fishing and forestry

Agriculture, fisheries and forestry value of production, by commodity, 2018–19⁶



⁶ ABARES, 2020

Co-operatives as part of Australian agri-business



Co-operatives are active in all parts of Australia's agricultural economy, helping farmers to compete in ways that they could not do alone.

There are co-operatives for grain crops, livestock, dairy, horticulture, fishing and forestry. Co-operatives also support agricultural logistics through farm supply co-ops and irrigation mutuals.

Grain co-operatives provide a wide range of services for individual grain farmers.

From seed and fertiliser supply to securing the best crop price and shipping to markets, these co-ops are vital to individual farmers.

The largest single co-operative in Australia is Co-operative Bulk Handling (CBH), which handles and markets grain crops from nearly 4,000 farms.



Livestock co-operatives help farmers to produce some of the best quality meat products in the world. Beef, lamb, pork, chicken and other animals are reared on individual farms and brought to market by the co-operatives.

The animals are processed in the co-operative facilities, where they are prepared for shipment to markets across Australia and overseas.

Co-operatives as part of Australian agri-business



Dairy co-operatives help to ensure that farmers get a fair farm gate price for the milk their herds produce. Milk volumes are combined from individual farms for processing and packaging for markets.

Milk, cream and cheese products are manufactured to add value to the raw materials, supplying major supermarkets and overseas markets and returning the profit from this production to the farmer owners.



Fruit and vegetable co-operatives help growers from all parts of Australia to get their produce onto supermarket shelves.

All parts of the logistics process from the farm to packaging facilities are conducted by the co-op.

Co-operatives also provide scientific support on crop maximising technology, developing new varieties, storage and pest control.



Fishing co-operatives play a significant part in supporting Australia's commercial fishing fleet.

Fishers may own just a single vessel but through the co-operative they are able to combine their catch and access processing and marketing services to supply their own fisher owned brands. The co-op helps them to get their produce into global seafood markets.

Co-operatives as part of Australian agri-business



Forestry co-operatives help individual foresters to process, market and sell their timber and timber products in the global marketplace.

Farm forestry tree plantings could become a larger part of the Australian farm landscape. Wood supply from small landholders has a long and successful history in New Zealand and Scandinavia and could be a major positive step for Australian farmers.



Farm supplies co-operatives supply a full range of rural merchandise and supplies to Australian farmers, helping to minimise input costs and secure the supply chain.

They have developed their range of services to include agronomist services to advise on livestock production, introducing new technology, crop maximisation and a full service of water trading.



Irrigation co-operatives supply local growers with irrigation water and in many cases also distribute stock and garden water to blocks in the community.

These co-ops have often been created from a transfer from Government ownership. A co-operative is an ideal vehicle for ensuring that the business remains true to its purpose of providing efficient and equitable water supplies at the lowest cost possible.

Co-operatives as part of Australian agri-business

Many Australian agricultural businesses rely on their co-operative to keep them profitable and in business.

Across Australia, the Business Council of Co-operatives and Mutuals (BCCM) has identified 229 agri-business co-operatives, 189 of which are involved in farming, fishing or forestry and 40 of which are irrigation and water co-operatives.⁷

These 229 co-operatives comprise at least 24,424 individual members, which are each separate agricultural businesses employing many more people. They can be a family farm looking after thousands of hectares, a fisher with one or more vessels or fishing licences or an individual grower member of an irrigation co-operative.

16,558 farms out of out of 89,400⁸ are members of an agricultural co-operative. When membership of irrigation co-ops is added, we estimate that almost a quarter of all Australian agricultural businesses are members of at least one farming, fishing or forestry co-op.

Every member of an agricultural co-operative is a business in its own right. It will be an employer and commercial player in its regional economy. As a private business, it will form part of the economic backbone of Australia, contributing to domestic economic growth and export earnings whilst paying income, payroll and property taxes.



"It's not just about how many co-operatives are there, the deeper data is about how many small businesses rely on their co-operative."

Robyn Donnelly,
Co-operative Policy and Legal Advisor,
May 2020

⁷BCCM analysis of co-operative registrations, June 2020. ⁸There are approximately 89,441 agricultural businesses in Australia that have an Estimated Value of Agricultural Operations (EVAO) of \$40,000 or greater (ABS as of June 2019).

Co-operatives as part of Australian agri-business

Types of co-operatives⁹

Number of co-operatives by type		Total Membership
Farming and forestry co-ops	164	16,558
Fishing co-ops	25	515
Irrigation co-ops	40	7,351
Total number of agri-business co-ops	229	
Total number of members of ag co-ops		24,424

Co-operatives by state/territory

State	No. of Ag coops
ACT	2
NSW	64
NT	2
QLD	59
SA	22
TAS	3
VIC	53
WA	24
Total	229



⁹Ibid

Fact file: a focus on Australia's leading agricultural co-operatives

CBH Group

Australia's largest co-operative and a major national asset

Co-operative Bulk Handling (CBH Group) was formed in 1933 and is Australia's largest co-operative and the nation's largest grain exporter. It is also a leader in the Australian grain industry, with operations now extending across farm inputs, grain storage, handling, transport, marketing and processing.

CBH Group has total assets of more than \$2.5 billion¹⁰, employing around 1,100 permanent employees and up to 1,800 casual employees during the harvest period.

The WA grain industry is the largest agricultural sector in the state and the fourth largest export industry overall. CBH's grower members produce an average of 14.4 million tonnes of grain annually, about 40-50 per cent of the entire Australian grain production depending on the season, and contributing almost \$4 billion to the state's economy each year.

[Watch an interview with Natalie Browning, \(Deputy Chair, CBH\)](#)

[Watch Jimmy Wilson \(CEO, CBH\) participate within a roundtable discussion](#)



Fast Facts

Established	1933 WA
Turnover	\$4.2B
Member Businesses	3,900 (July 2020)

¹⁰Unless otherwise specified, all figures throughout are in \$AU

Norco

A major food processor in northern NSW

Norco Co-operative was established in Byron Bay, New South Wales in 1895. It is a 100 per cent Australian farmer owned dairy co-operative with 304 active members on 205 dairy farms in northern NSW and south-east Queensland.

Norco processes around 214 million litres of milk each year, with fresh milk bottling plants in Labrador (QLD) and Raleigh (NSW), and an ice-cream plant in Lismore (NSW). Norco milk retails throughout Australia's eastern states, and its ice cream produced for third parties is sold throughout Australia, China, Japan and the United States.

Norco also owns 30 rural supply stores in Northern NSW and South East Queensland, generating additional revenue and supporting its members with bulk purchasing arrangements.

[Watch Michael Hampson \(CEO, Norco\) participate within a roundtable discussion](#)

Fast Facts

Established	1895 NSW/QLD
Turnover	\$676M
Member Businesses	304 (July 2020)



Northern Co-operative Meat Company

Value added meat processing and vital local employment

Northern Co-operative Meat Company (NCMC) is Australia's largest meat processing co-operative and has been running since 1933. It is 100 per cent owned by its 1,000 members – made up of graziers, pork producers and operators – and it employs more than 900 people across three sites in Casino and Booyong, NSW.

Since 1933, NCMC has established itself as an industry leader in meat processing, providing a unique opportunity to process livestock in world-class processing facilities.

NCMC's facilities draw livestock from some of the best farming regions in Australia and are within close proximity to the Port of Brisbane, a major export hub.

NCMC's systems allows them to cut, package, brand and distribute to exact specifications quickly and economically. NCMC is good for its members and the community, creating high-quality jobs in rural NSW, which in turn enables money to be reinvested back into the regional economy.

[Watch Simon Stahl \(CEO, NCMC\) participate within a roundtable discussion](#)



Fast Facts

Established	1933 NSW
Turnover	\$209M
Member Businesses	1,000 (July 2020)

Sweeter Banana Co-operative

A success story of resilience and strategic marketing

The Sweeter Banana Co-operative was formed by a group of West Australian banana growers in 1993 as an Association and formalised into a co-operative when the packing shed was opened in 2002. The co-op set about developing a recognisable brand so that West Australian consumers could identify and purchase their banana of choice, the Carnarvon Sweeter Banana, which is sweeter and smaller than other Australian bananas available on the market. The 'lunch box banana' brand that this co-op pioneered has gone on to become a staple in the fruit section of Western Australian supermarkets.

The co-operative is owned and operated by 18 farmers, all on family-run farms in the Carnarvon region of WA. Since formation, it has consistently demonstrated its value to members. The co-operative structure has enabled a specific and effective marketing and campaigning strategy to be created around their product, raising its profile and profitability in the interests of growers.

The district also has a mechanism for the members to insure their crops against climate events such as cyclones through a risk pool. Established in 1960, growers contribute based on production with payouts proportionate to loss and productivity of each farm.

The co-operative's management of packing, handling and marketing reduces the members' business complexity and costs. This allows them more time and resources to focus on their area of expertise – banana farming.

The Sweeter Banana Co-operative is good for Western Australia: as with other agricultural co-operatives, it helps to keep money earned in the regions and has helped to build the profile and success of great WA produce.

[Watch Doriana Mangili \(Business Manager, Sweeter Banana\) in an interview](#)

[Watch Doriana Mangili participate within a roundtable discussion](#)

Fast Facts

Established	2002 WA
Turnover	\$9.5M
Member Businesses	18 (July 2020)



Mountain Milk Co-operative

A new dairy co-op using a tried and tested method

Mountain Milk Co-operative is a new farmer-owned co-operative that has been established in Victoria's North East at a time of great challenge to the Australian dairy industry. Nationally, the number of dairy farms had fallen dramatically over the previous decade. The effects of the drought and volatile commodity markets pressured the farm gate price for milk. In addition, the failure of Murray-Goulburn, along with encroaching foreign corporate ownership, mean that the challenge to dairy farmers had never been greater.

Founded initially by five farming families, Mountain Milk's purpose is to create value for its members. These farmers wanted to have greater control of their future, and not be directed by outside interests.

Mountain Milk seeks to give consumers the chance to purchase milk that is dedicated to the highest environmental and welfare standards (care for animals, care for the environment), whilst ensuring rural communities remain strong and vibrant.

The Mountain Milk Co-operative is good for regional Victoria. It maintains locally owned dairy farms to ensure the continuance of high-quality farming in the state. Its existence helps keep value in a region that, were it owned by corporate interests, would be lost to distant shareholders. Instead, local ownership and control means that value is created and recirculated in regional Australia.

The story of Mountain Milk Co-operative shows that new co-operatives are a part of the solution, even in markets as difficult as the dairy industry. They are a significant way of maintaining Australian milk production and local control of dairy farms.

[Watch Stuart Crosthwaite \(Chair, Mountain Milk\) in an interview](#)

[Watch Stuart Crosthwaite \(Chair, Mountain Milk\) participate within a roundtable discussion](#)

Fast Facts

Established	2017 VIC
Turnover	\$11.2M
Member Businesses	8 (July 2020)



Oz Group

Soft fruit suppliers to major supermarkets and overseas

Oz Group is a soft fruit business, formed in 2001 as a partnership between four Coffs Coast fruit growers. It became a co-operative in 2013 and works hard to demonstrate its value to members. Today it has 140 members growing predominantly blueberries, as well as raspberries and blackberries on the NSW Coffs Coast.

Oz Group delivers significant business benefits to its members. Using economies of scale, it has created centralised packing and marketing facilities and charges growers a set amount per kilogram for the facilities. The co-op also provides members with access to discounted goods and useful advice as the rural store. Remaining end-of-year profits go back to the growers in the form of a rebate.

By sharing control of some aspects of their businesses, the individual farmers gain control in other areas and are able to concentrate on being the best farm they can be, helping to strengthen the farming community. Much of their operation is simplified and complexity has been lifted from their shoulders onto those of other professionals, including operations and marketing teams, and accountants. As with other co-operatives, the model helps farmers to realise the power of working together.

[Watch Stephen Thandi \(Chair, Oz Group Co-op\) in an interview](#)



Fast Facts

Established	2013 NSW
Turnover	\$200M
Member Businesses	140 (July 2020)

Geraldton Fishermen's Co-operative

Australia's largest fishing co-operative

Established in 1950, Geraldton Fishermen's Co-operative (GFC) was formed by a small group of Western Australian rock lobster fishermen who sought to take control of their own future. Over the past 70 years, GFC has grown to become the largest rock lobster exporter in the world and one of Australia's largest and most successful co-operatives.

GFC is good for its members: it is 100 per cent owned by fishermen and license holders supplying the Co-operative and is operated for the benefit of members. GFC members have a direct stake in the financial success of the company and a deep pride in the famous Brolos brand, motivating them to catch and produce the best rock lobster product possible.

The co-op's core purpose is to create the maximum value to fishermen. It ensures high quality regional employment that is secure and facilitates self-determination.

With an annual turnover in excess of AU\$400M, GFC is a major exporter for the WA economy supporting more than 500 fishermen, employees, and their families along a thousand kilometres of WA's coastline.

[Watch Matt Rutter \(CEO, Geraldton Fisherman's Co-op\) participate within a roundtable discussion](#)

[Watch Basil Lenzo \(Chair, Geraldton Fisherman's Co-op\) participate within a roundtable discussion](#)



Fast Facts

Established	1950 WA
Turnover	\$400M
Member Businesses	300 (July 2020)

Limestone Coast Fishermen's Co-operative

Rock Lobster exporters and new kid on the block

The Limestone Coast Fishermen's Co-operative Limited (LCFC) was formed and registered in South Australia in 2018. The LCFC is a licensed fish processor in South Australia and is an exporter of live Southern Rock Lobster, largely to China.

The LCFC was established as a positive and constructive response to the ongoing rationalisation and corporatisation of quota ownership and exporting capacity and the subsequent impacts of this on family-owned and operated fishing businesses.

The LCFC structure is a way for ordinary fishing families to take a significant stake in their own industry for the future and to retain control for themselves, allowing them to compete with some of the larger players in the industry.

The LCFC's core driver is to secure a viable future for fishermen and their families, as well as the coastal towns and communities in which they live.

True to the principle of co-operation among co-operatives, BCCM member Geraldton Fishermen's Co-op (GFC) has provided ongoing assistance during the formation of the LCFC.

The two co-operatives have now forged a commercial partnership for the marketing of LCFC product through GFC's existing market platform.

[Watch Rodger Long \(Chair\) and Justin Phillips \(Secretary\) in an interview](#)

[Watch Justin Phillips participate within a roundtable discussion](#)

Fast Facts

Established	2018 SA
Member Businesses	30 (July 2020)



Mahogany Processors Co-operative

Securing export markets for high value timber

Mahogany Processors Co-op, trading as Mahogany NQ, was formed in 2017 and received funding from the Farming Together program.

The co-operative has 30 members with plantation sizes ranging from 1-60 hectares. Together the members have invested in a sawmill for processing and value-adding. As trade conditions improve following COVID-19, the co-operative aims to secure export markets for its products.

Fast Facts

Established	2017 QLD
Member Businesses	30 (July 2020)

Yolla Producers



Keeping the supply chain working for farmers

Yolla Producers Society was established in May 1977 by a handful of farmers from Yolla in North West Tasmania. Yolla is a buyer's group for primary producers which supplies a full range of rural merchandise and supplies.

Yolla is good for its members. The co-op buys goods in bulk and passes on the savings to its members. By using the purchasing power of its 800 members, it can provide them with access to a wide range of rural, business and personal goods and services at reduced prices.

In addition, Yolla is good for Tasmania. Because it exists for the benefit of its members, it is not maximising profits for corporate investors but working in the best interests of Tasmanian farmers. This means the value created and the wealth generated stays in Tasmania.

Fast Facts

Established	1977 TAS
Turnover	\$23M
Member Businesses	835 (July 2020)

Almondco

Award winning exporter serving 85 per cent of Australia's almond growers

Almondco Australia has been supplying some of the finest almond products around the world since 1944. What started out as a co-operative of likeminded growers in the Southern Vales of Adelaide, SA, has become a powerhouse on the world stage, renowned for producing some of the highest quality almond product.

The company was created as a grower co-operative and still proudly counts more than 85 per cent of all almond growers in Australia as contributing members.

More than 160 growers now supply Almondco across four states in the key growing regions of the Riverina – NSW; Sunraysia, Murray Valley - Victoria, Riverland & Adelaide Plains of South Australia and the Swan Region of Western Australia. Almondco employs around 190 regionally based people across its three main sites in South Australia and New South Wales.

The company has a global reputation and is sought after by the most discerning customers for its consistent high-quality almond products, business ethics and service, and a leader in its food safety system.

Almondco continues to manage significant growth to support its expanding grower member base with a new A\$25M facility established just outside of Griffith NSW in 2017 and a further A\$27 million expansion is currently underway at its Renmark SA headquarters.

Fast Facts

Established	1944 SA
Turnover	\$225M+
Member Businesses	160+ (July 2020)



Marquis Macadamias

The world's most successful macadamia processor

Marquis Macadamias was formed as the Macadamia Processing Company (MPC) in 1983 when four macadamia growers decided to take control of the production and marketing of their own produce in Lismore, NSW.

Today, Marquis Macadamias is wholly owned by over 180 macadamia grower-shareholders in NSW and Queensland. It is the largest and most successful macadamia processor in the world with processing plants in Bundaberg Queensland and Lismore in Northern NSW, together capable of processing 35,000 tonnes of macadamias each year.

Both the Lismore and Bundaberg factories run 24 hours a day, five days a week during the harvest season, which generally runs from April to the end of November.

Marquis Macadamias is good for the regional areas of NSW and Queensland. It is a large employer both in the Northern Rivers region of New South Wales and Bundaberg in Queensland,

providing high-quality work in leading manufacturing facilities to around 350 people, with 40 permanent staff and around 300 seasonal staff. It is a key local employer and source of income, and it supports local businesses in both regions.

Marquis Macadamias is considered a world leader in the marketing of macadamias, promoting top quality Australian produce abroad and ensuring the best possible price back home for its grower-shareholders.

[Watch Larry McHugh \(CEO, Marquis Macadamias\) in an interview](#)

[Watch Larry McHugh participate within a roundtable discussion](#)

Fast Facts

Established	1983 NSW & QLD
Turnover	\$168M
Member Businesses	180+ (July 2020)



Lenswood Apples

Quality fruit producers and bio innovators

Lenswood Cold Stores Co-operative Society Limited (Lenswood Apples) is a major Australian food producer providing for the storage, grading, packaging and marketing of apples. Established in 1933 by a group of 39 growers, Lenswood Apples initially focused on storage, enabling growers to store more apples to sell in better markets. Over time, the co-operative's business expanded from storage into grading, packing and marketing members' apples, establishing strong export markets, initially to the UK and now exporting to customers in China, Hong Kong, Singapore, Malaysia, Thailand and the UAE

Today, Lenswood Apples has developed new export markets and strategic alliances with international partners in China, Hong Kong, Singapore, Malaysia, Thailand and the UAE.

They are responsible for around half of South Australia's apple crop on 750 hectares of prime agricultural land.

As with other Australian producer co-operatives, Lenswood Apples creates significant value for members, providing them access to bigger and better markets as well as niche and premium paying markets such as Virgin Airlines whilst retaining individual grower ownership and control.

Because of its scale, Lenswood Apples is able to provide produce to Woolworths, Coles, ALDI, Costco and independent supermarkets and fruit shops, again demonstrating the power of co-operative collaboration. It would be difficult for individual producers to generate the quantity and develop the expertise to trade individually with Australia's largest supermarkets.



"Lenswood Apples creates significant value for members, providing them access to bigger and better markets as well as niche and premium paying markets...whilst retaining individual grower ownership and control."

Shane Chisholm,
CEO, Lenswood Apples

Through the co-operative, producers are able to access these markets whilst leaving complex trading arrangements to the Lenswood Apples sales and marketing team.

Lenswood Apples is committed to driving a sustainable environment with a focus on using packaging that helps reduce food waste as well as providing an environmentally friendly footprint. This journey includes being active APCO and REDcycle members.

Lenswood Apples business is expanding thanks to its two subsidiaries called Next Fruit Generation Australia, which is commercialising game changing fruits including Rokit Apples – the world’s first miniature apple and Redlove Apples – an internally red fleshed apple and the Lenswood Produce Company at the Pooraka Markets which services the provedores and independents.

This creates additional value and possibilities for member growers and helps to guard against the risks of farming monoculturally. Again, this kind of diversification would be harder to achieve on an individual farm basis.

Fast Facts

Established	1933 SA
Member Businesses	25 (July 2020)



Coleambally Irrigation

Essential water infrastructure and farmer owned

Coleambally Irrigation Co-operative Limited (CICL) is a member owned co-operative that supplies irrigation and corporate services to its members and customers. CICL is situated in the Murrumbidgee valley in the NSW Riverina. It provides irrigation and drainage services to nearly 500 farms owned by 350 businesses and has 295 members. The average size of an irrigated farm is 220 hectares.

In July 1997 Coleambally Irrigation Corporation was formed and vested with the irrigation undertaking known as Coleambally Irrigation Area, which was previously under the control of the Department of Land and Water Conservation.

CICL holds a number of water access licenses with the NSW Government and its regulated surface water supply is accessed from the Murrumbidgee River.

CICL's irrigators grow a mixture of summer and winter irrigated crops with cotton, rice and corn being the main summer crops.

The co-op provides an essential service to members. For the state, it means that a key service is being provided without the need for state ownership and control.

This is essential infrastructure that no farm would be able to secure alone. By working on behalf of its membership, the co-operative can ensure high quality infrastructure delivering the most precious of resources to its-member owners year-round.

Fast Facts

Established	1997 NSW
Turnover	\$17M
Member Businesses	295 (July 2020)



Genetics Australia

Prosperity for farming families through the best beef and dairy genetics

Genetics Australia Co-operative is Australia's largest artificial breeding supplier, supplying half of the genetics used by Australian dairy farmers. Genetics Australia is committed to the profitability of Australian farmers through the development of Australian proven beef and dairy genetics from local and worldwide bloodlines. In addition to herd improvement the co-op maintains a range of semen processing and insemination equipment including semen storage tanks and embryo transfer equipment.

Founded with the mission to improve profitability for dairy farming families, fifty years on the co-operative remains farmer owned and true to its vision and aspirations.

Genetics Australia continues at the forefront of technological developments in artificial breeding and herd improvement and maintains a total focus on putting more dollars in the pockets of dairy farmers.



Fast Facts

Established	1958 VIC
Turnover	\$10.8M
Member Businesses	949 (July 2020)

3

What co-operatives achieve



What co-operatives achieve

The stories of our successful agricultural co-operatives show that these businesses are invaluable to their members, but they are also critical to the economies and way of life of regional Australia.

Co-operatives are fundamental to the nation's sovereign interests, as domestically owned groups of small businesses, contributing to food supply security and export earnings.

Co-operatives are good for Aussie farmers, fishers and foresters

- They enable independent Australian farmers to compete by providing access to markets
- They facilitate economies of scale by enabling individual businesses to jointly own and control their supply chain
- They provide a mechanism to transfer risk from the small producer to the shared business to reduce the barriers to operating successful farm businesses
- They support smaller farmers and fishermen to stay in business and remain independent
- They spread wealth back to farmers, fishers and foresters through profit-sharing and produce rebates

Co-operatives are good for Australia's regions

- They maintain a traditional way of life whilst providing economic growth to strengthen Australia's regions
- Co-operative agricultural business is a key contributor to the effort to grow a successful, sustainable and domestically owned food manufacturing and processing sector
- Co-operatives employ locally both for seasonal and long-term work. This is important in rural and regional areas where quality jobs are scarce, and workforces are changing

Co-operatives are good for Australia

- They help to maintain the domestic ownership of strategic food assets
- They increase food security for Australians
- They help to generate significant export earnings

4

How co-operatives are good for Aussie farmers, fishers and foresters



How co-operatives are good for Aussie farmers, fishers and foresters

For many farmers, the only dependable way of underpinning and building the value of their basic business – the family farm – is through ownership and control of the inputs, supply, processing and marketing of their farm products through a co-operative. This has been important for producers, particularly wholesale traders in perishable commodities such as fruit, fish and fresh milk or where prices or markets are volatile.

The co-operative helps maintain farm profitability, adjust production to demand, provide healthy competition for processors and ride out adverse trading conditions in commodity markets.

By eliminating intermediaries from the economic cycle and providing a dependable vehicle for the distribution of produce to markets, co-operatives have given farmers a greater sense of security and confidence, especially in periods of gluts, economic downturn or drought and flood, to which much of Australia is vulnerable.

Co-ops also help farmers exercise quality control and to achieve crop variety and herd improvements, thereby enhancing productivity. Processing and manufacturing co-operatives enable farmers to add value to commodities through the supply chain, and to keep the benefits within the farming community.

Supply co-operatives help protect individual farmers against market forces as a 'price-taker'. They positively influence post farm-gate prices by encouraging open markets so that other traders and processors compete for supplies and cannot set prices independently. In this way, co-ops deliver effective competition and keep markets functioning fairly.

Co-operatives provide a mechanism for small producers to hedge against risks associated with farming such as crop failure due to climate related events, drought, fires and floods.

Co-operatives have given farmers a greater sense of security and confidence, especially in periods of gluts, economic downturn or drought and flood, to which much of Australia is vulnerable.

Co-operatives enable independent Australian farmers to compete by providing access to markets

Agricultural co-operatives are groups of independent small businesses, who work together in order to access markets in ways that they cannot alone.

In practical terms, this type of co-operation includes groups of farmers or fishers collaborating on activities such as processing, logistics, transportation, infrastructure, storage and marketing of their produce.

By co-operating on these functions, independent farmers lower the costs of production and increase their profitability.

The existence of a co-operative can mask the contributions of the independent businesses, which form the membership of the co-operative. They remain privately owned, often by families who have operated the same farms for generations.

Membership of the co-operative makes it possible for these independent businesses to be able to compete on a domestic level, and equally importantly, work in international markets.



"So what is the benefit? First its infrastructure; the cool rooms, the transport. Then to get them the best prices we can, and the benefit to Australia is we employ about 50 people."

Robert Gauta,
CEO, Commercial Fishermen's Co-operative
May 2020

Co-operatives facilitate economies of scale by enabling individual businesses to jointly own and control their supply chain

Family-owned farms and fishers invest in road, rail, sea and air transportation operated through their co-operative, to ensure that their produce gets to market in as cost effective a way as possible.

One of the main issues faced by farmers and fishers is the long marketing chain that involves multiple actors and intermediaries. The objective of these intermediaries is to maximise their profit by controlling the supply chain and ultimately impacting market prices.

Co-operatives ensure that control of the supply chain remains with farmers as far as possible, ensuring that they have the best price for their produce, and that profits are not taken by 'middle-men' traders.



"At our core is providing competitive services to the fisher's marketing and supply chain, common needs and creating economies of scale they can't get individually, and giving them control over their marketing and the sale of their products."

Bazil Lenzo,
Fisher and Chair, Geraldton Fishermen's Co-operative
May 2020

Co-operatives enable smaller farmers and fishers to stay in business and remain independent

When independent businesses co-operate in this way, they can meet global competition from large corporates head on.

Through their co-operative membership farmers and fishers gain significant opportunities, in particular access to national and global markets from which they would otherwise very likely be excluded or would have difficulty accessing.

Agricultural co-op members also derive a range of specific benefits from membership, depending on the nature of their crop or produce, these could include gaining access to the co-operative's:

- Storage, transportation and handling expertise and the ultimate shipment/export of product to market
- Marketing and trading expertise, which gives individual farms exposure to markets and resources that would be completely unachievable as a sole trader
- Produce value maximisation technologies, from greater sustainability farming and innovations to bioengineering

Co-operatives spread wealth back to farmers, fishers and foresters through produce rebates and profit sharing.

Co-operatives are set up to share wealth equitably among their farmer members in proportion to their contribution to the co-op, instead of to maximise profits.

Agricultural co-operatives across Australia pay their growers and producers for their product. On top of this, growers can usually expect to receive a share of the profits or surplus as a rebate in proportion to the amount they have traded with the co-op. In a co-op, the more farmers grow, the more value they receive, adding value to their land and their farming operations.

CBH Group delivering for its members

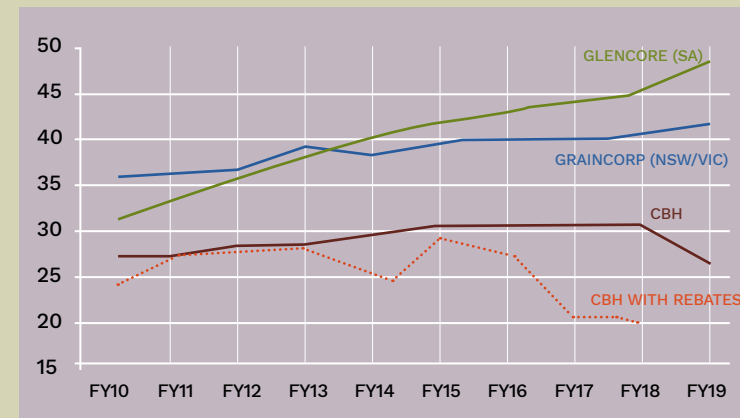
Since being established in Western Australia in 1933, Co-operative Bulk Handling (CBH Group) has consistently demonstrated its value to members. Owned and controlled by 3,900 Western Australian grain growing businesses, CBH Group's purpose is to sustainably create and return value to growers.

Farmer members of CBH enjoy substantial financial benefits and cost reductions, compared to Australia's east coast farmers. Their savings include:

- \$11/tonne lower storage and handling fees
- Up to \$10/tonne lower freight fees
- \$3.50/tonne average value uplift from quality optimisation
- Over \$400,000 returned to grower members in patronage rebates over the last 10 years

These savings add real value to each farmer's income each year.

STORAGE AND HANDLING CHARGES
\$/TONNE



Footnote from CBH: freight excluded. Estimated comparisons based on, published fees and charges schedules. Scenario-standard wheat, delivered on November 1 to a main/primary country storage, railed to port and exported in April. Outloading and inloading during normal working hours. Assumes use of cheapest products available. CBH rebates tonnes sold to CBH marketing and trading.¹¹

¹¹ Dupe, 2019

5

How co-operatives are good for regional Australia



How co-operatives are good for regional Australia

The importance of the regional economy to the nation should not be underestimated, with a third of Australia's wealth generated outside the major cities.

Yet the key challenges in regional Australia – economic development, unemployment and skills shortages, a changing workforce and the need for world-class infrastructure renewal – are well known.

Co-operative agriculture is central to tackling this, as a mainstay of economic viability for many independent farmers, fishers and foresters. Their importance spreads to regional towns, through direct employment and the economic multiplier of keeping money local.

Important as co-operative agriculture is to maintaining a regional way of life, it has great potential to contribute much more, particularly through an expansion of co-operatively owned food manufacturing and processing facilities.



Maintain a traditional way of life whilst providing economic growth to strengthen Australia's regions

Individual farm businesses all contribute to their regional way of life, maintaining business presence and contributing taxes through the success they generate from their co-operative membership.

In many cases, family-owned farms have existed for generations, and the co-operative structure enables the continuation of a way of life that would be unsupported by mass farming projects owned by a listed company where the value created leaves the community. The retention of value in the regions is a crucial additional benefit of the co-operative.

The gross added value contribution of co-operatives is key to regional economic growth. This value not only benefits members of the co-operative, it also makes regional Australia more prosperous as the money is spent locally across a range of local businesses and services. This circular benefit stands in contrast to agri-conglomerates where the value created soon departs the region, often benefiting distant shareholders.

Co-operative investment in transport networks and other infrastructure, directly benefits rural communities.



CBH Group is important for regional WA

CBH is a large and sophisticated business, which has importance beyond its members to regional Australia and the nation as a whole.

CBH is good for Western Australia. Its storage and handling system currently receives and exports around 90 per cent of the Western Australian grain harvest. The co-operative way of working helps to keep grain farming businesses sustainable and has some impact on helping to arrest the long-term decline in the number of farming families in WA.

Australian co-operatives can be mobilised to grow the manufacturing sector

Co-operative agricultural business is key to the effort to grow a successful, sustainable and domestically owned manufacturing sector. This can be achieved by assisting small producers to work together to grow existing medium-sized firms and create new ones.

In agriculture, fishery and food production, vertically integrated co-operatives enable significant businesses to be created.

In food manufacture, co-operatives in Australia and across the world have led value driven food production. There are many successful co-operatively owned Australian food manufacturers. In the past, co-operatives were a bigger contributor to regionally based manufacturing.

Co-operatives handle and store 40 per cent of our grain, package and export 40 per cent of our blueberries, process and market 60 per cent of our almonds and process and export most of our Western Rock Lobster fishery. In dairy and meat processing, co-operatives represent the remaining Australian producer-owned firms.

Appropriately enabled, they can grow to global scale manufacturing businesses. Land O'Lakes (USA), Fonterra (NZ), Arla (Sweden/Denmark) and Ocean Spray (USA) are examples of global scale co-operative manufacturers that operate without diluting domestic ownership. Foreign currency earned stays local.



"We've got to do a lot more manufacturing in Australia whether that's processing farm produce or other manufacturing."

John Seccombe,
Farmer and Chair, Northern Co-operative Meat Company
May 2020

Norco: Contributing to regional jobs and growth in northern NSW

Norco offers value to its 304 farmer members, enabling the 205 dairy farms it serves to collaborate rather than compete amongst themselves, permitting them to access bigger markets and avoid large-scale corporate ownership. Norco owns 30 rural supply stores in Northern NSW and South East Queensland, generating additional revenue and supporting its members with bulk purchasing arrangements.

Norco also provides good quality jobs for 860 people (full time, part time and casual). This in turn is good for regional Australia, creating wealth and spending power, which is re-circulated locally.

Norco has plans and room for expansion of its food processing facilities, building value and economic growth into the region.



"Dairy farmers from the 1960s to the 1980s ran a number of factories producing everything from compressors for refrigeration equipment because of concerns about issues in the supply chain."

Greg McNamara,
Farmer and former Chair, Norco Co-operative
May 2020

Local employment

Co-operatives employ locally, for both seasonal and long-term work. This is important in rural and regional areas where jobs are scarce and workforces are changing.

The proportion of people employed in agriculture in Australia has, like in other countries, fallen significantly over the past 50 years. Increased mechanisation, consolidation of property sizes and demographic drift to cities have all played their part.

Yet agriculture remains central to the economic fortunes of regional Australia. Of the more than 300,000 people directly employed in Australian agriculture, forestry and fishing, a significant number are employed by co-operative member businesses, as well as directly by the co-operatives.

As can be seen from the table, only a very small proportion of agricultural businesses employ more than 20 people (1.4 per cent). The growth of these mid-sized firms is key to quality jobs, regional prosperity and local advancement.

The success of co-operatives has a dual effect on employment by shoring up primary jobs at the producer level as it makes them more secure, and creating new employment at the co-operative itself, as it potentially expands vertically.

Co-operatives not only have manufacturing facilities that serve domestic and overseas markets, but also bring employment to local communities by owning stores that provide agricultural supplies.

However, many of the well-known names and production capacity has been lost over the years as firms were sold or demutualised. This can be reversed to secure and expand this significant Australian asset.

Agricultural business by employee

Non-employing	123,850
1-4 Employees	35,753
5-19 Employees	11,930
20-199 Employees	2,312
200+ Employees	91
Total	173,936

SOURCE: Australian Bureau of Statistics, 2019, Counts of Australian Businesses Sept 2019 cat. no. 8165.0.



"It's time to reflect on the activity of co-ops in the past around trading and manufacturing across the supply chain. How do we get back into this activity?"

Professor Greg Patmore,
University of Sydney,
May 2020

OzGroup Co-op is good for NSW

OzGroup Co-op is good for regional Australia. It helps keep money in the local economy which would otherwise be lost to the region and reward often distant shareholders.

Oz Group currently employs over 35 permanent staff, including an agronomy and compliance team whose expertise is invaluable to growers. The co-op also expands to over 250 employees during the blueberry season at their Coffs Harbour state-of-the-art packing facility. The co-op is in the process of upgrading the packing machines to provide additional efficiencies and are installing a new snap-freeze facility to further add value to the growers, helping them to utilise as much of their fruit as possible.

The co-op is now exploring the potential of its 100 per cent Australian farmer owned co-operative to expand export of its premium quality berries to Asia. The local co-operative has focused primarily on supply to Australian supermarkets and is keen to expand into other markets.





"We cover 1,000 km of coastline, 11 depots, employ 80 full-time equivalents and then up to 350 casual workers depending on the season, and a significant amount of them working right across WA Coast, which is great for the region."

Matthew Rutter,
CEO, Geraldton Fishermen's Co-operative,
May 2020



6 | How co-operatives are good for Australia



How co-operatives are good for Australia

Domestic food production is critical to Australia's wellbeing on a number of levels.

In terms of self-sufficiency, food imports only account for about 15 per cent of Australia's daily food supply. Co-operatives and their members make a significant contribution to the strength of Australian output by increasing productivity and efficiency.

Domestic ownership of the means of food production, particularly through co-operatives, provides further security to the nation's supply, ensuring that markets remain responsive to Australia's needs and resilient to shocks to international demand and supply.

This positive balance of trade means that Australian agriculture is a major export earner, with nearly 80 per cent of all produce sold overseas in 2018-19. High quality Australian produce reaches into many global markets and provides a major source of income to primary producers based all over the country.

There are, however, real challenges in maintaining this positive balance:

- The encroachment of foreign ownership of production and processing
- International trade brings its own challenges
- Globalisation and climate change are additional risk factors

Co-operatives can be part of positive policy that maintains Australian interests at the forefront.



Co-operatives help to maintain the domestic ownership of agriculture

As Australian co-operatives are domestically owned, they are by definition owned and operated in the interests of Australians, whereas their listed competitors may be bought by overseas investors.

Listed corporations have multiple owners. Often the beneficial owners are hidden and the benefits of successful trading are not always enjoyed within Australia.

The corporatisation of agriculture is a challenge to continued domestic ownership. This is not a new phenomenon and has been increasing over many years.

While investment in agriculture is desirable, the ownership of Australian farms and agribusiness supply chains by foreign states is arguably less desirable.

Concern about foreign investment led the Federal Government to set up the Foreign Investment Review Board (FIRB) in the 1970s. The FIRB reviews major purchases of Australian agricultural business.

Identifying the ultimate purchaser is important, particularly with international investors, who may be closely linked to, if not directly owned by, foreign governments.



Northern Co-operative Meat Company: export-led growth

Northern Co-operative Meat Company (NCMC) is good for Australia: it facilitates the domestic production of high-quality Australian meat products. This helps to achieve domestic food security, which as we have seen in 2020 is of critical national importance.

When the business was founded, most of the produce went to Sydney wholesale markets. Today, more than 70 per cent is exported to markets across Europe, Asia and North America.

NCMC's product also creates valuable export income for NSW and the country as a whole.

Co-operatives increase food security for Australians

Ensuring a steady and continuous supply of food is vital to Australia's national security, and in many overseas markets, food products are a steady export earner. Co-operative ownership ensures that the production of strategic food assets remain in the control of Australians.

When we discuss food security, it is often in the context of emerging nations. But the issue is equally relevant in advanced economies. Access to reliable food supplies depends on a wide range of environmental, economic and governance issues.

Ownership will potentially impact food supply, quality and price. At times of global food commodity shortages, the domestic priorities of Australian co-operatives can focus on the food supply needs of Australia.

Periodic food shortages (in any part of the world) or supply chain issues, such as those exposed during the COVID-19 pandemic, show the importance of maintaining a level of domestic control over food supply. Co-operative ownership provides some guarantees.



CBH Group exports 90 per cent of its grain, but is able to re-direct supplies to the Australian market when needed

CBH is good for Australia. The CBH Group owns a state-of-the-art rail fleet dedicated to the most efficient transfer of grain from country receival points to its four port terminals.

It is a key exporter of Australian grain, which provides a significant benefit to the wider Australian economy. In 2019, 13.8 million tonnes of Western Australian grain was exported to over 20 countries including Japan, South Korea, Indonesia, Iran, Pakistan and China.

CBH's co-operative structure helps keep this important agricultural production Australian owned and controlled by the farmer members.

The vast majority of grain produced by WA growers (approximately 90 per cent) is exported to international markets, primarily to South East and North Asia (31 per cent and 25 per cent, respectively). However, over recent years an increasingly large amount has also been shipped from WA to the Eastern States because of drought conditions (approximately 3 million tonnes per year, for both food and feed purposes), providing food security to the Australian nation. In addition, approximately 10 per cent of the grain produced by WA growers (around 1.5 million tonnes) is used for domestic consumption in WA.

During the 2017-19 drought, CBH diverted some of its grain exports to feed the east coast domestic market, with grain ships and train deliveries leaving West Australia for New South Wales instead of Asian markets.



Co-operatives help to generate significant export earnings

Australia's agricultural exports were forecast to earn AU\$45 billion in 2019–20, representing around 14 per cent of the nation's total goods and services exports. In times of drought, bushfires and crises such as the recent COVID-19 pandemic, this essential earning can be compromised.

Agriculture and fishery co-operatives are net exporters, making a positive contribution to Australia's balance of trade.

Some of the best-known co-operatives are also the biggest export earners of their produce. Global demand, in normal circumstances, for high-quality Australian produce is growing.

Australian seafood, grain and meat producers are leading the way to ever-greater exports, marketing Aussie produce as some of the best the world can offer. Much of the added value in dairy produce has been transferred to foreign owners in recent years, and it is important that Australian producers are able to benefit in the same way, through their co-operatives.

Milk and dairy product co-operatives, along with fruit and nut, have the potential to provide significantly increased exports and value-added production.

Geraldton Fishermen's Co-op earns AU\$400 million annually from rock lobster exports

GFC is good for WA and for Australia as a whole. It creates significant export earnings. It controls 64 per cent of Western Australia's commercial rock lobster catch, 98 per cent of which is sold into China. With an annual turnover in excess of AU\$400M, GFC is a major exporter for the WA economy supporting more than 500 fishermen, employees, and their families along a thousand kilometres of WA's coastline.

Almondco: Exporting the best almonds in the world

As with other Australian producer co-operatives, Almondco is able to generate significant export earnings. By banding together in this way, the co-op is able to offer a genuine and authentic premium product that has a growing international appeal as consumers embrace the benefits of plant-based foods and beverages. This demonstrates the strength of co-op members working together to get a better price and reach for their product.

Its award-winning processing facility located in Renmark, South Australia, demonstrates the powerful logic of the vertically-integrated business that pools the harvests of all members and producers, generating high-quality regional jobs and ultimately producing more than 100 value added almond products.

"Almondco – Built by almond growers for almond growers"

7 | International co-operative inspirations



International co-operative inspirations

Some of the largest and most successful agri-businesses in the world are co-operatives.

Marketing global brands that have become everyday staples, they are responsible for significant export earnings for their home countries. The most successful of these are major food processors and manufacturers, adding value to the primary commodities for the benefit of the co-operatives.

In this way the co-operatives become major businesses, directly employing thousands of staff whilst helping to maintain the survival and success of their constituent farmer members.

If we make a concerted effort to grow Australian co-operative businesses into global players we can benefit today's farmers and safeguard the future for farming families.



Land O'Lakes, USA

In 1921, 320 dairy farmers met in St. Paul, Minnesota, to form the Minnesota Co-operative Creameries Association. Their idea was simple: join together to effectively market and distribute members' dairy production across the country.

Land O'Lakes, Inc., one of America's premier agribusiness and food companies, is a member-owned co-operative with industry-leading operations that span the spectrum from agricultural production to consumer foods. With annual sales of US\$14 billion Land O'Lakes is one of the nation's largest co-operatives, ranking 212 on the Fortune 500.

Building on a legacy of more than 99 years of operation, Land O'Lakes today operates some of the most respected brands in agribusiness and food production including Land O'Lakes® Dairy Foods, Purina Animal Nutrition, WinField Solutions and Land O'Lakes SUSTAIN. The company does business in all 50 states and in more than 60 countries.

Members of Land O'Lakes include both individual farmers and other co-operatives. Land O'Lakes' board is made up of 24 directors, half of whom are nominated by the dairy members and half from the ag members.

Fast Facts

Established	1921 USA
Turnover	US\$14B
Member Businesses	3,444
Employees	8,000
Operating in countries	50



Arla Foods, Sweden/Denmark

In the 1880s, dairy farmers in Denmark and Sweden formed small co-operatives to invest in common dairy production facilities. By doing this they made efficient use of their milk and higher-quality products. The earnings they made from their milk were split equitably between the dairy farmers and together they built a good future for themselves and the next generation on their farms.

Arla is today owned by 9,900 farmers. All the benefits from the sale of Arla's products go back to those owners. The owners live in seven countries in Northern Europe and they share the earnings equally on each litre of milk they deliver to Arla.

Over the years, the co-operative idea proved increasingly attractive. Small farmer co-operatives merged and became stronger. They expanded from local to regional to national co-operatives. In 2000, the largest Danish dairy co-operative merged with its Swedish counterpart and Arla Foods, the first cross-border dairy co-operative, was formed.

Fast Facts

Established	1880 SWEDEN
Turnover	€10.5B
Member Businesses	9,900
Employees	19,000
Operating in countries	50



Fonterra, New Zealand

Since Fonterra Co-operative Group was formed in 2001, it has become the world's largest dairy exporter with over 11,000 shareholders. It exports 95 percent of its New Zealand-made dairy products to consumers in more than 140 countries. The co-op collects 14 billion litres of milk every year.

Fonterra is one of the top six dairy companies in the world by turnover (August 2020 Rabobank ratings), the world's leading exporter of dairy products and responsible for more than a third of the international dairy trade.

As an expert in dairy it has a strategy that builds on its ability to form long-term and secure supply relationships with the world's leading food manufacturers. The strategy also focuses on sustainability, supporting farmers to increase production in ways that are economically and environmentally sound.

Fast Facts

Established	2001 NZ
Turnover	NZ\$10.4B
Member Businesses	11,000
Employees	8,000
Operating in countries	140



Ocean Spray, USA

Ocean Spray is a co-operative owned by more than 700 cranberry growers across North and South America.

The co-operative was formed in 1930 by three cranberry growers who shared a common goal of expanding the market for their crops through innovative products. The owners are all producers and suppliers of the raw materials for the company's products and the business is operated for their exclusive benefit. The owners receive shares in proportion to the produce that they supply.

Ocean Spray's mission is to connect farms to families for a better life. Together with its farmer-owners, the business is "dedicated to the health of people, communities, and the planet."

Ocean Spray became the world's first producer of cranberry juice drinks. A wider range of cranberry-based drinks are produced and marketed in 100 countries.

Fast Facts

Established	1930 USA
Turnover	US\$2B
Member Businesses	700
Employees	2,000
Operating in countries	100



Emilia-Romagna, Italy

The experience of the region of Emilia-Romagna in northern Italy demonstrates that co-operatives can be a major contributor to economic growth and can rapidly help to build quality jobs and prosperity in disadvantaged areas.

At the end of the Second World War, Emilia-Romagna was economically ruined, with their co-operatives damaged from decades of dictatorship.

Today, Emilia-Romagna is home to a population of around four million people, with thousands of co-operatives of all types. Together they make up over 30 per cent of the region's GDP and average per capita income is 50 per cent higher than the national average.

The region's co-operatives produce world famous agricultural products, including world famous DOP Parmigiano and Grana Padano cheeses.

This globally renowned turn around in fortunes owes its success to a number of factors:

- 1. The policies of the regional government** actively promote co-operative relations among firms. The region has a diverse entrepreneurial structure, as well as systems for supporting co-operative relations among small firms in local production systems serving global markets.
- 2. Active clustering bringing together co-operatives to work together** in every way possible by both type and locality. Co-operatives are expected to cluster together to derive the highest return.
- 3. The business support system** of organisational advice and investment finance improves opportunities for growth among the groups of co-operatives.
- 4. Confidence created by Italian law** from the national constitution to co-operative legislation where each co-operative must pay a non-taxed 3 per cent of its annual surplus into a national fund for co-operative development. This enables the sector to direct investments back into the region to finance co-operative development. In addition, legacy assets are protected from demutualisation by law, providing longevity and stability to co-operatives.

What helps co-operatives to succeed?

In each of the examples shown, the business environment for co-operatives has had a positive impact on their success. This varies from country to country, but each share some common factors:

- A positive policy and fiscal environment
- Legislation that supports co-operatives
- Supportive business regimes



A positive policy and fiscal environment

Political recognition that co-operatives have a different business purpose, and one with particular economic and social benefits, is an important first step. In some countries, such as Italy, this recognition is formalised in their national constitution. In others, such as the United States, the different business purpose of co-operatives is recognised in a range of distinct legislative and fiscal rules, supported by farmer owned financial institutions.

In agriculture, the limited exemption from competition laws as outlined in the Capper Volstead Act are well known arrangements for American co-operatives. This is supported by a range of state and federal fiscal rules designed for co-operative business such as those for patronage dividends, which are deductible for tax purposes. The value of mutuality is formally recognised in this practical way.

In Italy, too, co-operatives are taxed in a way that supports their growth and the broader development of the sector, such as through the untaxed levy of 3 per cent of profits contribution to co-operative development.

What helps co-operatives to succeed?

Legislation that supports co-operatives

Further legislation protects legacy assets from the threat of demutualisation (similar to Italy, France, Spain and others) where co-operatives are prohibited from distributing reserves to members. All capital surplus must go to mutual funds after repayment of capital and payment of unpaid dividends. Indivisible reserves can only cover losses after all other reserves and resources are utilised. Therefore, there is no motive for asset-stripping and cashing out in these co-operatives, which supports stability and longevity; and the intergenerational mindset of the co-op

Supportive business regimes

Access to business expertise, particularly investment finance, is critical for co-operatives to succeed. In both the Italian and US examples, this has been formally available for many decades. The US Farm Credit Co-operative, established by Act of Congress in 1916 and funded through bonds issued on Wall Street, has provided billions of dollars of investment funds to agricultural businesses for their growth and development. It has also facilitated the establishment and growth of many co-operatives for food processing and manufacture. Farm Bureau Insurance, another institution of similar age, has provided further finance infrastructure to insure agricultural businesses from the risks of trading.

In Italy, access to credit is critical to the supporting cluster's success. Alongside the availability of investment finance, a business ecosystem exists to provide support to small businesses that wish to come together through their co-operatives.

All of these factors help to create a business environment where co-operatives can grow, often through the production and distribution of high-quality, provenance-secure food products, which are successfully traded across the world.

8

Co-operative Farming: Blueprint for future proofing Aussie farmers



Actions for government and industry

Co-operatives have played an important part in the development of the Australian economy. From the earliest days, Australians have co-operated in business by bringing together the natural entrepreneurialism of a new nation, the Australian inclination towards self-help, and the common sense to work together for the common good.

Co-operatives have been in business for the long term, focused on their core purpose of serving their members and the wider community. They are important, they are home-grown, and they deliver competition and choice, spreading the benefits of business far beyond investor-shareholders into the wider population.

Co-operatives are owned by Australians, pay their taxes in Australia and contribute to our nation's prosperity. They are the corporate embodiment of national sovereignty. Co-operatives are a rational way of maximising business success for any small, family-owned and independent enterprises.

Government can recognise this value and help to set the regime that enables co-operatives to make the best contribution possible to the Australian economy.

Co-operatives succeed where there is a positive business environment, which facilitates their ability to compete on a level playing field and does not hinder them from operating in markets.

Australia can create the best business environment in the world for co-operatives

The best business environment for co-operatives will have three key components, each of which is necessary to provide opportunities for growth:

- 1. A positive policy for co-operative ownership in agriculture**
- 2. Strategic reforms to the business environment**
- 3. Support for a practical range of capital investment opportunities**

In the international examples we have given, these constituent parts have been present.

Key recommendations

Recommendation 1: Adopt a positive policy for co-operative ownership in agriculture

The fundamental starting point for co-operative businesses is that they should receive the same attention, encouragement and support from government as other businesses so that they can compete on a level playing field.

This means that policy, legislation and regulation works for co-operatives, and does not place them at a disadvantage compared to other types of businesses.

The COVID-19 pandemic has shown the vulnerability of aspects of the Australian economy, be it over-reliance on particular markets, lack of control over vital resources, or disruption to supply chains.

Australia can be more self-sufficient in a range of areas including food production, but it must also repatriate its key interests to ensure that value-added processes can be undertaken domestically.

Co-operatives can be expanded to meet this policy challenge and new co-operatives can be created in the national interest. The skills and experience to achieve this exist already in Australia's leading co-operative businesses and this should be harnessed. This needs to go hand-in-hand with a policy commitment to create and maintain the best possible business environment for these domestically-owned drivers of growth.

1.1: Government should promote a regime of regional Australian ownership of business, in particular food production, processing and manufacture

Co-operatives engaged in the processing and manufacturing of food have had to deal with the twin challenges of securing the legacy assets against commercialisation and the tendency of retiring producers towards cashing out value built up in their co-op.

This dilemma can be resolved with a new option that allows each member to benefit equitably from their contribution to the co-operative and gives businesses the opportunity to secure their long-term assets, and therefore the benefits, to new generations of farmers and regional communities.

Key recommendations

Recommendation 2: Make strategic reforms to the business environment

2.1: Federal legislation

The Federal Government, with bipartisan support, has taken the first steps towards a positive future for co-operatives. Legislation in 2019 (Treasury Laws (Mutual Reforms) Act 2019) was a landmark for the co-operative and mutual sector in re-establishing its rightful place in the business life of Australia.

However, while the legislation is the first step to improving the Corporations Act, more is needed to complete the reforms. The COVID-influenced economic situation has reset fiscal policy and in designing a new future, Australia has the opportunity to foster co-operatives to grow and strengthen our economy, particularly in the regions.

Regulators will have a role in ensuring that co-operatives are not inadvertently disadvantaged by rules designed to manage the behaviours of larger investor-owned firms.

2.2: State Legislation

In June 2020, the Co-operatives National Law passed the Queensland Parliament, bringing to fruition a nationally-harmonised scheme of legislation regulating co-operatives Australia-wide.

Uniform legislation needs to be bolstered by streamlined regulation and administration.

Many changes need to be discussed at the COAG Consumer Affairs Forum (or future equivalent national meetings), meaning that there are significant delays between discussions. While some items have been on the COAG and Interjurisdictional Committee agendas for some time, little progress has been made on a range of regulatory barriers that persist.

Government should act to centralise and streamline registry functions for co-ops as part of action to modernise the business registers. This would move co-ops from a paper-based, state system, to a central, digital, modern system on par with companies, while likely delivering savings to each state and territory government.

It is vital that the reformed National Cabinet framework provides more opportunities to move forward with positive reforms for co-operatives.

Key recommendations

Recommendation 2: Make strategic reforms to the business environment

2.3: Adopt a long-term supportive competition regime for the establishment of new co-operative businesses across agriculture

It is counter intuitive for a nation striving for greater self-sufficiency to restrict the ability of small, independent agri-businesses to co-operate, while foreign-owned conglomerates are permitted to take over large sections of Australia's key business. Investment is to be welcomed, but the value must not be exported along with the produce.

Positive government policy towards the strategic ownership of food production, processing and other assets which help to secure and maintain co-operative ownership in the national interest should be explored.

For example, new co-operatives of small businesses could be supported to establish medium-sized firms across a range of industries, as well as new primary industry co-operatives created by the conversion of conventional businesses.

This will require engagement with co-operatives on aspects of competition law application by the Australian Competition and Consumer Commission (ACCC). Consumers should, of course, be protected from anti-competitive or damaging behaviour by businesses.

2.4: Facilitate full utilisation of existing government tax policy and Government programs

Tax policy recognises the importance of producer-owned co-operatives to regional development by allowing eligible co-operatives to access tax-deductible loans for investment in productive assets. However, the criteria for qualification can sometimes work against the intent of the policy. The Commonwealth can support the additional capitalisation of co-operatives by utilising this legislative setting, ensuring accessibility to many more regional co-ops seeking to develop infrastructure and assets.

Key recommendations

Recommendation 2: Make strategic reforms to the business environment

2.5: Demutualisation legislation reform

The government has already provided support in new Federal legislation for mutual capital instruments. Treasury can enhance these provisions and enact global best practice on demutualisation provisions, in order to protect Australian regional ownership of the legacy assets of co-operatives.

This would be available as an option for co-operatives, either for their existing business or for particular special investment projects to grow their business.

2.6: Support education and training for professional advisors, lawyers and accountants

Co-operatives need business advice that includes understanding of the legal structures under which they operate. Lawyers should be trained in co-operative legislation and understand the various options available to these businesses.

Equally, accountants and others need to understand the different business purpose that leads to particular treatment for these firms.

Professional bodies and universities can ensure that they provide adequate and equal training in co-operative business structures (as they do for other corporate models) as part of their professional qualifications.

Key recommendations

Recommendation 3: Support a practical range of capital investment opportunities

Co-operatives do not need to corporatise to be successful or to grow. New Zealand's co-operatives operate 70 per cent of the meat market, 60 per cent of the farm supplies market, and 80 per cent of the fertiliser market.

Like the other international examples given, these co-operatives are continuing to look for growth strategies, including in Australia.

3.1: Business support to take advantage of capital investment options

Co-operatives have been frustrated by an inability to raise capital not on the basis of performance but on a misunderstanding of the value of the co-operative sector in protecting regional economies and jobs. Leaving this unresolved will lead to decline in regional manufacturing capacity, quality jobs and domestic food security.

Co-operatives urgently need targeted advice and assistance to plan and implement regional recovery plans using the spectrum of available capital. This service needs to be developed alongside the sector, drawing in the vast range of expertise in successful businesses and business banking advice in credit unions and mutual banks.

Access to investment capital will ensure the long-term success of co-operatives and their positive contribution to regional Australia as a self-sufficient business sector.

In 2019, legislative changes brought the Corporations Act into alignment with the Co-operatives National Law in removing the impediment to accessing investment capital without demutualising.

One of the serious aspects of the COVID-19 crisis for co-operatives is that they will see their cash reserves depleted further. Farmer-owned co-ops in particular have been hit hard by the cost of drought and fires, draining their members' ability to provide business funding.

Given that many will be reliant upon such member capital for the prudent management of the business, it is likely that there will be both a short and medium-term shortfall in investment capital for business development.

Without intervention, groups of producers may be unable to take advantage of vertical integration opportunities to renew, expand and build further regional food processing and manufacturing capacity through co-operatives. Without some assistance, co-operatives could run out of money or become collectors and marketers of commodities without the capacity to operate food processing and manufacturing.

Key recommendations

Recommendation 3: Support a practical range of capital investment opportunities

3.2: Facilitate more capital investment opportunities for new and existing co-operative businesses

There are options for capital replenishment through the issue of Co-operative Capital Units (CCUs) in the case of state co-operatives and Mutual Capital Instruments (MCIs) in the case of federally registered co-operatives. While CCUs were introduced in NSW in 1993, the sector has been constrained in their use by a lack of understanding by financial institutions and the fundraising sector. The sector needs assistance to take advantage of these market based fundraising options alongside State or Commonwealth programs.

KPMG has estimated¹² that if mutuals were able to hold capital levels consistent with their larger competitors, loans could increase by some \$25 billion to generate additional profits of AU \$375 million assuming a 1.5 percent spread. This would equate to a 25 per cent increase in size and 60 per cent increase in profitability.

The immediate risk is that well-funded competitors will be able to leverage foreign investment to take advantage in this situation as has occurred since the 1980s, in the co-operative and mutual sector, frustrated by an inability to raise capital not on the basis of performance but of a misunderstanding of the value of the co-operative sector in protecting regional economies and jobs.

This will have the impact of a loss of regional manufacturing capacity, quality jobs and ultimately domestic food security.

The co-operative sector can, with government support, provide access to capital market, legal and mutual experts to ensure co-operatives and mutuals are best placed to consider the potential of these options

Government can assist industry to signpost help to the entire co-operative business sector, equipping them to help themselves.

MCIs and CCUs are not yet widely used but have the potential to be a significant source of growth funding. With government support, the sector led by the peak body, will assist co-operatives to prepare to issue to members and non-members to introduce investment capital into their business. This comes at a critical time for the economy and for Australian farmers as we collectively respond to the challenges of the recent crises.

¹² KPMG, 2016

Issue: Accessing investment capital

Access to investment capital is the main barrier to growth and investment for dairy co-operatives.

Foreign ownership in the dairy industry is putting pressure on locally-owned operations. When investment and ownership shift overseas, profit is also shifted overseas. This is limiting local wealth creation and investment potential.

Local supply chain investment opportunities that could potentially be supported by co-operative operations include:

- Product expansion into niche, high-quality dairy products including cheese, cream and butter varieties for local supermarket shelves and export markets
- Bottling plant technology and efficiency upgrades
- Local resin production and plastic packaging manufacturing capability



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