



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

The role of co-operative agriculture in the COVID-19 recovery

Submission to the Territory Economic Reconstruction
Commission

29 July 2020

To the Territory Economic Reconstruction Commissioners,

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to provide a submission in response to the NT Rebound consultation.

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

Co-operatives are important vehicles for collaboration by producers, consumers, employees and communities seeking to invest in new productive assets, create secure jobs and access new markets.

As locally owned and operated businesses capable of scaling and value-added production, investment in co-operatives in terms of an enabling environment by the Northern Territory Government offers an opportunity to create shared value that will be retained in the Territory for the benefit of Territorians.

Our submission seeks to respond to the strategic aspects outlined by the Commission with a focus on how co-operative enterprise can drive investment in the development of new locally-owned and operated food manufacturing and marketing sectors that benefit the Territory community and economy.

We would welcome the opportunity to discuss the matters raised in our submission with the Commission.

Yours faithfully



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What are co-operatives and mutuals

Co-operative and mutual enterprises (CMEs) are businesses that are formed to provide goods and services to members on an equitable basis. CMEs operate in all industries including agriculture, banking, insurance, health, housing, retail, transport, tourism and motoring.

The members of CMEs can be producers (businesses), consumers, employees, a likeminded community or a combination of these stakeholders.

- **Producer-owned:** Norco Co-operative is owned by the dairy farmers that supply it with milk. The co-op seeks to maximise the milk price paid to members.
- **Consumer-owned:** People's Choice Credit Union is owned by customers who have loans or deposits with it. The credit union seeks to provide access to equitably priced products to all members.
- **Employee-owned:** Resource Work Co-operative is owned by the employees who work in its tip shop operations. The co-op seeks to create secure, well-paid jobs for its members.
- **Community-owned:** Hepburn Wind is owned by a community of members with an interest in developing affordable, green power generation assets. The co-op seeks to achieve environmental outcomes while paying modest dividends to members and sharing profits with the local community.



Co-operative governance and legal structures

A distinctive feature of co-operatives and mutuals is that they are almost universally governed on a one-member, one-vote basis or a similar system. This form of governance is chosen by CMEs because it keeps them focused on delivering benefits equitably to all members over the long term.

CMEs can be for-profit, not-for-profit or charitable and can use a variety of legal structures, but always have a constitution that reflects a mutual purpose and governance model:

- Co-operatives and mutuals can register as companies. They may meet the new definition of a 'mutual entity' now included in the Corporations Act 2001.
- Co-operatives may register under bespoke state and territory legislation, the Co-operatives National Law. The Co-operatives National Law embeds one-member, one-vote and the international co-operative principles.
- Other structures or arrangements such as an incorporated association, Aboriginal Corporation or trust can be used, provided the constitution or deed embeds mutual

purpose and governance.

Co-operative agriculture

Primary producers in Australia and around the world have long relied on co-operatives to develop processing, marketing and transport services. More than 200 million farmers are members of a co-operative globally.

The Australian dairy, grain, cotton, apple, berry, almond and macadamia industries have all been developed to their present size through the co-operative efforts of producers.

There are many successful co-operatively owned Australian food manufacturers creating regional employment and adding value for farmers, and in the past, this was a bigger contributor to regionally based manufacturing.

Today there are 230 agriculture and fishing co-operatives in Australia supporting 20,000 primary producers. These co-operatives are significant and well-regarded regional employers.

Producer-owned co-operative are successful at:

- Enabling the production of high-quality Australian food produce
- Maintaining traditional ways of life whilst providing economic growth to strengthen regions
- Providing long term, quality local employment
- Helping to maintain local ownership of strategic food assets, thus increasing food security
- Generating significant export earnings
- Facilitating the competitiveness and viability of independent farming businesses by providing access to domestic and international markets
- Facilitating economies of scale by enabling individual businesses to jointly own and control their supply chain
- Enabling smaller owners to stay in business and remain independent
- Spread wealth back to owners through produce rebates and profit sharing

A recent research report from Western Sydney University academics, [Beyond Business As Usual: a 21ST Century Manufacturing Culture](#) documents the contribution of co-operatives and medium-sized private firms to Australian manufacturing. The report highlights how producer-owned co-operatives share benefits with members, employees and the community. For example, in relation to employment, the CEO of Northern Co-operative Meat Company said:

“The New South Wales branch of the Australasian Meat Industry Employees Union have rated the abattoirs across the state. We were very highly rated by the AMIEU in regards to pay and conditions, friendliness of the management and a positive culture and environment to work in.”

Appropriately enabled, food processing and marketing co-operatives can grow to global scale manufacturing businesses supporting significant local, quality employment. Ocean Spray, Fonterra, Arla Foods, IFFCO and Mondragon are examples of global scale co-operative manufacturers that operate without diluting local ownership. Foreign currency earned stays local. They provide traceability for food provenance, guaranteed through producer ownership.

Strategic opportunities for co-operative food manufacturing and marketing in the Territory

Co-operatives can help the Northern Territory create new industries around strategic agricultural commodities.

Support and partnership from the Northern Territory Government can accelerate primary producer co-operation to develop local manufacturing and marketing in emerging agricultural industries.

There are a number of existing and emerging examples with potential to contribute to local food manufacturing and marketing:

1. Kakadu Plums: Northern Australia Aboriginal Kakadu Plum Alliance (NAAKPA)

Formed in 2018, NAAKPA is an alliance of Aboriginal enterprises that harvest Kakadu plums.

Harvesting provides an important income stream for the Aboriginal enterprises that make up NAAKPA. For example, in 2019, a 12 tonne harvest delivered \$140,000 to 250 harvesters in remote Aboriginal communities who currently have few other sources of income generation from their homelands. In 2020, with COVID-19 social distancing requirements, 7 tonnes of fruit were harvested, delivering \$84,000 in payments to 86 harvesters. Further development of harvests and locally-owned processing and marketing operations could deliver huge employment opportunities for participating communities.

NAAKPA is currently developing the next phase of its strategy, including considering the role a co-operative could play in developing industry processing and marketing capacity.

2. Cotton: NT Farmers co-operative cotton gin business case

NT Farmers and other stakeholders have developed a \$30 million proposal for a grower-owned cotton gin in Katherine. Local processing capacity has been identified as the main barrier to industry growth.

It has been estimated this new processing capacity would support 88 new ongoing full-time equivalent jobs in Katherine and contribute \$22 million per annum to the regional economy.

3. Dates: Tamara Co-operative

Formed in 2013, Tamara Co-op (and its subsidiary Desert Fruit Company) is a worker-owned date farm and one of the only commercial farms in Australia. It is a six-hectare, 700 tree farm. There is high demand for dates in many export markets.

This model of employee-owned farm can be expanded or replicated with appropriate support.

An enabling environment for co-operative agribusiness

How can government support co-operatives to drive inclusive private sector growth in new industries?

The Northern Territory Government can take the following steps to support the development of locally-owned co-operatives:

1. Drive regulatory reform for Territory-registered co-operatives
2. Leverage existing policy and taxation settings
3. Provide targeted supports for capacity building and co-operative education in producer groups

1. Drive regulatory reform for Territory-registered co-operatives

The adoption of Co-operatives National Law by all states and territories has greatly improved the operating environment for co-operatives.

However, there is still more work to achieve a modern, national regulatory regime for co-operatives as envisaged by the Australian Uniform Co-operative Laws Agreement.

There is a lack of regulatory guidance for co-operatives about raising capital. Regulatory guidance will clarify the requirements for the offer of shares, debentures and Co-operative Capital Units by co-operatives and boost the confidence of the sector to engage in capital raising.

Recommendation: That the Northern Territory Government encourage co-operative capital raising by working with other states and territories to develop a national regulatory guidance on co-operative capital raising, comparable to the guidance provided for companies by ASIC.

Co-operative registry processes throughout Australia are poorly-resourced and often paper-based. The BCCM supports the inclusion of co-operatives in the Commonwealth's Modernising Business Register Programme, which seeks to streamline, centralise and modernise business registry processes. The Modernising Business Registers Programme is underpinned by an agreement between states, territories and the Commonwealth, the National Business Simplification Initiative.

The Co-operatives National Law allows for an administrative delegation of functions by the Co-operative Registrar of a state or territory. Such an administrative delegation could be made to the proposed Commonwealth Registrar in relation to Northern Territory co-operatives.

This method of registry modernisation will encourage the formation of new locally-based co-operatives in the Northern Territory while reducing burden on Territory finances.

Recommendation: That the Northern Territory Government commit to referring co-operative registry processes to the Commonwealth Registrar when Commonwealth legislations allows this.

2. Leverage existing policy and taxation settings

Producer-owned co-operatives have special recognition under the *Income Tax Assessment Act 1936* because of their ability to drive regional development and employment. Qualifying producer-owned co-operatives are able to deduct tax from government loans provided to purchase productive assets such as processing plant or warehouses. Access to this method of

growth finance can assist new and established co-operatives to generate new regional manufacturing jobs.

Existing Commonwealth Government programmes such as the NAIF could be leveraged for this purpose.

There are also new opportunities emerging for smaller enterprises to access debt and equity such as the SME Growth Fund. Co-operatives could access new debt and equity through this

**Government-grower partnerships in the development of local processing capacity:
Murray Plains Meat Co-op**

Murray River Council has received \$375,000 in Commonwealth Government funding to commence the first stage in the development of a new micro-abattoir in Barham on behalf of farmer-owned Murray Plains Meat Co-op.

Initial work such as feasibility studies have been completed by the co-operative over the past 5 years and identified a multi-species micro-abattoir as the best option to support local producer viability and employment outcomes.

Council will lead development of and own the abattoir for at least five years, with a lease to the co-operative to manage operations.

This arrangement provides a pathway for farmer ownership and responsibility for processing assets in the medium term, while providing Council with a means to recoup its initial investment in the project.

fund in the form of loans to members, or direct investment in debentures or Co-operative Capital Units.

Recommendation: Explore opportunities for the Commonwealth Government to provide tax-deductible loans to certain producer-owned co-operatives to accelerate the growth of food manufacturing and marketing assets in the Territory.

Recommendation: Explore the potential for innovative partnership models that accelerate the development of co-operative processing assets such as government lease backs and investment in Co-operative Capital Units.

3. Provide targeted supports to accelerate development of agricultural co-operatives

An important component of early stage co-operatives is capacity building among the founding members to understand the co-operative business model and what is required to manage new lines of businesses such as food processing and marketing.

The BCCM is delivering the Co-operative Farming program over 18 months to provide primary producers with the education they need to start or grow a co-operative. The program is funded by the Commonwealth Government and is delivering a range of education supports including:

- Livestream events with agricultural co-operative leaders
- Hotline service for primary producers
- Educational modules and resources
- Educational workshops

- Co-operative education bursaries

The reach of this program can be leveraged by the Territory to deliver targeted capacity building to emerging producer-owned co-operatives.

Longer term, ensuring existing tertiary education in the Territory aligns with emerging industries and facilitates local employment in new manufacturing jobs will be important.

We note that at the Commonwealth level, strategies for the development of the agricultural workforce are being consulted on.

Recommendation: Deliver targeted capacity building support to emerging primary producer co-operatives.

Recommendation: Ensure tertiary education is aligned with needs of emerging agricultural and manufacturing industries to boost local employment.