



**CANADIAN
CO-OPERATIVE
ASSOCIATION**



Canada needs more co-operatives: Renew and Expand the Co-operative Development Initiative

2009 PRE-BUDGET SUBMISSION

FOR THE STANDING COMMITTEE ON FINANCE



**Canadian Co-operative Association
Suite 400, 275 Bank Street
Ottawa, Ontario K2P 2L6
www.coopscanada.coop**

For more information, contact John Anderson at (613) 238-6711 ext. 228

EXECUTIVE SUMMARY

The Canadian Co-operative Association (CCA) and the Conseil Canadien de la Coopération (CCC) are proposing a new enhanced Co-operative Development Initiative (CDI), a partnership agreement with the federal government that would last for four years beginning on April 1, 2009 and ending on March 31, 2013. This program would replace the current Co-operative Development Initiative, which began on April 1, 2003 and was extended until March 31, 2009, and the Agricultural Co-operative Development Initiative, which will run from 2006-2009. The first CDI was extremely successful (as the statistics in the table on page 5 indicate) and helped create over 200 new co-operatives across Canada and assisted some 1500 new and existing projects.

The CDI is the core partnership program between the co-operative sector and the federal government through the Co-operatives Secretariat, which is part of Agriculture and Agri-Food Canada. The overall objective of this program is to assist the development of new and emerging co-operatives across Canada. It is not a program for the mature co-operative sector. By aiding the establishment of new co-operatives and securing the development of emerging co-operatives, CDI helps provide jobs and regional and sector development, while strengthening the economic and social life of local communities, and helps answer many public policy priorities.

The new CDI builds on the co-operatives' proven potential for cost-effectively creating and preserving jobs, for increasing productivity, and for securing economic and social development using a model controlled by local communities in both rural and urban Canada. While this agreement builds on the success of the old CDI, it will be a substantially different and improved program.

- 1) The new CDI will be a larger integrated program, providing assistance for all stages of co-operative development — from feasibility to start-up to capitalization.
- 2) The new CDI will be managed entirely by the co-op sector, which we believe will result in more funds being available to co-operatives.
- 3) The new CDI will have both a regional advisory services component and a new national advisory services component to support development across provincial boundaries and in emerging sectors such as energy, environment, health, Aboriginal co-ops, and co-ops whose purpose is to create employment in regions and circumstances where needed.
- 4) The new Co-operative Development Fund will be an investment fund to support long-term patient capital loans for co-operatives. It is structured as a self-sustaining fund seeded by a contribution from the government.

Canada needs more co-operatives: Renew and Expand the Co-operative Development Initiative

The Canadian Co-operative Association (CCA) together with its sister francophone organization, the Conseil Canadien de la Coopération (CCC), represent some 17.2 million co-operative members in Canada. (Please see Appendix for list of CCA members.) Co-operatives are a vital part of Canada's economic fabric from retail co-operatives, credit unions, agricultural co-operatives, insurance companies, to housing and workers co-operatives.

While the co-operative sector is active in many areas that are part of federal government policy mandates, and while there are many other important policy initiatives, such as the Co-operative Investment Plan (a tax credit for co-op members who invest in agricultural or worker co-operatives, and now exists only in Québec) and the expansion of International Development Aid to .7% of Gross National Income, CCA and CCC believe that the most important policy for co-operatives this year would be a renewed and expanded Co-operative Development Initiative (CDI), which would create new co-operatives and help emerging ones get off to a healthy start.

While the present Co-operative Development Initiative program is co-managed by CCC and CCA and the Co-operatives Secretariat. In the new version, we are proposing that the co-operative sector manage the entire four year program. Not only have we managed parts of the first CDI version, but we have shown with our sector management of the very successful Agricultural CDI over the last three years that CCA and CCC can very successfully manage a major domestic program. The new version of CDI would be composed of four major parts:

Part One: Advisory Services (AS) The Advisory Services component existed in the first CDI, but we are proposing to increase the funding for this part by 400%. The first version had only \$1 million per year to be shared and delivered by 23 anglophone and francophone partner organizations at the provincial and territorial level (see list of AS organizations in appendix), resulting in very little funding for on-the-ground services in each region

The new Advisory Services (AS) would provide for the continuation and expansion of current services such as business advice, co-op information, one-on-one consultations, small grants for early stage planning, and public education. It would also include a National Co-operative Information Service – a one-stop information and referral service by telephone and a website devoted to co-op development with resources and information; funds for the development of Networks and Federations or helping similar co-ops to share and communicate with each other and start or expand federations that will provide specialized advice and support services; and Sharing the Learning, a component to help get the lessons of co-op development out to more people and more communities through conferences, site visits, conference calls, training, and mentoring.

Part Two: Project Assistance Program The Project Assistance Program provides grants to individual new and emerging co-operatives, and also would be used for research projects. The grants would go to help co-operatives fund feasibility studies, business plans, research and development and business training. This is a revision of the current Innovations and Research program administered by the Co-operatives Secretariat. We are proposing the funding stay the same at \$2 million per year. In its first five years of operation this component helped over 171 projects.

Part Three: Agricultural Co-operative Development Initiative (Ag-CDI) Ag-CDI supports the development of bioenergy and value-added agricultural co-operatives. It provides grants to help agricultural co-ops with essential co-op and business development, learning exchanges and capacity-building through education and networking. The Ag-CDI would remain as a stand-alone component of the larger CDI program, with funding of \$6 million over four years (or \$1.5 million per year). In its short three-year history, Ag-CDI has gained significant momentum in helping groups of Canadian farmers launch new value-added agricultural co-operatives. The Ag-CDI program was first launched in the fall of 2006 with a \$1 million contribution from Agricultural and Agri-Food Canada, as a part of a larger Government of Canada initiative to ensure that farmers and rural communities can participate in and benefit from new opportunities in bioenergy and value-added agriculture. Following a successful seven-month pilot phase in 2006-07, Ag-CDI was renewed with a \$3.25 million funding commitment for 2007-09. To date, Ag-CDI has supported over 60 biofuel and value-added agricultural co-ops from all regions of Canada, with allocations of more than \$1.6 million for technical assistance contributions. The renewed Ag-CDI will continue to support co-op ventures in: agricultural bioenergy, value-added agricultural production, and local food initiatives.

Part Four: Co-operative Development Fund The Co-operative Development Fund is a new component, consisting of an investment fund providing primarily long-term loans or patient capital to new and emerging co-operatives. The aim of this fund is to provide loans that act as development capital, which can understand the special needs of co-operatives and the special difficulties they have in borrowing from financial sources which are used to dealing with investor owned enterprises. The Co-operative Development Fund (CDF) would provide loans to new and emerging co-operatives — patient capital loans that require no repayment of principal for up to 10 years as well as conventional term loans. The fund is designed to be self-sustaining after five years, with a \$70 million investment by the federal government. The federal government has already helped the start-up of the Arctic Co-operative Development Fund, in the 1980s, with a \$10 million investment and today this fund has grown to some \$30 million, and helped many northern co-operatives emerge and prosper. More recently, the present federal government has seeded the Social Economy Trust Fund in Quebec with a contribution of over \$22 million which helped leverage another \$30 million from the Quebec government as well as from labour venture capital funds.

The allocations over four years for the new CDI would be \$24 million for Parts One and Two and \$6 million for Part Three and \$70 million for Part Four for a total of \$100 million.

Financial Overview

CDI Component	Current Program		New Program Request	
	Annual \$	5 years \$	Annual \$	4 years \$
Advisory Services	1 M	5 M	4 M	16 M
Project Assistance (I&R)	2 M	10 M	2 M	8 M
Agricultural Co-op Development Initiative	1.41	4.25 <i>over 3 years</i>	1.5 M	6 M
Co-op Development Fund				70 M
Totals	4.41 M	19.25 M	7.5 M	100 M

Addressing Policy Priorities

The new CDI, by helping create new co-operatives and new jobs and aid emerging co-operatives get on their feet, can help address the following public policy priorities.

1. **Economic development in challenged communities both rural and urban**

There are distressed communities in both rural and urban Canada facing poverty, out-migration of skilled youth, and limited job opportunities. Co-operatives are the mainstay of many rural communities and are often the sole provider of financial services or retail supply. Co-ops can provide job opportunities to these rural communities. Inner city housing co-operatives provide good-quality affordable places in a community setting where affordable accommodation is hard to find and poor housing leads to other stresses.

2. **Adding value to agriculture**

Value-added farmer-owned co-operatives allow producers to increase and stabilize their earnings, offsetting the impact of low and fluctuating commodity prices. They are doing so by creating value-added farmer-owned co-operatives from bio-energy to the blueberry industry.

3. **Community solutions to environmental challenges**

The need to find new sources of energy to reduce greenhouse gas emissions is affecting everyone. One means for a community to take a direct role in addressing this challenge is by creating co-operatives that generate renewable energy (such as wind energy co-ops) or work to reduce emissions (such as car share co-ops). The Vancouver-based Co-operative Auto Network car share co-op has around 250 vehicles for use by members. The Toronto Renewal Energy Co-op has erected a commercial wind turbine overlooking one of the major highway routes into Toronto for educational purposes.

4. **Seniors' issues**

Canada's population is aging and needs services that are tailored to its changing circumstances. Caisses populaires, credit unions and co-operative-owned insurance companies are providing financial products tailored to seniors. Seniors-only housing co-operatives can be found in most of Canada's urban centres, and they are a secure form of tenure for seniors who would like to sell their homes and are seeking a long-term option with built-in affordability. CCA has recently completed a major Elder Care Task Force report that outlines in a number of concrete ways how new co-operatives can help deal with seniors' issues.

5. **Health care delivery**

Our health care system is under stress from rising costs and delivery shortcomings. Co-operative community health clinics are a proven way to provide affordable good-quality primary health care. The Saskatoon Community Clinic, founded in the early 1960s, was the first of Canada's co-operative community health clinics. Quebec's Aylmer Health Co-operative provides offices and administrative support services for physicians who do not want the burden of running their own offices. This approach may help attract doctors to rural communities where they otherwise may not go.

6. **First Nations, Métis and Inuit community economic development**

Many people of Aboriginal ancestry face economic challenges including the lack of jobs and appropriate services. A group of First Nation bands in Saskatchewan have formed a co-operative to market agricultural products grown on their reserves. A worker co-operative food retailer in downtown Winnipeg is owned by Aboriginal people and services the local

Aboriginal community. The network of community co-operatives across northern Canada, owned primarily by Inuit and Dene peoples, is the second largest employer in the North after the government. Over the next years the CCA and its associated Co-operative Development Foundation also plans to financially support new First Nations, Métis and Inuit co-operative development.

7. Enhancing the integration of immigrants into Canadian society

As Canada's population ages, immigrants now and in the future will form a growing percentage of Canada's labour force. There are a number of co-operatives helping with immigrant settlement. For example, a worker co-operative in Edmonton specializes in helping immigrants access the Canadian health care system in their own language. Its 24 members speak 22 languages and are from 16 different immigrant and refugee communities. Some of Canada's housing co-operatives have become kaleidoscopes of immigrants from all over the world. These co-operatives are sometimes immigrants' first chance to put down roots in Canadian society.

8. Food Security

As the Canadian population's desire grows for food that is local, organic and natural, new co-operatives offering to produce, process, manufacture and market this food are growing in numbers, too. Co-operatives can bring together the key stakeholders, both rural and urban, in new ventures to provide greater choice in the marketplace. The Big Carrot in Toronto is a worker-owned supermarket co-op that provides a wide range of natural and organic products as well as providing a retail outlet for locally grown food. CCA has just published a discussion paper on Local Foods Initiatives which outlines this policy area in more detail.

The new CDI would focus on assisting new and emerging co-ops. There is a direct link between the activities of established co-operatives and new and emerging co-operatives. A robust and growing co-operative sector brings new ideas and energy to the larger co-operative sector while the umbrella of established co-operatives provides an environment where new co-operatives can find resources and gain credibility.

Results CDI 2003-2008				
Partners	# meetings	# new projects assisted	# new co-op created	/ # existing co-op assisted
ACL	98	26	2	79
BCCA	90	92	28	55
Prairie Hub	240	76	37	41
Ontario: On Co-op	47	136	18	79
Ontario: CCO	618	66	24	53
MYDAS	919	114	24	92
CDR-Acadie	60	24	6	28
CCANÉ	110	18	3	9
CDCIPE	217	30	7	33
NLFC	199	66	5	49
CWCF / FCCT	104	243	24	36
PEICC (2008)	8	0	0	3
CEC-NB (2008)	12	0	0	0
TOTAL 2003-08	2722	891	178	547
AGRICULTURAL CDI (2005-2008)		54	24	22
GRAND TOTAL	2722	945	202	569

CDI Advisory Services Partners

Arctic Co-operatives Ltd. (ACL)

British Columbia Co-operative Association (BCCA)

The following organizations constituted the Prairie Hub;

Alberta Community and Co-operative Association (ACCA)

La Chambre économique de l'Alberta

Saskatchewan Co-operative Association (SCA)

Conseil de la coopération de la Saskatchewan

Manitoba Co-operative Association (MCA)

Conseil de développement économique des municipalités bilingues du Manitoba

Ontario Co-operative Association (On Co-op)

Conseil de la coopération de l'Ontario (CCO)

Mobilizing Youth for the Delivery of Advisory Services (MYDAS)

Coopérative de développement régional – Acadie, New Brunswick (CDR-Acadie)

Conseil Coopératif Acadien de la Nouvelle-Écosse (CCANÉ)

Conseil de développement coopératif de l'Île-du-Prince-Édouard (CDCIPE)

Newfoundland and Labrador Federation of Co-operatives (NLFC)

Canadian Worker Co-operative Federation (CWCF/FCCT)

Prince Edward Island Co-operative Council (PEICC)

Co-operative Enterprise Council of New Brunswick (CEC-NB)

Also in Quebec there were five partners;

Fédération des coopératives funéraires du Québec

Fédération des coopératives forestières

Fédération des coopératives de développement régional du Québec

Fédération des coopératives d'alimentation du Québec

Fédération des coopératives de services à domicile du Québec

CANADIAN CO-OPERATIVE ASSOCIATION 2008 - 2009 MEMBER ORGANIZATIONS

Full Members

Alberta Community & Co-operative Association
Alberta Federation of Rural Electrification Associations
Arctic Co-operatives Limited
British Columbia Co-operative Association
Canadian Worker Co-operative Federation
Central 1 Credit Union
Community Health Co-operative Federation Limited
Concentra Financial Services Association
Co-op Atlantic
Co-operative Housing Federation of Canada
Credit Union Central Alberta Limited
Credit Union Central of Manitoba
Credit Union Central of New Brunswick
Credit Union Central of Nova Scotia
Credit Union Central of Prince Edward Island
Federated Co-operatives Limited
Gay Lea Foods Co-operative Limited
Granny's Poultry Cooperative (Manitoba) Ltd
GROWMARK, Inc.
Manitoba Cooperative Association
Mountain Equipment Co-op
Newfoundland/Labrador Federation of Co-operatives
Northumberland Co-operative Ltd.
Nova Scotia Co-operative Council
Ontario Co-operative Association
Ontario Natural Food Co-op
Organic Meadow Inc
Prince Edward Island Co-operative Council
Saskatchewan Co-operative Association
SaskCentral
Scotsburn Co-operative Services Limited
The Co-operators Group Limited
The CUMIS Group Limited
UFA Co-operative Limited

Associate Members

Arctic Co-operative Development Fund
Calgary Co-operative Association Limited
Credit Union Central of Canada

Friends of CCA

Canadian Association of Mutual Insurance Companies