



**CANADIAN
CO-OPERATIVE
ASSOCIATION**



THE NEXT GENERATION OF AGRICULTURE AND AGRI-FOOD POLICY FOR CANADA

INPUT TO THE CONSULTATION



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THE CANADIAN CO-OPERATIVE ASSOCIATION (CCA)

The Canadian Co-operative Association (CCA) is a national association for co-operatives, representing more than seven million co-operative and credit union members from over 3,000 organizations. Our members operate in many sectors of the economy, including finance, insurance, agri-food and supply, wholesale and retail, housing, health and the service sector. CCA provides leadership to promote, develop, and unite co-operatives and credit unions for the benefit of people in Canada and around the world. CCA and its members are not aligned with any political party.

Our members include Federated Co-operatives Ltd., United Farmers of Alberta, Co-op Atlantic, The Co-operators Group, Gay Lea Foods Co-operative Ltd., Scotsburn Co-operative Services Ltd., Concentra Financial Services Association, Arctic Co-operatives Ltd., eight provincial credit union centrals that provide services to local credit unions (financial co-operatives), and national associations representing co-op housing, co-op healthcare and worker co-ops. In addition, other co-operatives across the country are represented at CCA through the membership of seven provincial co-operative associations.

Our francophone sister umbrella organization, with whom we work closely, the Conseil Canadien de la Coopération (CCC), is also a very large and important group of co-operatives including provincial associations in eight provinces of Canada. La Coop Fédérée is a large force in Quebec agriculture with 104 local co-ops and 35,000 farmer members.



Canada has one of the highest proportions of co-op membership in the world: 40% of Canadians are a member of at least one co-op.

In Quebec co-op membership stands at 70% of the population; in Alberta 65%, and in Saskatchewan 56%.

For more co-op facts, see Appendix One.

INTRODUCTION

The five-year plan for how federal, provincial and territorial governments and others will work together to ensure a healthy and sustainable agriculture industry in Canada is one of the most important pieces of public policy being developed today.

The new policy framework (referred to within this document as APF) will determine not only the future for farmers, but also the future for rural communities, rural businesses, industries that use agricultural products and that support agriculture, and finally, for consumers of food. Moreover, it will affect this country's food security, economy, environment, and health budgets.

The next APF is also important to thousands of co-operative and credit union members, including those who are members of agricultural co-ops, credit unions serving rural communities, co-op retail stores distributing food and agricultural supplies, rural energy co-ops, and the emerging biofuel co-op groups.

AGRICULTURAL CO-OPS IN CANADA

Co-operatives have a long and proud history in Canada and agricultural co-ops have been a big part of the movement. Farmers have used co-ops to market their products, add value to their commodities, finance their businesses, and supply farm inputs such as fertilizer, feed, and seed.

The latest figures (2004) show that there are 1,143 agricultural co-operatives in Canada, with 362,841 members, and 37,000 employees.¹ These co-ops had annual revenues of \$14.3 billion and returned more than \$222 million in patronage dividends to their members.

Marketing co-ops have always been significant in Canadian agriculture, although their numbers have declined with the demutualization of the wheat pools. Co-ops market 40% of milk products and 55% of all poultry and eggs produced in Canada. Forty-five percent of petroleum used by farmers is supplied by co-ops.

Recently there has been a revival of farmer interest in co-operatives. Co-ops are seen as a means to own important processing infrastructure, control the marketing of their products, or take advantage of new business opportunities. This was demonstrated during the BSE crisis when groups of beef producers attempted to start regional slaughterhouses to deal with the virtual monopoly of two large meat-packing companies that control Canada's beef industry. Currently there is a surge of producer groups planning co-ops for the production of biofuels, energy, industrial fibre, organic foods, and other specialty food products.

These new agricultural co-ops are producers' collective response to low commodity prices; to control of their sector by large corporations; to cheap imports from other countries; and to decreasing incomes in primary production. They see profits being made by other players in the industry and they are looking for other methods to stay in business.

1. Information from the Co-operatives Secretariat, Agriculture and Agri-Food Canada.

Both the Canadian Federation of Agriculture and the National Farmers Union support co-operatives and have called for resources to help producers learn about, plan, and start agricultural co-ops. *See Appendix Two for additional advantages of agricultural co-operatives.*

OVERALL APPROACH TO POLICY DEVELOPMENT

We recommend that there be clear articulation of a long-term vision, a five-year goal and defined pillars to accomplish the goal. The term ‘pillar’ is a good one because it assumes a need for more than one and there is equal weighting of all the pillars to accomplish the overall task.

The APF consultations proposed six integrated pillars:

1. Business Risk Management to help farmers better manage the risks that come with the business of farming.
2. Food Safety and Quality to increase consumers’ confidence in the safety and quality of Canadian agri-food products.
3. Science and Innovation to create new food and non-food opportunities for the sector and for Canada.
4. Environment to enhance soil, water, air and biodiversity
5. Renewal to ensure producers have the skills they need to capitalize on new opportunities
6. Market Development and Trade

We recommend that the policy architecture of the next APF contain fewer pillars. We like some of the ideas promoted by the Canadian Federation of Agriculture and would propose the following three pillars: public goods and services, strategic growth, and primary producer support. We would specifically like to see the co-operative model, of which there was no mention in the initial documents, be incorporated as an essential part of the pillar architecture.

- **Public Goods and Services Pillar** encompasses environment, ecological goods and services, food safety, and a new area — domestic food security. This would incorporate the Food Safety and Environmental pillars from above. Many of the initiatives within this pillar will require new ways to pay for the costs.
- **Strategic Growth Pillar** provides a proactive focus on innovation, market development, research, trade, and infrastructure. Public education and awareness-building about agriculture and food costs and the promotion of Canadian food products should be part of this pillar. Co-operatives of all kinds can play an important part in the value-added process.
- **Primary Producer Support Pillar** includes business risk management, subsidies to counter distorted international market, and more importantly, positive measures to ensure that primary producers achieve profitability. The last APF emphasized skill-building for individual producers and this should be expanded to include a focus on supporting collective action by producers such as the development of co-operatives.

There are many possible components to this pillar:

- Building and maintaining co-operatives and producer marketing tools
- Capital investment tools and lending programs
- Helping producers get into new business areas such as value-added
- Dissemination of knowledge
- Branding and promotion of producer-owned enterprises, especially co-operatives

The addition of a Primary Producer Support pillar in this next APF will focus serious attention on solutions to the profitability issue for ordinary farmers. General programming tends to leave out primary producers. Governments need to redress the imbalance between farmers and large agri-businesses, as well as between primary producers and other links in the production chain. If both federal and provincial governments concentrate on this portion of the industry for the next five years, there is a better chance that the agriculture industry can be strengthened.

If Canada loses small and medium-sized producers, our country will follow the trend in other industrialized countries toward larger corporate farms with no commitment to domestic production. When “peak oil” comes and the cost of transporting food from around the globe increases, it will be too late to reclaim agricultural land and train new farmers. Governments need to act to help existing farmers, to encourage new farmers to replace retiring farmers, and to make the primary production side of the agriculture industry stable and viable.

In the United States a series of Farm Bills and state investments have led to the three best years for US farmers. Both the US Department of Agriculture and many states provide specialized services to agricultural co-ops. There has been a substantial increase in farmer-owned value-added ventures, which have provided “net benefits in a fashion that is not reflected in the Canadian situation.”² This is particularly true in the biofuels area where half of the biofuel plants are owned by farmers through co-operative or co-op-like business structures.

SPECIFIC MEASURES

We recommend the following measures be included in the next Agricultural Policy Framework:

1. Support and provide information and financial investments to enable farmers to move up the value-chain and collectively own value-added and processing businesses.

When farmers have some ownership and control over the production facilities and can sell more valuable products, they earn money from two sources, not just one.

Examine and share information with Canadian farmers on opportunities for new value-added products, with governments helping with research and analysis from a wide range of sources.

Through a range of capital and tax incentive measures such as a Co-operative Investment Plan, loan guarantees, investment tax credits, or equity matching grants, producers can get help with starting new businesses. This hand-up assistance is preferred by farmers rather than government payments when they are unable to earn enough from the marketplace.

² Redefining Agriculture: Sustaining Agriculture in Canada through Innovation and Diversification,

2. Strengthen and maintain mechanisms that give producers bargaining power in the market place.

The Canadian Wheat Board, group marketing agencies and marketing co-operatives are time-tested tools that help producers obtain a greater value for their products. They have also helped farmers control marketing costs. These farmer-directed agencies operate on a non-profit basis, returning most of the market revenues to farmers.

CCA members adopted a resolution regarding the Canadian Wheat Board. We believe that the federal government should strengthen the CWB, group marketing agencies and co-operatives. Our members also believe that the CWB must remain a single desk marketer as this will ensure that prairie grain farmers retain power in the marketplace rather than turning market power over to a few large transnational grain companies.

Supply management provides stability and predictability for farmers and processors; treats farmers equitably with regard to price; and provides Canadians with a guaranteed supply of high-quality domestic products at stable prices comparable to, and usually below, those in the U.S. and other markets. Canada should build on the successes of its orderly marketing institutions by examining the potential to bring additional commodities under the authority of such agencies.

3. Recognize the co-operative model as an effective method to help farmers and provide adequate resources to assist farmers in developing co-operatives.

Whether the co-operative is for reducing input costs, marketing agricultural products, owning value-added facilities, or providing services such as machinery or labour, new co-operative groups need technical assistance to get started. What is required over the next five years is a vigorous system of co-op development services delivered by the co-op sector organizations, private consultants, and provincial and federal governments.

Some of this could be accomplished through the extension of the Agricultural Co-operative Development Initiative³ and the expansion of the Co-operative Development Initiative, a national program operated by the two national co-op organizations in partnership with the Co-operative Secretariat.

The Agriculture Co-op Development Initiative (Ag-CDI) was started in September 2006 to provide financial, technical and educational support to new value-added agricultural co-ops including biofuel co-ops. This program is funded by Agriculture and Agri-Food Canada and managed by the co-op sector in partnership with the federal Co-operatives Secretariat. It has provided a unique support service to 27 emerging agricultural co-ops in Canada.

The program enables new co-ops to receive advice and consultation from experts in co-op and business development, to meet with and learn from other successful co-ops or to bring in experts to share knowledge, to assist with membership drives, and to receive training for their boards and members. At a recent conference and learning event sponsored by Ag-CDI, these new co-ops were able to meet and learn excellent lessons from each other and successful existing co-ops.

³ Funding for the Agricultural Co-operative Development Initiative is provided by Agriculture and Agri-Food Canada with a 20% contribution by the co-op sector. Funding was provided until March 31, 2007.

Additional sources of capital are also required as agricultural co-ops do not have the same means to raise capital as other companies do. Unlike privately-held businesses, shares in co-operatives do not appreciate in value and this limits the incentive of members to invest. The expansion of the FIMCLA loan program to non-marketing co-ops and an increase in loan amounts would also help.

4. Recognize and support the move into non-food agriculture such as biofuels, renewable energy, health products and fibre-based products.

We applaud the move by AAFC and the Minister in this area and urge increased attention to ensure new sources of revenue for agricultural producers.

5. Increase science and innovation research but develop better mechanisms to share the information with groups that work with farmers in order to ensure this new information can be used for enterprise development.

There is also a need to provide producers with practical information through agricultural extension workers and agricultural specialists to assist producers in the transition to new crops and farming methods.

6. Provide support to help local communities — rural and urban — organize food systems to distribute locally-grown and processed food.

Increasingly, people and organizations at the community level are devising new ways to access and distribute food from their region. Not only are they looking for safe and nutritious food, but they are attempting to redress many issues and concerns they have with the existing food system. Consumers generally are demanding more local, organically grown, GMO-free and ethically produced food.⁴ They are also concerned with reducing the distances food is transported in order to decrease impacts on the environment.

Community level innovation is manifesting in food co-ops, farmers' markets, delivery systems, food processing incubators, small-scale food businesses, and branding or promotional programs.⁵ Governments need to recognize and assist these locally developed food system infrastructures as important ways to ensure a sustainable domestic food supply and reduce environmental impacts.

7. Develop a policy on domestic food sustainability that ensures we grow, process, and distribute more of our domestic food needs from Canadian sources.

In Canada, 50% of the products on our grocery shelves are not from this country. There is a need to uncouple policies concerning food for domestic consumption and food for export. While there are references to “sustainable agriculture,” there does not appear to be a policy on ensuring that Canada continues to have a sustainable domestic food system that meets Canadian’s current and future needs.

⁴ Survey on consumer attitude to locally produced food, Ipsos Reid, December, 2006

⁵ The wide variety of community level innovation is documented in a paper submitted to the APF consultation by the Canadian Community Economic Development Network (CCEDNet). This paper also provides a series of recommendations.

Canada could learn from the United States, which has a policy on domestic food supply with the U.S. Department of Agriculture having a goal that ensures people “a safe, affordable, nutritious, and accessible food supply.” A wide variety of other departments such as health and environment should be involved as well.

Specific consultations on such a policy should include consumers and representatives of the community-based networks and “community voices” that are already active in food system and food sustainability work in Canada.⁶

IMPLEMENTATION GUIDELINES

Evaluation – For this next APF it is vital to have mechanisms to evaluate the results of policy and programs. This allows for feedback from users and beneficiaries, and ensures revisions and corrections can be made over the five-year period.

Program Design – When the broad policy framework is completed and agreed to by the senior levels of government, future users of programs need to be involved in design or revision of the specific programs that will implement the policy. This should happen at the federal and provincial levels.

Co-operatives – Ensure that the eligibility criteria for all business development programs include co-operatives. During the consultations, the term SME (small and medium-sized enterprises) was used in the Renewal paper. We would like explicit recognition for co-ops within this context. Current federal and provincial programs vary in their inclusion of co-operatives in business programs.

Two contrasting examples are:

1. The *Manitoba Agri-Venture Initiatives* (MAVI) Program provides business planning and market development support to increase value-added and diversification activity in Manitoba. Applicants can be: “Manitoba agricultural producers and farm families, agricultural entrepreneurs, agri-business, suppliers and processors of agricultural products, provincial agricultural and commodity organizations.”
No mention of co-operatives.
2. The *Agri-Foods Business Development Initiative* in Newfoundland and Labrador is a similar program that is open to “agricultural producers, processors, partnerships, corporations, **cooperatives**, governments and not-for-profit organizations.”
Co-ops are specifically mentioned.

Program Administration – Outsource the administration of some programs to non-government groups that have expertise in a particular area and are closer to the users of the program. Our Agriculture Co-operative Development Initiative (Ag-CDI) was able to provide a more targeted and effective service to groups of farmers starting new value-added co-operatives because of our extensive knowledge and experience in the process of co-op development. *See an overview of the Ag-CDI program in Appendix Three.*

⁶ For more information contact CCEDNet or Edible Strategies which has done research on the main players in this movement.

Flexibility – The structure of the agriculture and agri-food industry and the opportunities and challenges faced by the sector differ greatly among Canada’s various regions. While an overall policy framework will help set the tone for a cohesive and national approach, there must be room to address regional differences.

Regional Approach – Include regional or community-based economic development groups that can bring many players together to work with farmers to develop regional solutions such as new pieces of infrastructure and processing enterprises. Rural municipalities – including politicians and staff – have been taking more leadership in agricultural development than ever before. We have observed extensive municipal support for co-op slaughterhouses and biofuel co-ops.

Differentiated Program Criteria – There is a trend with government programs to require matching dollars by the funding recipients. In the agricultural area this is unfairly penalizing producer groups that have experienced low incomes in the last three years. New programs should be flexible in their matching obligations, accepting in-kind contributions and other measures of producer commitment. With programs assisting new value-added enterprise development, there should be different levels of support depending on the amount of producer ownership in the enterprise.

CONCLUSION

The APF consultations have been well-organized with useful discussion papers and background documents. The Canadian Co-operative Association has participated in several consultation events and has now provided the key messages and points we wish to make as the consultations wrap-up. If we can assist in any way in the next phase, we would be pleased to attend further meetings.

We urge federal and provincial governments to carefully consider the elements of the Agricultural Policy Framework. Increased investments by federal and provincial governments are required and they must be targeted where they will have the greatest effect.

The next iteration of the Agricultural Policy Framework will be a crucial one in determining the future of Canadian agriculture and the continued existence and development of small- and medium-sized family-owned farms, as well as their core relationship to the survival of rural communities and the jobs and industries attached to them.



APPENDIX ONE — CO-OPERATIVES IN CANADA FACT SHEET

Co-operatives, including credit unions and caisses populaires, are key contributors to the economic and social well-being of the country. Co-operatives are a form of business enterprise that is jointly owned by the members who use its services. They operate in all sectors of the economy including financial services, housing, retail, agriculture, service, and manufacturing. Some of the better known co-operatives include Mountain Equipment Co-op, Gay Lea Foods, Vancity, The Co-operators Group Ltd., Desjardins Group, Co-op Atlantic, Federated Co-operatives Ltd, and Agropur.^a

CANADIANS BELIEVE IN CO-OPERATIVES

Four out of every ten Canadians is a member of at least one co-op. In Québec, approximately 70% of the population are co-op members, while in Alberta 65% are members, and in Saskatchewan 56%.

Over 70,000 Canadians volunteer their time to serve on co-op and credit union boards.

CO-OPERATIVES ARE MAJOR CONTRIBUTORS TO THE ECONOMY

Canada's co-operatives hold more than \$225 billion in assets.^b Non-financial co-ops transact nearly \$30 billion in business each year.

Co-operatives play a crucial role in the agricultural sector of the Canadian economy: agricultural marketing co-operatives have a combined business volume of more than \$10 billion and assets of \$3.8 billion; farm supply co-operatives have revenues of \$3.8 billion.

Established co-ops have demonstrated a higher survival rate than other forms of enterprise. After five years, the survival rate of a new co-operative enterprise is almost twice that of an investor-owned company.

CO-OPERATIVES PROVIDE EMPLOYMENT

There are more than 9,000 co-ops in Canada, which directly employ 155,000 Canadians. They also employ an additional 250,000 independent producers who rely on marketing and production co-operatives for their livelihood.

CO-OPERATIVES SUPPORT THEIR COMMUNITIES

Co-operatives are a big part of a number of industries and touch Canadians' lives in a number of ways:

- **Housing**
 - ✓ Across Canada, 2,100 non-profit housing co-ops are home to over 250,000 people in 90,000 households
- **Financial Services**
 - ✓ There are more than 1,000 caisses populaires and credit unions across Canada serving over 6 million members^c
 - ✓ In 900 communities across Canada, a credit union is the only financial institution
- **Community Services**
 - ✓ There are approximately 1,000 child care co-operatives in Canada. Co-ops are increasingly being organized to deliver primary health care, home care, ambulance services and other health services
- **Sponsorships**
 - ✓ Annually, co-operatives give back approximately \$120 million to Canadian communities through sponsorships and donations^d

^a Except when specified, the statistics in this document were provided by the Federal Co-operatives Secretariat

^b Co-operative Secretariat, Credit Union Central of Canada and Desjardins Group

^c Credit Union Central of Canada and Desjardins Group

^d Co-operatives Secretariat and Desjardins Group

APPENDIX TWO – ADVANTAGES OF AGRICULTURAL CO-OPS

Co-operatives can accomplish many results simultaneously. They are a highly efficient way for individuals, industries, communities, and interest groups to meet their needs.

Virtually any agri-business can be organized as a co-operative. The most common types are supply, marketing, and processing co-operatives. A new generation (NG) co-operative is a new kind of processing co-op which combines the purpose of adding value to producer goods with a contractual obligation to deliver a specified volume of raw product to the processing facility.

While the co-operative structure provides a systematic way for producers to come together to pursue common interests, agricultural co-operatives have also been recognized by federal and provincial governments as effective tools for economic development, community-building and business longevity. The multi-faceted benefits provided by co-operatives and the nature of the co-op structure which grounds them in local and regional economies points to a logical reason for Federal Government investment in the growth and expansion of agricultural co-ops.

Co-ops provide a model for economic and social development that is community-centered and fosters self-reliance. Overall, co-operatives:

- Encourage group and community entrepreneurship, allowing people to start and sustain businesses that they could not create on their own;
- Ensure producer involvement and financial benefit in emerging product areas and technologies (e.g. bio-fuels);
- Assure that ownership, control, and profits remain in the community and in Canada.
- Spur self-sustaining economic development and job creation in difficult to reach areas (both rural and urban) and populations;
- Encourage accountability and transparency;
- Act as training schools for democratic leadership and ethical business practices;

New agricultural co-ops have advantages for governments as well as farmers and producers.

For Farmers and Producers

- Provides a collective method for farmers to successfully compete in the business environment and improve their incomes
- Allows farmers to move up the food chain and capture part of the value resulting from processing and marketing their commodity
- Gives farmers improved bargaining power, more comparable to that held by processors and other market players
- Provides farmers with additional sources of income – dividends (a share of surpluses on an annual basis) and the sale of equity shares on retirement.
- Achieves economies of scale to access needed products and specialized services, advanced technologies, and new market opportunities

- Allows individual farmers and producers to be stakeholders in their industry and as needed, form strategic alliances with key industry stakeholders
- Develops skills and knowledge of the broader market and industry
- For NG co-ops, realizes two profit centres - the raw commodity and the processed product

For Governments and Policy Makers

- Reduces need for governments to provide subsidies and farm aid if farmers are able to get their incomes from the marketplace
- Assists in strengthening local communities and economies. Since most co-ops are community or regionally based, investment in, and surplus revenue from the co-op stays within the local economy
- Helps build more stable communities because co-ops are more likely to stay in the community as the owners are local residents. Co-op businesses are less vulnerable to takeovers and closures by outside decision-makers
- Where co-ops are located in rural communities, contributes to the realization of the Federal Government's rural policy
- Contributes to greater business success and longevity, especially with new generation co-ops that ensure supply of the raw commodity or animals to the processing plant, because it uses a system of delivery rights and obligations to encourage business loyalty
- Increases longevity and survival rate - co-ops have greater survival rate than private businesses. Statistics show that co-ops have a 64% survival rate in the first five years, compared to 36% for private businesses. Over ten years, co-ops have a 46% survival rate, compared to 20% for private businesses.
- Increases return on the public investment with NG co-ops because individuals have higher levels of equity invested and the supply to be processed is more predictable
- Helps implement government policy of encouraging more Canadian value-added food processing (Processing co-ops and NG co-ops)
- Increases accountability to farmers/producers as co-op governance provides for annual meetings, election of the board, and voting on major policy issues and decisions by members on a one person-one vote basis

APPENDIX THREE– THE AGRICULTURAL CO-OP DEVELOPMENT INITIATIVE



The **Agricultural CDI program** aims to create sustainable livelihoods for Canadian farmers by helping develop biofuel and value-added agricultural co-operatives. The program is a partnership between the co-operative sector and Agriculture and Agri-food Canada – an addition to the existing Co-operative Development Initiative, and part of a larger initiative to ensure that farmers and rural communities can participate in and benefit from new opportunities in agriculture, especially biofuels production.

ABOUT THE PROGRAM

CO-OP TECHNICAL ASSISTANCE

Advisory Services contributions can assist biofuel and value-added co-ops with:

- Group formation and early-stage planning
- Membership promotion and recruitment
- Equity drives and offering statements
- Co-op formation and legal consultation
- Member and leadership development
- Other advisory services necessary to the development of the co-operative

(Contributions available up to \$40,000)

Learning Exchange contributions can help biofuel and value-added co-ops learn from similar producer co-ops that are further along the development continuum.

(Contributions available up to \$5,000)

CO-OP PROMOTION AND EDUCATION

Producers interested in learning more about biofuel and value-added agricultural co-ops will have access to:

- Web seminars
- How-to guides
- Case studies
- Website and other Learning Resources

CAPACITY-BUILDING

Ag-CDI will create a broader base of support for developing biofuel and value-added co-ops with:

- Seminars and other skill development opportunities for co-op developers and agri-business advisors
- Peer support networks for developing co-ops, and other initiatives

