



**CANADIAN
CO-OPERATIVE
ASSOCIATION**



Co-operatives: a tool for rural development and poverty elimination

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Good morning. My name is Carol Hunter and I am the Executive Director of the Canadian Co-operative Association. I welcome this opportunity to talk to you along with my colleague Pam Skotnitsky, Vice President, Government Affairs for Sask Central, the Credit Union Central of Saskatchewan, about the role of co-operatives both financial and non –financial in the life of rural Canadians and how they serve as important tools in helping stop the circle of rural decline and prevent rural poverty.

CCA has been around under different names as a national association since 1909. We are approaching our 100 year anniversary. CCA is made up of 33 co-operatives and co-operative federations including the credit unions and the Co-operators Insurance, the retail co-operatives such as Federated Co-operatives Limited, Co-op Atlantic, Growmark and Mountain Equipment Co-operative, agricultural co-operatives such as Gay Lea and United Farmers of Alberta as well as housing, health and workers co-operative federations.

In partnership with the Conseil canadien de la coopération, our francophone sister organization, we form a network of over 9000 co-operatives and some 11 million members in Canada. Co-ops employ some 155,000 people.

Four of every ten adult Canadians are members of at least one co-op. In Québec, according to the Co-operatives Secretariat approximately 70% of the population are co-op members, while in Saskatchewan 56% are members.

Today there are some 2800 rural co-operatives in Canada some 31% of the total number of co-ops. These rural co-ops are found in a wide variety of sectors; 1260 are agricultural co-ops with a membership of 476,000.

World wide co-operatives have over 800 million members and provide over 100 million jobs around the world, 20% more than multinational enterprises.

The co-operative movement historically grew out of rural areas in Canada. From the growth of consumer co-ops in Western Canada in the first decades of the century to the work of Moses Coady and the Antigonish movement in Atlantic Canada in the 1920s and 30s, co-operatives have always been connected to rural development in Canada. They grew out of the striving of farmers, fishermen and rural residents to use their collective strength to achieve a better economic situation by building democratic economic instruments, one member one vote, which are owned locally and where profits are shared and kept in the community.

As Moses Coady stated: *"You are poor enough to want it and smart enough to do it."*

In two provinces, Ontario and Alberta the mainly rural co-operative movement even lead to the creation of co-operative political parties (CCA is staunchly non-partisan today) which formed provincial governments, the United Farmers of Ontario in 1919-1923 and the United Farmers of Alberta from 1921-1935. And the successor co-operative organizations in these provinces (no longer engaged in politics) are today both members of CCA.

In our joint presentations, today we will try to show you how both established co-ops as well as new emerging co-operatives are important contributors to rural sustainability. Co-

operatives have always been a tool for fighting poverty for moving to a secure and more developed rural economy.

CCA and the fight against poverty

Before we move to tell you about how co-operatives can work to fight poverty here in Canada, we wanted to mention the work we do internationally as we have both a domestic and international focus.

Internationally in Africa, Asia, the Americas and in Eastern Europe, CCA works primarily through partner co-operative organizations in developing countries to improve the socio-economic status of individuals, households and communities by reducing poverty, equitably distributing income, and increasing democratic participation in civil society. Through the cooperative approach, CCA works to enhance the capacity of strategically selected community-based organizations such as credit unions and agricultural co-ops to effectively manage their own development, provide valued services to members and improve the environment within which they operate.

Funded mainly through CIDA as well as by our own charity, the Co-operative Development Foundation, CCA provides financial support for overseas partners engaged in innovative and sustainable initiatives to reduce poverty through co-operatives. CCA mobilizes and brings technical assistance through the sharing of Canadian expertise with its partners. CCA's technical assistance program provides both short-term and long-term Canadian expertise to partners, using a mix of in-house staff, volunteer co-operants and consultants.

Our international experience confirms that co-operatives are effective transformative structures that help people and communities in the developing world build livelihood assets (human, financial, natural, physical and social), reducing vulnerability and poverty, while creating sustainable livelihoods.

We think that there are many lessons here for anti-poverty work in Canada. Too often in Canada, in government, we build a wall between the work we support overseas and the strategies we should be also using in Canada.

The Co-op Model

The co-operative model is a promising approach to help meet needs not filled by the traditional form of private enterprise or by the public sector.

The co-operative model has often proven to be a solution for dealing with youth out-migration, difficulties entailed by the aging population, lack of job opportunities, lack of access to health care in rural communities, and integration of immigrant communities into Canadian society.

As both economic and social actors, co-operatives foster community accountability and empowerment.

The co-operative form of enterprise assures any group of individuals an effective means to combine their resources, however small, and allow them to meet their common economic and social needs.

The established co-ops and their role in maintaining and developing rural Canada

I would now like to turn to several examples of how some of the established co-ops maintain and develop rural Canada.

One of our members, Federated Co-operatives Limited is today the largest non-financial co-operative in Canada. The National Post Business Magazine's ranking of Canada's top 500 corporations placed FCL's 2005 net income 61st overall. Federated is owned by 281 retail co-operatives located throughout Western Canada in more than 500 communities, by 1.2 million individual co-op members.

The Co-op Retailing System started in *rural* Western Canada and has since expanded into some of the major urban centers in this region. The co-op system has, however, remained very involved and supportive of rural communities especially in Saskatchewan. In Federated's District 8 region, for example, which includes the cities of Regina and Yorkton, there are co-operatives in 40 rural communities. In 18 of these communities, the co-op is the **only** food store. In most cases, these co-ops are too small to be economically viable but because they are part of the larger retail system they are able to continue operating. The system not only acts as their supplier but also provides management and operational assistance at no charge. As members of Federated Co-op Limited, they are able to share in the profits of the wholesale and manufacturing arm of the system which provides them with the revenues that make them viable. In a similar number of communities, they are the only lumber, agro or farm supply business providing local services to their customers as well as providing support to the community. It is this co-operative system which can help prevent the cycle of decline and finally extinction of rural communities.

Another of our members, Arctic Co-operatives Limited has 36 co-operatives with stores and other businesses in Nunavut and the Northwest Territories owned by 18,000 members from Inuit and First Nations communities. In 2005 some \$2.6 million in patronage dividends were returned to members. In contrast to the operations of private big city based ownership of retail stores as still exists in many Aboriginal communities, co-operative ownership keeps surpluses and control right in the community. Co-operatives in the North are also a training ground for democracy and community involvement and many of the political leaders in Nunavut received their first experience in governance and leadership through the co-ops.

Co-op Atlantic has developed a whole series of initiatives to help Atlantic farmers who are hard pressed to compete with out of region and out of country products. For example, Co-op Atlantic has promoted an Atlantic Tender Beef brand, a joint effort with the Atlantic Beef Producers Cooperative. The encouragement of fresh, local produce has been extremely popular with co-op members.

Co-operatives are also important models in rural health care particularly in Quebec where health care co-operative clinics have been set up often in rural areas to ensure the provision of medical services when doctors have departed. There are also some 44 home care co-operatives in Quebec with 35,000 members, where users and employees have joined together to provide quality services controlled by those who need them and those who provide them.

Pam will talk about the similar role that credit unions play in many communities as the only financial institution and just how important that is to rural survival and development.

New and emerging co-operatives

We also want to spend some time telling you about new and emerging co-ops in rural areas of Canada. They illustrate how co-operatives, because they teach people how to fish, rather than simply giving people fish to eat, are one of the best ways of dealing with the preservation of rural Canada and the menace of rural poverty.

1. CDI Advisory Services in Rural Communities

The Co-operative Development Initiative (CDI) is a five-year program that ends in March 2008 – and we hope will be renewed and strengthened, and that after you hear some of what it has done on a shoe-string budget, you will agree with us! It is funded through Agricultural Canada and the Co-operatives Secretariat. The program's "Advisory Services" component is managed jointly by the Canadian Co-operative Association – CCA and the Conseil Canadien de la Coopération – CCC, and its services were provided throughout the country by a solid network of 17 partners. The one million dollar a year cost of the program split 17 ways shows just how modest a program it is.

After four years, the CDI partners have achieved impressive results. Since the beginning of the program, over 800 co-operatives (new, emerging and existing) have received assistance and support, and a total of 125 co-operatives started up after receiving support from one of the CDI partners.

The co-operative model is an effective way for people to create their own job opportunities, gain access to services at a reasonable price, generate extra income, and enable people to participate actively in the development process of their communities. Here are a few of the many projects supported in rural areas.

Quality Agricultural Producer's Co-op is a new co-op that received assistance from CDI, and is enabling farmers of the Bay Saint George region in Newfoundland and Labrador to share new harvesting and processing equipment in order to increase production capacity.

Misty River Co-operative is another agricultural co-op incorporated with the help of CDI. Located in the small community of Mossley, Ontario, it provides the means for local growers to market and distribute their products, as well as access a wider audience for their goods.

Small businesses located throughout the Baccalieu Trail, a rural area located in Newfoundland and Labrador, who share a common interest in expanding their market potential by offering goods or services via the Internet, have formed the **Baccalieu E-Business Co-operative** with the support of CDI. The e-Business Co-operative provides knowledge and technical expertise to small businesses that would not be able to afford these services otherwise. The Baccalieu e-Business Co-operative is helping businesses to market their services and products to a greater audience, to increase their profits, to open up new markets, and to increase the overall efficiency of their businesses.

Another interesting project that is currently being supported in Northern BC is the **Community Woodworking Co-operative**. The Aboriginal community of Burns Lake is

facing several challenges. The unemployment rate is extremely high – around 80 per cent – a situation that fosters other social problems in the community. The co-op will be an opportunity for the woodworking artisans of Burns Lake and several neighbouring communities to put their talents to work while earning some extra income. By joining the co-op, unemployed woodworkers have access to adequate equipment and training opportunities that will enable them to show leadership and develop managerial skills while becoming less dependant on government transfers.

In the Acadian region of Évangéline in PEI, the lack of adequate and affordable housing for elders forced several older people to leave the community to settle in smaller residences located in neighbouring urban areas such as Summerside. The community decided to address this problem collectively through the creation of the **Coopérative Le Bel Age**. The construction of a building with 14 units began in 2004 in Wellington, and the first residents moved in August 2005. A similar housing project for seniors was developed in the rural community of Hanmer, Ontario. The **Hanmer Regional Development Cooperative** plans to build a 20-unit housing project for independent retirees.

2. New Agricultural Co-ops Aim To Stop The Decline Of Canada's Rural Communities

In the summer of 2006, Agriculture and Agri-Food Canada made a commitment of \$1 million to support the development of farmer-owned co-operatives promoting value-added development in biofuels and other agricultural ventures. **The Agricultural Co-operative Development Initiative (Ag-CDI)** was launched in September 2006 as

another partnership between the co-op sector via the national associations, CCA and CCC, and the Co-operatives Secretariat of the Government of Canada.

The seven-month program had three key aims:

1. to provide technical assistance support to developing co-ops;
2. to create educational products to promote the use of co-ops in agriculture; and
3. to help build capacity to support these co-operatives over the long term.

Twenty-seven co-ops responded to the call for applications to the Ag-CDI program, despite a very tight deadline. These were already existing groups exploring co-op solutions in their communities – all aiming to improve the prospects of local farmers and to help stop the decline of their rural communities. Here is a sampling of the types of co-op projects supported by the Ag-CDI program.

The **Southern Manitoba Biofuel Co-operative** began as a way to help address the loss of community tax revenue and infrastructure. The plan is to develop a community-owned nine-million litre per year biodiesel plant, using canola as feedstock. The aim is to create a secure supply of biofuel for local farmers and truckers, while producing a range of valuable by-products, such as canola protein meal, glycerol, and fertilizer.

Many cattle producers across the prairies have struggled to survive in recent years, challenged by the BSE crisis and the dominance of their industry by several large packing facilities. Three groups, representing over one-thousand independent producers, are forming a co-operative to conduct their own processing and marketing of mature cattle (over 30 months of age), with the aim of increasing returns to their producers.

Craik Small-Scale Bioproducts Co-operative is one part of a Saskatchewan community's attempt to revitalize and reverse the trend of out-migration. The co-op plans to create a small-scale biodiesel plant, as a way to reduce fuel costs for local farmers, and to help sustain the planet. This community believes strongly that the co-op model is an ideal one for community renewal and ownership of the future. Craik has already established a well-known Eco-Village and a YouthBuild eco-program.

3. Co-operative Solutions To Business Succession In Rural Communities

According to an article printed in the August 11th, 2001 Financial Post, written by Rod Reynolds, President and CEO of RoyNat Capital Inc., a family business is at serious risk when a son or daughter takes over the business. To quote directly: "Our (RoyNat's) experience as a merchant bank, which is supported by U.S. studies, is that 70 per cent of family businesses do not survive to the next generation. The odds are a bit better, 50-50, when a business is sold to an outside buyer. In contrast, successions involving leveraged employee buyouts, supported by key managers, succeed in about 80 per cent of cases."

"The study also showed that 27per cent of owners of family businesses with sales of at least one million dollars will retire in the next five years; 56 per cent within 10 years and 78 per cent within 15 years."

"The study shows that there are currently one-hundred-and-twenty-four-thousand family businesses with sales of one million dollars or more in Canada. These companies

employ about six million Canadians and generate as much as one-point-three trillion dollars in gross annual sales.”

The C-F-I-B (Canadian Federation of Independent Businesses) recently cited a risk of two million lost jobs in Canada due to an absence of family members prepared to take over the family business and to the fact that these business owners are unprepared for their imminent retirement. Apparently, the resulting trend is to sell these businesses to competitors – and US competitors in particular – a trend that is expected to see numerous businesses close their doors, since purchasers are mainly interested in buying goodwill rather than production capacity.

In addition, statistical data analysed by the Fonds de Solidarité in 2005 show that:

- 70 per cent of SMEs do not outlast the first generation and 90 per cent do not outlast the second generation
- 56 per cent of SME founders will be retiring by 20-10 and 73 per cent by 20-15
- 70 per cent of business owners thinking about retirement have yet to choose their successor

The issue of business ownership transfer is not confined to North America, the Enterprise Directorate General of the European Commission estimates that approximately one-third of the European businesses will transfer ownership in the coming decade.¹

¹ Source – “Delivering Employee and Community Buyouts – A Guide to the Succession Process” Authors: Co-ops UK, Plunkett Foundation et al

The impact that this growing trend will have on rural areas and remote regions across Canada already affected by significant structural unemployment and population drain caused by young people moving will be dramatic.

A Co-operative Solution?

CCA in partnership with the Canadian Worker Co-operative Federation –CWCF- and with the provincial co-operative associations in BC, Ontario and Nova Scotia, is working to develop co-operative solutions to the impending business succession crisis in rural areas with the support of funding from the Co-operative Development Initiative.

Building upon research undertaken by CWCF and resources developed by the Fédération des co-opératives de développement régional du Québec, as well as work undertaken in the UK by the Plunkett Foundation, the partners will develop approaches and tools to advise small rural business owners considering retirement and the community or employee groups who are interested in taking on the business. The project will prepare case examples of successful business transfers to the co-operative model. In addition, the partners will put in place a 'Watch' system with other stakeholders such as chambers of commerce, municipal or regional economic development officers, accounting and legal firms to identify businesses considering the transferring of ownership to alert them to the co-operative or community-owned model.

This project has huge potential to provide lasting benefits to rural communities across Canada. Alongside the development and promotion of tools, resources and advisory services as a response to the growing concerns over the traditional business ownership

models in rural communities, this project also has the scope to develop new models of co-operative working.

This type of response of economic self-help solutions to problems in rural and urban areas is not unusual in the co-op sector. The opportunity to develop new models can be evidenced by the growth in rural parts of the UK of community-owned stores, other service providers, and small manufacturing businesses in the past 15 years. Despite the increasing decline of retail services in rural areas (over 70 per cent of rural communities do not have a general store), more than 200 community-owned co-operative general stores, pubs, petrol stations and manufacturing businesses have been established as a response to the number of traditional store-owners and small business owners seeking to close their business.

This phenomenon of community ownership has only taken place in the past 15 years. Research conducted by the Plunkett Foundation found that the average community owned store in England has over one-hundred-and-ten members, has a turnover of over one-hundred-and-sixty-thousand dollars, and is profitable. These stores engage 25 volunteers, strengthening the community and social bonds within the rural communities, and employ one-point-five full-time-equivalent staff.

The potential to develop new models of co-operative and community ownership in Canada as a response to the growing challenge of many businesses transferring ownership in the next 5 years is very exciting for the sector.

Conclusion

I hope that this presentation has given you some ideas of the past, present and future role of co-operatives as tools of rural sustainability and bulwarks against decline and poverty.

CCA would be the first to tell you that while co-operatives are a crucial factor in the process of stopping rural decline, and moving towards a value added rural future, they are only part of the answer. In this presentation, we have concentrated on the role of co-operatives, but CCA has also recently endorsed the need for a national anti-poverty strategy with targets and timetables which would combine the efforts of all levels of government including Aboriginal governments in working to lowering Canada's still very high poverty rates compared to many similar European countries.

We are also a founding member of the Make Poverty History Campaign which is committed to ending poverty both domestically and internationally and now has some 230,000 Canadians as members.

The Co-op Advantage

In conclusion, I would like to try to summarize some of the main reasons why we think the co-op model has important advantages as a model for rural development.

1. Co-ops build community assets

In 2004, CCA and CCC in partnership with the Co-operatives Secretariat completed a

two-year project called Building Community Assets - The Co-op Advantage. (you have copies of this project) Funding was from the Voluntary Sector Initiative The project examined how co-ops have worked to fight poverty and social and economic disadvantage.

One of the key lessons was that co-ops are a multi-functional tool that can accomplish many things at once – they help individuals build their personal assets and they help build strong communities. Income is important in helping people meet their immediate needs, but building sustainable communities is about more than money. It is about developing assets to create an environment which supports a sustainable, prosperous community. These assets include the social, financial, human, physical and personal assets that are the building blocks in creating opportunities for low-income Canadians to overcome the obstacles to a better quality of life.

2. Co-operatives stay in business longer

A major study by the Quebec government showed that co-operative businesses tend to last longer than other businesses in the private sector. “More than 6 out of 10 co-operatives survive more than five years, as compared to almost 4 businesses out of 10 for the private sector in Québec and in Canada in general. More than 4 out of 10 co-operatives survive more than 10 years, compared to 2 businesses out of 10 for the private sector.” *(A study conducted by the Ministry of Industry and Commerce, Government of Québec, 1999 Contributors: Lise Bond, Michel Clément, Michel Cournoyer, Gaétan Dupont)* One of the reasons for this longevity could be that co-ops

are not purely motivated by achieving the maximum rate of profit. Rather co-ops also have goals of serving their community and meeting the needs of their members.

3. Co-operatives are schools of business and community participation

As we mentioned when talking about Arctic co-ops, coops are schools of democratic participation and business training as members are invited and encouraged to participate as volunteers in helping managing the co-op by sitting on boards and committees. Close to 100,000 individuals volunteer their time to do just that every year. Members are owners and their participation as equals- one member one vote- shows how co-operatives function as schools of economic democracy.

4. Co-operatives are locally owned and controlled

Finally, in an era of intense globalization when almost every week brings news of a new Canadian company being bought up by a foreign owner and multinationals closing plants and moving jobs out of Canada, co-operatives are here to stay in our communities keeping jobs and head offices in Canada and distributing surpluses back into local communities.

Co-operatives are once again a key part of the solution to rural development and ending rural poverty in Canada.

We hope that you will include co-operatives and sustained government help with more co-operative development funding as part of the solution to rural poverty and rural

development. New co-operatives also need access to capital to succeed. In Quebec, the federal government has provided over \$20 million to the recently created Social Economy Trust Fund which with provincial and other contributions is now valued at some \$53 million dollars. This fund is aimed at lending patient capital to new co-op and non-profit social enterprise start-ups in Quebec. The co-operative movement would be happy to partner with the federal government in establishing such a fund or funds in the rest of Canada.

After Pam's presentation, I would be glad to answer any of your questions.

Canadian Co-operative Association Members

Alberta Community & Co-operative Association	www.acca.coop
Arctic Co-operatives Limited	www.arcticco-op.com
Arctic Co-operative Development Fund*	www.arcticco-op.com
British Columbia Co-operative Association	www.bcca.coop
Calgary Co-operative Association Limited*	www.calgarycoop.com
Canadian Worker Co-operative Federation	www.canadianworker.coop
Community Health Co-operative Federation Limited	
Concentra Financial Services Association	www.concentrafinancial.ca
Co-op Atlantic	www.co-oponline.com
Co-operative Housing Federation of Canada	www.chfc.ca
Credit Union Central Alberta Limited	www.albertacentral.com
Credit Union Central of British Columbia	www.cucbc.com
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Credit Union Central of Manitoba	www.creditunion.mb.ca
Credit Union Central of New Brunswick	www.creditunion.nb.ca
Credit Union Central of Nova Scotia	www.nscreditunions.ca
Credit Union Central of Ontario	www.ontariocreditunions.com
Credit Union Central of Prince Edward Island	www.peicreditunions.com
Federated Co-operatives Limited	www.fcl.ca
Gay Lea Foods Co-operative Limited	www.gaylea.com
GROWMARK Inc.	www.growmark.com
Manitoba Cooperative Association	www.manitoba.coop
Mountain Equipment Co-op	www.mec.ca
Newfoundland-Labrador Federation of Co-operatives	www.nlfc.coop
Nova Scotia Co-operative Council	www.nsko-opcouncil.ca
Northumberland Co-operative Limited	www.northumberlanddairy.com

Ontario Co-operative Association (OnCoop)	www.ontario.coop
The Co-operators Group Limited	www.cooperators.ca
The CUMIS Group	www.cumis.com
Saskatchewan Co-operative Association	www.sask.coop
SaskCentral	www.saskcentral.com
Scotsburn Co-operative Services Limited	www.scotsburn.com
UFA Co-operative Limited	www.ufa.net