

How the Cooperatives Association Supports Member Businesses

Ramsey Margolis
Executive Director

The back of my business card

The **NEW ZEALAND COOPERATIVES ASSOCIATION** aims to:

- encourage, promote and advance cooperative enterprise;
- act as a representative association for those engaged as cooperatives;
- promote discussion and cooperation with decision makers at all levels of government to further the interests of the cooperative movement;
- provide services and expertise to those engaged in the cooperative movement and carry out research into all aspects of the movement;
- collect, verify and publish information relating to the cooperative movement.

Two words

- Lobby
- Educate



Since 1984

- New Zealand Agricultural Cooperatives Association
- 1992 : drafting of the Companies Act
- Through regional seminars wrote the Cooperative Companies Act



ANALYSIS

- Title
1. Short Title and commencement
- PART I**
INTERPRETATION
2. Interpretation
3. Meaning of "co-operative activity"
4. Meaning of "transacting shareholder"
5. Act to bind the Crown
- PART II**
CO-OPERATIVE COMPANIES
Registration of Co-operative Companies
6. Registration of co-operative companies
7. Simultaneous registration under Companies Act 1993 and this Act
8. Simultaneous registration under this Act and reregistration under Companies Act 1993 of existing co-operative companies
9. Simultaneous registration under this Act and reregistration under Companies Act 1993 of existing companies
10. Annual resolution by directors of co-operative company
11. Registrar may cancel registration
12. Cancellation of registration at request of company
13. Provisions relating to cancellation of registration
14. Use of word "co-operative" in name of company
- Nominal Value Shares*
15. Shares may have nominal value
16. Consideration for issue of shares having nominal value
17. Issue of nominal value shares from reserves
18. Surrender of shares having nominal value
19. Application of Companies Act 1993 to surrender of shares
20. Surrender of shares at option of shareholder
21. Surrender of shares at option of company
22. Consideration for surrender of shares
23. Cancellation of shares surrendered
24. Co-operative company may hold its own shares
25. Rights and obligations of surrendered shares company holds in itself suspended
26. Reissue of surrendered shares company holds in itself
27. Acquisition and redemption of shares under Companies Act 1993 not affected
- Forfeiture of Shares*
28. Forfeiture of shares of untraceable shareholders
- Application of Companies Act 1993*
29. Modified application of Companies Act 1993
30. Rebates to shareholders
31. Shares in lieu of rebates
32. Exemption from sections 209 and 210 of Companies Act 1993
33. Voting rights of shareholders
- PART III**
SPECIAL PROVISIONS APPLYING TO CO-OPERATIVE DAIRY COMPANIES
34. Interpretation
35. Registration of co-operative dairy companies
36. Simultaneous registration under Companies Act 1993 and this Part of this Act
37. Simultaneous registration of existing co-operative companies
38. Registration of existing companies
39. Suppliers to be shareholders
40. Compulsory issue of shares
41. Limit on number of additional shares
42. Exception to section 41
43. Supplying shareholder may surrender shares
44. Transfer of shares to sharemilkers

Public—24

Price Code: D

1997

- Cooperative Companies Act
- NZACA becomes NZCA
- 1998 AGM ... 20 people



Now...

- Incorporated Societies Act 1908
- Industrial and Provident Societies Act 1908
- Friendly Societies and Credit Unions Act 1982
- Companies Act 1993
- Cooperative Companies Act 1996
- Corporations Act 2001 (Australia)
- Farmers Mutual Act 2007

Why?

- Broader approach
- Principle of mutuality
- Cooperatives + credit unions + mutuals
= Member-owned businesses

*Taking our
cooperatives
and mutuals
seriously*



So, what have we done?

- Not everything we do is important to every member...
- Watching brief on laws and regulations
- Class exemptions under Securities Act
- Financial adviser legislation

Accounting Standards

- Very important issue
- Members took this very seriously
- War chest: 2007 annual subscription x2
- IASB / FASB / JASB merge standards

Government

- Never an easy relationship
- Ministers are *always* busy, of all parties
- Political parties do not understand needs of member-owned business
- “Neutrality”



Ministers & Ministries

- Minister of Commerce
- MED + MAF + MFAT + TPK
- Should not forget smaller parties
- NZCA is a business association

NEW ZEALAND
COOPERATIVES
ASSOCIATION

Cooperatives **NEWS** *Flash*

*for
members
only*

- Communications – very important
- *Cooperatives News* – award winning
- *Cooperatives NEWSFlash*
- Website, with public and member areas
- Media releases

Professional institutions

- “We advise our advisors”
- Lawyers...
Accountants...
Company Secretaries
- BizInfo, Grow Wellington



Co-op Advisory Group

- Pool of different skills and experience
- Cooperation among cooperatives
- Setting up new cooperatives
- Issues within existing co-ops
- Legal + accounting + structural



Dating Agency



- Looking for a non-elected director?
- Particular skills and expertise
- Also need to know how co-ops work



- Branding – being a co-op is your USP
- As well as .co.nz, *not* instead of
- New Zealand, Australia, China, Japan and the Pacific

Visiting Specialists

- Overseas co-op specialists
- North America, Australia, Europe and the UK
- Forums and seminars

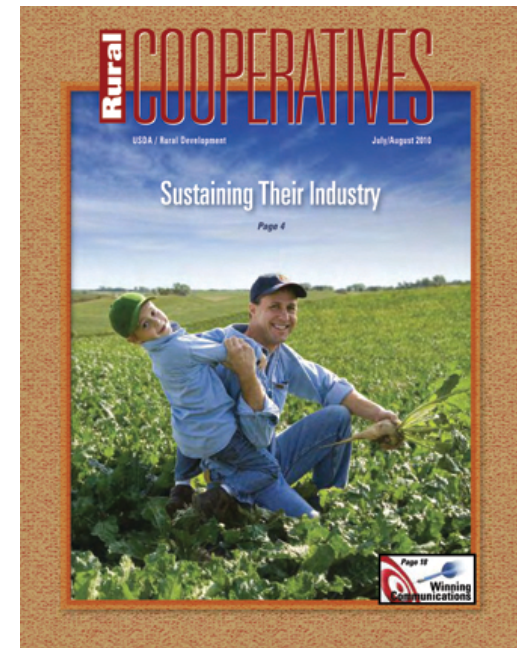
International Cooperative Alliance

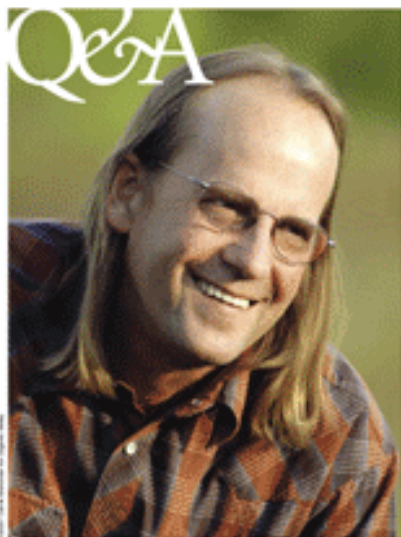
- Where ICA activities fit the focus of New Zealand co-ops and mutuals
- Not all the work the ICA does is useful
- IAS issues + ICBA & EACB
- business opportunities – not just for exporters



U.S.A.

- National Cooperative Business Association
- University of Wisconsin + others
- USDA – *Rural Cooperatives*
- Cooperative Communicators Association





A Conversation with Organic Valley CEO George Siemon

Editor's Note: In 2009, George Siemon joined half a dozen neighbors in organizing a small Wisconsin farm co-op. Under Siemon's leadership, that co-op became today's Organic Valley Family of Farms, but because the largest organic farmers' cooperative in North America. In the first in a series of interviews with co-op CEOs, *Cooperative Business Journal's* Tim McGowan talked with Siemon about cooperatives, Organic Valley, and the organic food movement.

CBJ: Organic food has gone from being totally misunderstood by the public to being

covered by consumers. What led to this change?

Siemon: First off, we can see that growing organic had a big effect. We've gone from just a handful of people to a lot of people really believing in something and wanting to get products out there—a whole movement with a lot of strong beliefs. Really, it led into a whole change in our awareness of health and the environment. There's been a revival of interest in cooking high-quality foods. The movement was there, but the consumer trends are equally important; they

were, and not necessarily being worried about market share. The most important aspect was fulfilling our mission. We had to be careful to not be so idealistic that it didn't work. We got ahead by having a group of farmers that are dedicated to something. In the first six years, we definitely were not able to pay 100 percent what we'd like to have paid, but the farmers were in on the decision. They knew who we were doing things. We were able to see that build the business. The kind of faith the farmers showed was a big part of growing our business.

CBJ: You highlight your farmer-members and that you are co-op as all or most of your marketing. How does that help you sell dairy products?

Siemon: Consumers are concerned about integrity. They're willing to "really appreciate what you're doing, and how you're doing it, and I'm willing to pay more, and I'd really like to be more connected to the farm." That's better than a cheap food policy where the farmer is an alien to the consumer. When you have a different perspective, consumers are concerned about integrity and our farmers are concerned about integrity. So it's really a perfect marriage for our brand—to be successful in

that environment, where trust in the label is so important for everybody concerned.

CBJ: Organic Valley has been successful in its preferred stock offering, raising over \$11 million. How did this process evolve?

Siemon: When we started out, one of our advisors said we should have preferred stock. Right away, we sold \$25,000 in preferred stock. We had that in our background, but we never really did much with it. Then we realized there were people out there really wanting to invest in our business. Since we didn't have common stock for sale, we looked into the legal aspects of selling preferred stock. Our objective, of course, was to have many different sources of funding, so we wouldn't be beholden to anyone party. So we started selling preferred stock and it's been wildly successful.

CBJ: Is it hard to not compromise any of the co-op values while raising this capital?

Siemon: That's what's beautiful about preferred stock. We're offering these investors six percent, which is a good return for some portion of a person's investment portfolio. So, preferred stock is one source of money. There are another. We also make our farmers invest in our co-op. Lastly, of course, is loans. We're getting about a fourth of our money from lending. We're in a lot better shape than those who get two-thirds or three-quarters of their money from lending. You can open it up to common stock and bring in outsiders, but

we believe that, if we were to bring in outsiders with common stock, we would lose control of our co-op, and that would be the violation of a preferred stock brings in another group of stakeholders, who are going to be part of our co-op and happy to get six percent.

CBJ: You made a bold move in choosing not to engage in a price war to supply Wal-Mart. This decision hasn't seemed to slow your growth at all. Do you ever see yourself acquiring Wal-Mart as a distributor?

Siemon: Wal-Mart is the largest retailer in the United States. They are especially attractive to a dairy company with no organic brand that wants to get other products in there. We don't have anything but organic. We found that our competitors were really eager to get into Wal-Mart and were willing to keep low-bidding the price. I don't think that's the fault of Wal-Mart. It's just that somebody wanted to serve them as we did. When we first went into Wal-Mart, the co-op talked about whether that was a good thing to do. We agreed that we were just not going to allow them to come to such a big part of our business that they could bully us. The day came that we were running out of milk, and we could see that our competitor wanted

...if we were to bring in outsiders with common stock, we would lose control of our co-op, and that would be the ruination of it.

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Co-operatives AUSTRALIA

- Individual co-ops doing very well
- Some support for some state associations
- Social Business Association
- United Nations IYC 2012

Education

- Our own seminars
- The LEADing Board
- New Zealand tertiary institutions
- MMCCU – St Mary's University, Canada
- Kellogg course
- Secondary schools

The words we use

- ~~Shareholders~~ –> **Members**
- ~~Corporates~~ –> **Investor Owned Firms**

United Nations IYC 2012

- International Year of the Cooperative
- Initiative of the United Nations
- Sydney planning meeting
- NZ Steering Group – volunteers?

Networking Lunches

- Two so far this year
- Very successful – where next?
- Opportunities unavailable elsewhere
- AGM + seminars like this

Speaking Opportunities

- AGMs : Origin Agroup + Honey Co-op
- Capricorn Society + Fonterra member meetings
- Federated Farmers Dairy Council
- ARVP + WEA ... etc
- Overseas visitors

Cooperatives Advantages & Issues

Ramsey Margolis

Executive Director, NZ Cooperatives Association

Origin Agroup AGM • Wellington

9th July 2010



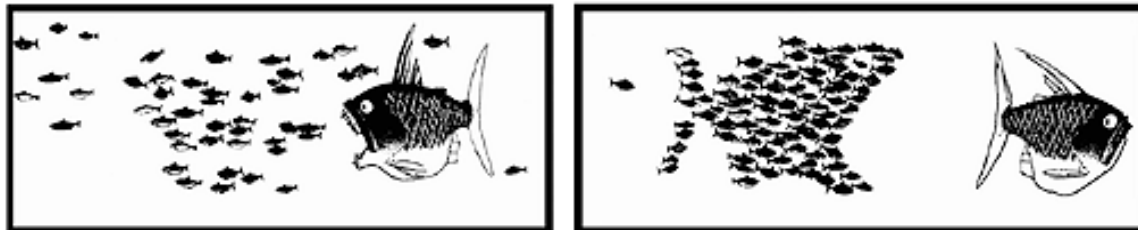
So, how is this done?

- Subs = \$200k : member revenue
- Member revenue is >\$30b
- 50 full members + 7 associates + 5 provisionals
- 1 full-timer + 1 part-timer



Other forms of income

- Sell .coop domains = \$2-3k p.a.
- Sponsorship
- Networking lunches + memory sticks
- More members – how can you help?



This is *your* Association

- What can your business do to support your Association?

