

PPCS – Creating enduring value

by Reese Hart
Chairman, PPCS

New Zealand's largest exporter and processor of red meat, PPCS was founded in 1948 as a cooperative by and for farmers.

New Zealand farmers were able to establish direct links with their international customers.



Previously the New Zealand meat processing industry had been dominated by offshore-based operators, with New Zealand farmers disconnected from the market place and the real returns on their produce.

PPCS' founding principles remain valid today, providing supplier ownership and control and closer vertical integration to the end consumer.

The principles of our cooperative are to:

- ensure supplier ownership and control of the value chain;
- protect suppliers' assets and their business – ensuring the continued availability of processing facilities and a global marketing infrastructure to realise the value of their produce;
- ensure suppliers retain profits;
- provide suppliers with a relationship to the "real value" of their produce via clear signals from the market on price and required specifications;
- promote sustainability in terms of markets and infrastructure; and
- consolidate suppliers' investment in processing and marketing – so they can concentrate on on-farm activities.

Owned by New Zealand meat producing farmers, PPCS remains focused on delivering sustainable earnings. Our goal is to maximise the returns on what farmers produce, which we then process and market on their behalf.

Last year, PPCS had more than \$2 billion in revenues and was responsible for around a third of New Zealand's sheep and beef exports and over half its venison exports. The vast majority of sales are processed as either chilled or frozen consumer-ready products and exported.

Cooperative values guide our business approach which is based on long-term, sustainable relationships in markets with end users of the product.

PPCS markets to over 60 countries across the globe, making strategic investment in international marketing infrastructure on behalf of our supplier-owners. We have nine overseas offices in major markets in the United Kingdom, Europe, North America and Asia. That presence underpins our long-term relationships with clients which include some of the world's leading supermarket groups, food service distributors and retailers.

PPCS' focus on long-term marketing programmes affords greater long term stability in returns than trading on the commodity spot market alone. While all markets have their ups and downs, over the long term, PPCS is able to maintain continuity in the market and in processing infrastructure – ultimately underwriting farmers' value in their on farm business activities.

Cooperative principles are particularly well-suited to agribusiness both in New Zealand and overseas, where agricultural cooperatives make up over one third of the world's top 300 cooperatives, according to the International Cooperative Alliance.

The cooperative enables growers to adapt to market requirements as they receive clear signals on the market value of what they produce while retaining profits. In contrast, the private enterprise model results in farmers becoming suppliers of raw material, denying them access to the value chain beyond the farm gate. The cooperative creates a focus by farmers on protecting their production and provides them with a stake in the full value of what is created.

PPCS has governance arrangements in place that achieve the necessary balance between owner representation and robust governance. Our cooperative principles are best delivered via a supplier directorate which ensures we remain responsive and accountable to our owners. This direct election model enables qualifying shareholders to remove or appoint at least three directors every year. The appointment of independent directors to the PPCS Board complements supplier-directors, adding strength to the company's statutory compliance, financial reporting and governance arrangements.

In summary, any cooperative exists because the shareholders wish to retain the benefits that a cooperative can deliver to a producer of livestock. It is those suppliers who dictate the success or otherwise of their cooperative based on their level of support in supplying livestock to the business. The future of any co-operative is therefore in the hands of the supplying shareholders.●

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