

New Generation Co-operatives

Introduction & Overview



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Canadian Co-operative
Association



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la Coopération



Agriculture and
Agri-Food Canada

Agriculture et
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THE CANADIAN ADAPTATION AND
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What is a New Generation Co-op?

- ◆ **A producer-owned enterprise that adds value to primary products**
 - typically operates in a single-commodity niche market
 - allows producers to benefit from processing revenue
 - can also apply to resource industries

- ◆ **An adaptation of the traditional co-op model**
 - retains core principles
 - removes capital and other constraints



Key Features of a NGC

- ◆ Limited membership
- ◆ Two-way delivery rights contract
- ◆ High level of equity investment by members
- ◆ Transferability of delivery rights shares



The NGC Model at Work

◆ Poultry Products

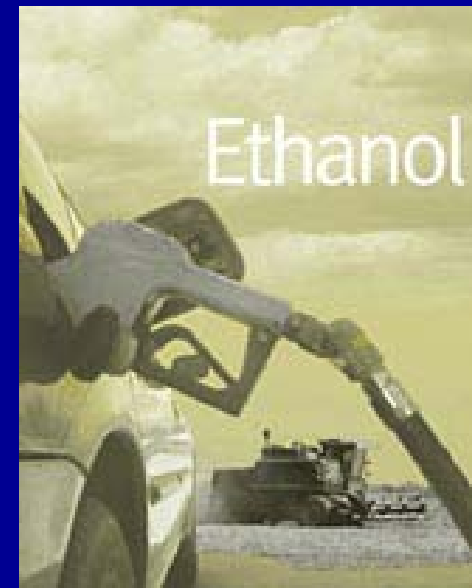
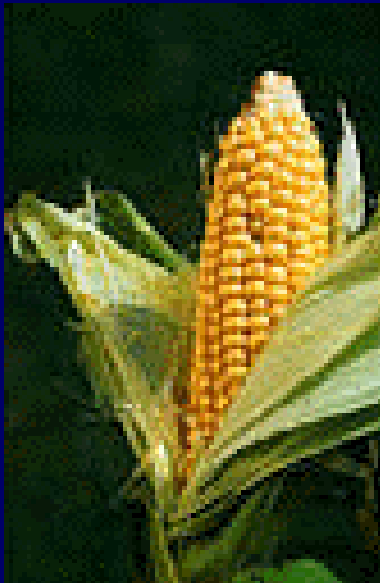
- Producers own the processing facility
- Specializing in premium & niche markets



The NGC Model at Work

◆ Ethanol Production Plants

- A new market for corn and grain products
- NGC often sets up a joint venture with energy specialist



Strengths of the NGC Model

- ◆ Creates new markets for farm products, new income for farmers, and new jobs in rural areas
- ◆ Higher equity investment increases access to capital, and boosts member commitment
- ◆ Delivery rights contract ensures steady supply of primary product – a competitive advantage
- ◆ Members tend to strengthen market knowledge and improve production methods at farm level



Limitations of the Model

◆ **Restricted Membership**

- Higher investment and risk
- Not an accessible option for all farmers

◆ **Potential for 'Investor-Owned' Culture**

- Can become driven by return-to-capital rather than return-to-use as a guiding principle
- Co-operative practices need monitoring



NGC Development to Date

Strong Progress in the United States

- Good development support and financing available
- 100s of NGCs now serve 1,000s of farmer members
- Helping to revitalize rural communities



NGC Development to Date

Canadian Development has been slower

- Development support has been limited
- Legislative updates, education and promotion still underway



Some Canadian Success Stories ... and Much Potential Ahead

What is Needed?

- ◆ Share Knowledge
- ◆ Explore and Work with the Model
- ◆ Some New Thinking is Required



For More Information on NGCs

- ◆ Visit the Centre for the Study of Co-operatives website.

www.coop-studies.usask.ca/NGC2/NGC.html

- ◆ See Seminar Handouts and Information Display



“Co-operatives have historically been the natural response of farmers to rapid economic and social change... Only by acting together can farmers address problems of market power imbalance, undertake processing activities and vertical integration on a significant scale, or provide sufficient levels of products meeting closely specified characteristics.”

*from “Co-operative Development Options for the 21st Century”
by Murray Fulton, University of Saskatchewan*



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