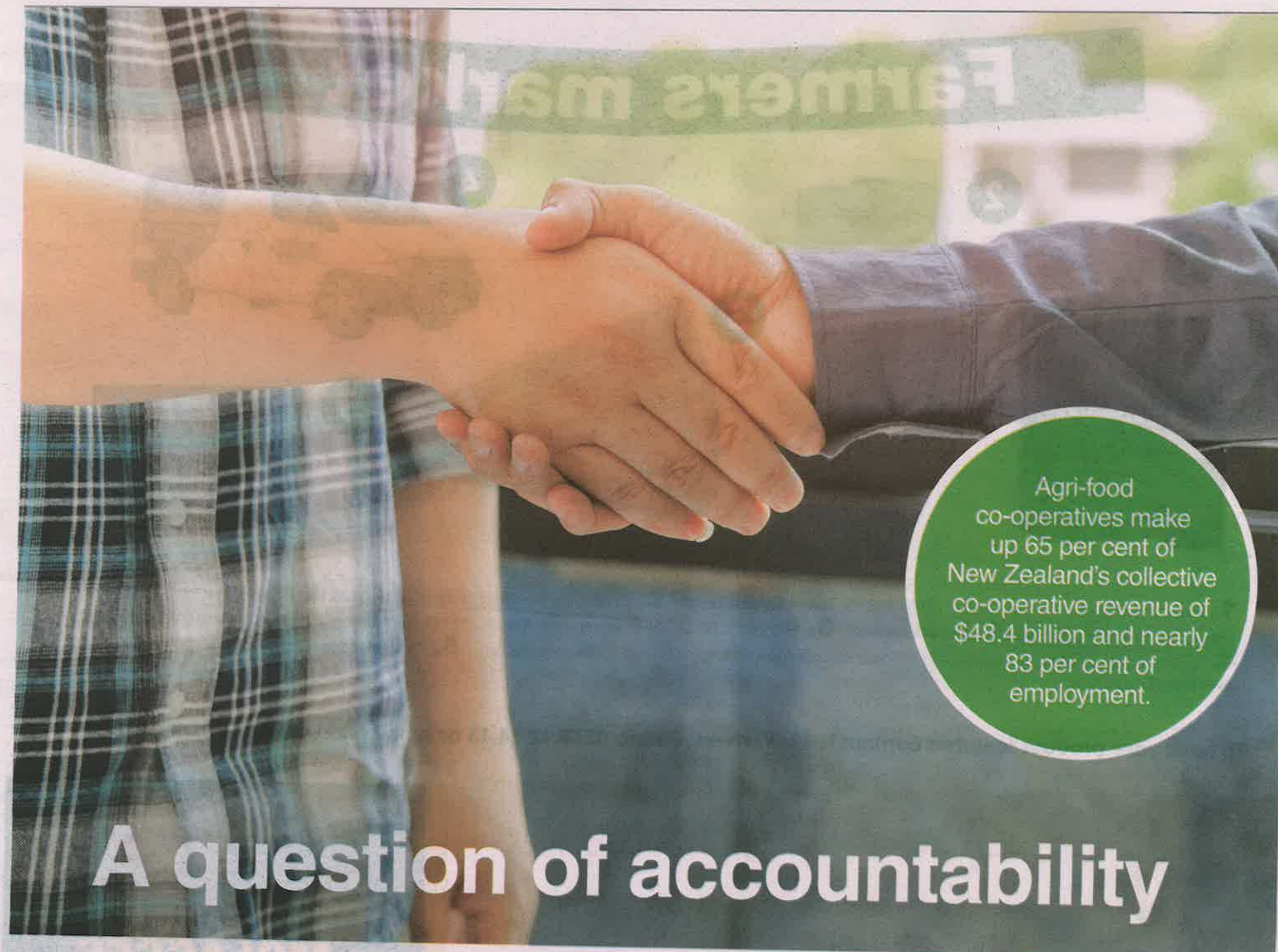

A question of accountability

> Agri-food co-operatives make up 65 per cent of New Zealand's collective co-operative revenue of $48.4 billion and nearly 83 per cent of employment.

As the business world continues to change at pace, says Julia Jones, are you as a co-op shareholder willing to invest your income back into the co-op so it maintains global relevance?

Following a payout drop or news of a drop in earnings, I'm often asked if the co-operative structure is 'broken'.

It's not the structure that defines the success of a business, however – it's how the business is governed, how the owners, shareholders and investors hold the governing bodies to account, and how much income the shareholders are willing to forgo so that the co-op can continue to reinvest in its infrastructure and innovation.

Co-operatives are not solely agricultural. There are 40 co-operatives stretching over multiple industries in New Zealand with a collective revenue of $48.4 billion. Agri-food co-operatives make up 65 per cent of this revenue and nearly 83 per cent of employment, so are hugely important to the social economic value of our communities.

More structure needed

Although co-ops have been reasonably financially stable in the past, as the business world continues to change at pace our co-ops need to do the same. This means the strategic and capital requirements of the co-op, and therefore the skills required of a director to run the organisation, are changing.

Shareholders need to think about their willingness to invest their income back into the co-op to ensure it can afford to adapt at the required pace so it maintains global market relevance.

When I say 'invest', that doesn't always mean 'get bigger'; it's not about growth for growth's sake, it's about evolution and maintaining global market relevance. This might mean the sale of assets that don't fit well for the future growth of the co-op and consolidating into what creates real value.

This all requires an agile and very commercial skill set, which begs the question 'are we setting our co-op, shareholders and directors up for success by not taking a more business-to-business approach in how we run them'? Do we need more independence on our boards and an appointment process based more on skill than popularity?

The tough question

I was at an event one night where the director of a meat co-op was asked if they would like to be a director of a public company. The answer was, "I don't think I would have enough skills for that".

This being the case, why is it okay to compromise on the skills of a co-op director of a co-op versus those a director of a public company? Aren't the principles of external business the same, regardless of structure?

It's not just about the directors being accountable as shareholders; you as farmers are also accountable. The tough question going forward will be what level of income you are prepared to give up to ensure that your co-operative has the capital needed to navigate the future. ■

Julia Jones is Head of Analytics at NZX and a former KPMG farm enterprise specialist.