**Co-op Model Under Pressure (26/11/14)**

An increasing demand for capital to fund growth is raising questions about the future of the co-op model,

according to KPMG. In its *Agribusiness Agenda* report, it says a number of co-operatives adopt hybrid models to bring in investment capital unconnected to supply, albeit these models have an inherent tension.

There is debate over whether the value proposition for a new business area will provide a better return to

shareholders than investing the funds through traditional investment structures, particularly if there is

no direct business value to the shareholders. “There are undoubtedly significant benefits to the co-operative model, the most important being the direct connection of the business and shareholders to a common set of goals and objectives. However, it is hard to tell what the ultimate model will look like for a 21st century co-operative in NZ’s primary sector.” Ian Proudfoot said the co-operative model had ensured

local producers retained ownership. Across the Tasman, the co-operative model has largely broken

down, which means producers have lost control of their sectors. Nevertheless, NZ co-operatives will

need to come up with new ways to grow. “My guess is what we will see is more of a splitting of the cooperatives.

Instead of doing non-core activities themselves, they will look to work with partners and become investors in those partnerships.” Fonterra’s decision this year to take a stake in Chinese baby formula maker Beingmate Baby & Child is an example of how a co-operative can create value for members at a lower capital cost than would be required if they were to do it alone. (NZ Herald)