# **Information about New Zealand Co-operatives.**

Taken from <https://nz.coop/>

## **What is a Co-op?**

### An organisation owned by and democratically operated for those using its services.

There are many kinds of cooperatives, ranging from craft co-ops with a single shopfront to New Zealand’s largest commercial business, Fonterra. Here is simple and short definition of a cooperative: a user owned and controlled business from which benefits are derived and distributed equitably on the basis of use.

The activities can be virtually any legal business operation provided for in the rules or constitution of the cooperative, and may be for the supply of goods or services to members and/or for the supply of goods or services to others.

In a lot of ways, cooperatives operate like any other business, but they do have a number of unique characteristics:

* They are owned and democratically controlled by their members – the people who use the Co-op’s services or buy its goods – not by outside investors.
* They return surplus revenues to their members in proportion to their use of the co-op, not in proportion to their investment or share ownership.
* Conscious of the need to operate profitably rather than at a loss, Co-ops meet their members’ needs either by buying members’ produce at the best price or by providing affordable and high quality goods and services, rather than maximising the co-op’s profit.
* They exist primarily to serve their members.
* They pay tax on income kept within the cooperative for investment purposes and as a reserve, while surplus revenues from the Co-op are returned to the members, who pay tax on that income.

The member-owners share equally in the control of their cooperative, meeting at regular intervals to review reports and elect directors from among themselves. The directors in turn employ people to manage the day-to-day affairs of the Co-op in a way that serves the members’ interests.

## **Co-ops in New Zealand**

### New Zealand’s first recorded co-operative was formed in 1871.

While attempts to set up consumer cooperatives have been recorded as early as the 1840s, the earliest record of a producer cooperative in New Zealand reports the formation of the Otago Cooperative Cheese Co. at John Mathieson’s Springfield farm on the Otago Peninsula, near Dunedin, on 22 August 1871.

Each of the eight dairy farmers purchased shares based on the amount of milk to be supplied, with each share having a value of £1 and representing the supply of ten quarts of milk.

Three enamelled cast-iron tubs, each holding up to 50 pounds of curd, were set in the kitchen wing, while a wooden vat holding 100 gallons of milk was installed in the stone-walled barn across the driveway. By the end of the first season, they had produced three tons of cheese.

According to the [Historic Places Trust](http://www.historic.org.nz/TheRegister/RegisterSearch/RegisterResults.aspx?RID=4715&m=advanced), this was most likely the first cooperative dairy factory in the southern hemisphere, preceded only by those in Norway and Switzerland. By 1900, there were 111 cooperatives in the dairy industry and 152 investor-owned companies.

The general principles adopted by this cooperative were typical of those which have prevailed in cooperative societies and companies through to the present day.

### Top 50 Co-ops

Financial Year 2014/15 NOTE these figures relate to annual revenue and are in NZD.

|  |  |  |
| --- | --- | --- |
| 1 | Fonterra | 18,845,000,000 |
| 2 | Foodstuffs North Island | 6,238,889,000 |
| 3 | Foodstuffs South Island | 2,721,341,000 |
| 4 | Silver Fern Farms | 2,434,417,000 |
| 5 | Farmlands Co-operative | 2,210,035,000 |
| 6 | Alliance Group | 1,501,593,000 |
| 7 | Mitre 10 (NZ) | 1,135,000,000 |
| 8 | Ballance Agri-Nutrients | 892,795,000 |
| 9 | Southern Cross Healthcare | 817,823,000 |
| 10 | Independent Timber Merchants (ITM) | 750,000,000 |
| 11 | Ravensdown Fertiliser | 711,492,000 |
| 12 | Westland Milk Products | 639,363,000 |
| 13 | Beca Group | 619,000,000 |
| 14 | Market Gardeners (MG Marketing) | 328,922,000 |
| 15 | CDC Pharmaceuticals | 311,000,000 |
| 16 | Tatua Cooperative Dairy Co | 285,767,000 |
| 17 | Livestock Improvement Corporation (LIC) | 232,496,000 |
| 18 | Rabobank NZ | 224,527,000 |
| 19 | Farmers Mutual Group (FMG) | 200,825,000 |
| 20 | Southland Building Society | 183,307,000 |
| 21 | NZPM Group | 174,839,000 |
| 22 | Dairy Goat Co-operative | 156,726,000 |
| 23 | Pharmacy Wholesalers (BOP) | 153,000,000 |
| 24 | EastPack | 135,237,000 |
| 25 | Co-op Money NZ | 126,336,414 |
| 26 | Ashburton Trading Society | 119,429,000 |
| 27 | Medical Assurance Society | 111,924,000 |
| 28 | Appliance Connection | 111,000,000 |
| 29 | Buildlink Group Ltd | 100,000,000 |
| 30 | The Co-operative Bank (NZ) | 110,639,000 |
| 31 | Capricorn Society | 95,546,000 |
| 32 | World Travellers | 60,000,000 |
| 33 | Electricity Ashburton (EA Networks) | 46,831,000 |
| 34 | Union Medical Benefits Society | 44,593,487 |
| 35 | Procare | 35,000,000 |
| 36 | Composite Retail Society | 30,969,086 |
| 37 | Health 2000 | 32,000,000 |
| 38 | Seasonal Solutions Co-operative | 22,724,000 |
| 39 | Accuro | 18,374,000 |
| 40 | Paper Plus | 16,548,000 |
| 41 | Fruitpackers Co-op | 13,998,120 |
| 42 | Provelco Group | 11,984,000 |
| 43 | NZ Blackcurrant Co-operative Ltd | 8,000,000 |
| 44= | NZ Hops | 6,000,000 |
| 44= | Flooring Xtra | 6,000,000 |
| 46= | Irrigation NZ | 5,000,000 |
| 46= | Boysenberries NZ Ltd | 5,000,000 |
| 48 | Interflora Pacific Unit Ltd | 2,022,800 |
| 49 | Walnuts NZ Co-op Ltd | 1,500,000 |
| 50 | Primary Wool Coop | 1,000,000 |
|  |   TOTAL | **NZD $43,045,812,907** |

### Importance of Co-operatives on New Zealand’s Economy.

New Zealand cooperatives are generally locally owned and operated enterprises. They comprise 20% of New Zealand’s Gross Domestic Product.

### Measuring the Economic and Social Impact of Cooperatives

This analysis took the form of utilising three ratios that compared the cooperative system in a given country relative to the country’s total population and GDP. These ratios are the membership penetration of cooperatives relative to the total population (i.e., membership /population), employment by cooperatives relative to total population (i.e., employment/population) and annual gross revenue or turnover of all cooperatives in a country relative to the country’s GDP. The top ten countries for each of these measures are shown below in Table 1.

Table 1: Top Ten Countries

|  |  |  |  |
| --- | --- | --- | --- |
| Rank | Memberships & Clients/ Population | Employment/Population | Annual Gross Revenue/GDP |
| 1 | France | New Zealand | New Zealand |
| 2 | Finland | Switzerland | Netherlands |
| 3 | Switzerland | Italy | France |
| 4 | Austria | France | Finland |
| 5 | Dominica | Malta | Luxembourg |
| 6 | Netherlands | Finland | Germany |
| 7 | Ireland | Germany | Ireland |
| 8 | Germany | Netherlands | Italy |
| 9 | Cyprus | Spain | Denmark |
| 10 | Australia | Norway | Poland |

### Memberships & Clients

The memberships, employment and gross revenue ratios are evenly weighted within the Cooperative Economy Index to provide a single measure to determine the most cooperative economies globally. Summary results for the Cooperative Economy Index are below.

Table 2: Cooperative Economy Index

|  |  |
| --- | --- |
| Rank | Cooperative Economy Index |
| 1 | New Zealand |
| 2 | France |
| 3 | Switzerland |
| 4 | Finland |
| 5 | Italy |
| 6 | Netherlands |
| 7 | Germany |
| 8 | Austria |
| 9 | Denmark |
| 10 | Norway |

In compiling the results on the most cooperative economies in the world we were amazed that two-thirds of the countries listed in the top ten most cooperative economies also make up 8 of the top 12 spots on the Social Progress Index (SPI). The SPI has 54 measures and includes items like basic human needs, opportunity and access to knowledge. It has been developed and promoted by the Social Progress Imperative. While it’s beyond the scope of this project to determine if there is any cause and effect between cooperative economies and social progress, there does appear to be a high level of correlation among these two lists.

Table 3: Social Progress Index and Cooperative Economy Index

|  |  |  |
| --- | --- | --- |
| Rank | Social Progress Index (SPI) | Cooperative Economy Index (SPI Ranking) |
| 1 | New Zealand | New Zealand (1) |
| 2 | Switzerland | France (20) |
| 3 | Iceland | Switzerland (2) |
| 4 | Netherlands | Finland (7) |
| 5 | Norway | Italy (29) |
| 6 | Sweden | Netherlands (4) |
| 7 | Canada | Germany (12) |
| 8 | Finland | Austria (11) |
| 9 | Denmark | Denmark (9) |
| 10 | Australian | Norway (5) |

### Sector Analysis

Within the Global Census on Co-operatives the most common type of cooperative is an agricultural cooperative. This is influenced by large numbers of cooperatives in India and China. In both of these countries the small size of land holdings (0.3 – 0.4 hectares in China, 1.3 hectors in India) makes it important for farmers to work together to gain economies of scale and scope. As such, both of these markets have large numbers of agricultural cooperatives and control significant market share in certain sectors. For example, Indian cooperatives have 36% market share of the fertilizer market. Chinese cooperative have 60% market share in cotton, 68% in agri-processing, 70-80% market share in tea production and >80% market share in fertilizer. In the U.S. there are many agricultural cooperatives but their data is co-mingled with purchasing and marketing cooperatives. In addition, in many countries grocery cooperatives are included in data on agriculture and consumer cooperative data is co-mingled with grocery cooperatives.

### Types of Co-operatives

There are six types of cooperative and they serve many different needs.

In general they operate under the same basic [principles](https://nz.coop/wp-content/uploads/2014/05/ICA-7-principles.pdf) as defined by the International Cooperative Alliance.

**Producer cooperatives**

…are owned by people who produce similar types of products – farmers who grow crops, raise cattle or milk cows, or by craft workers and artisans. By banding together, cooperating producers leverage greater bargaining power with buyers. They also combine resources to more effectively market and brand their products.

**Purchasing/shared services cooperatives**

…are owned and governed by independent business owners that come together to enhance their purchasing power, lowering their costs and improving their competitiveness and ability to provide quality services and products. They operate in all sectors of New Zealand’s economy and include some of the largest businesses in the country.

**Banking cooperatives**

…are financial entities which belong to their members, who are at the same time owners and customers. They can be set up as a bank, a building society or a credit union.

**Insurance mutuals**

…are owned entirely by those who take out policies. Surpluses are either used to reduce future premiums or rebated to policyholders as a dividend.

**Consumer cooperatives**

…are owned by the people who buy the goods or use the services of the cooperative. Consumer co-ops may sell consumer goods such as food, or provide housing, or electricity. Other co-ops such as community crèches provide childcare services. Almost any consumer need can be met by a cooperative.

**Worker cooperatives**

…are owned and governed by the employees of the business. They operate in all sectors of the economy providing workers with both employment and ownership opportunities. Examples are to be found among organic shops, taxi companies and overseas in light and heavy industry.

**…Innovation**

Cooperatives are generally made up of individuals and businesses that share a common interest. This hasn’t stopped some innovators from developing **multi-stakeholder cooperatives** – hybrids which seek to balance sometimes conflicting needs, for example between producers’ desires for higher prices for their goods and consumers’ desire for affordable products.