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Friday, 26 June 2015

Senate Standing Committee on Economics

PO Box 6100

Parliament House

CANBERRA ACT 2600

By e-mail: economic.sen@aph.gov.au

Dear Senators,

SUBMISSION TO THE SENATE STANDING COMMITTEE ON ECONOMICS – INQUIRY INTO COOPERATIVE, MUTUAL AND MEMBER-OWNED FIRMS

Norco Co-operative Limited (Norco) is proud to be a member-owned dairy co-operative and welcomes the opportunity to make a submission to this inquiry into cooperative, mutual and member-owned firms.

Co-operatives like Norco play an important role within both the regional frame work and national economy alike.

a. The role, importance, and overall performance of cooperative, mutual and member-owned firms in the Australian economy

It is noted that as part of this inquiry, The Business Council of Co-operatives and Mutuals (BCCM) has submitted for the Committee's attention and information, three publicly available documents that provide excellent information regarding co-operatives and mutuals and the contribution such organisations make to the Australian economy. This submission does not intend to revisit the data contained in those documents but, as a co-operative, Norco asks that the Committee reviews this important information. We also understand that the BCCM will be making a comprehensive submission to this inquiry on behalf of the co-operative and mutual sector across Australia.

b. The operations of cooperatives and mutuals in the Australian economy

Norco is listed as one of the top 20 Australian co-operative and mutual enterprises and on a state basis, is one of the top 10 New South Wales co-operative and mutual enterprises, based on turnover.¹

Norco's heritage, provenance and structure are tangible points of difference in the market place, both domestically and internationally. Being able to describe your

¹ Business Council of Co-operatives and Mutuals, *2014 National Mutual Economy Report*, p 38 & 55, Sydney, NSW.

business as an Australian, farmer owned dairy co-operative with a history dating back to 1895 is quite a unique proposition and one that is finding favour with consumers and business partners alike.

There has been a resurgence of support and a renewed appreciation by the public for Norco's owners – our milk supplier members who supply quality milk 365 days a year; consumers do see the value in supporting an industry that provides fresh, local milk that they can enjoy as part of their daily diets. Consumers are able to make that very important connection back to the primary producer. In return, Norco pays to our milk supplier members a competitive milk price and makes a commitment to collect every litre of milk offered for sale by them for the duration of their membership. This milk is processed by Norco and then sold into the fresh drinking milk market or its value added by the Co-operative, including being utilised to manufacture a range of quality dairy products.

Behind the name Norco is a diverse business that is not only about milk, but importantly the sum of all of the parts collectively contribute to the overall profitability of the Co-operative. This collective contribution, in turn, supports the sustainability of our members because available profits are paid out in the form of improved milk prices. The long term sustainability of our members is always at the forefront of Norco's approach to business. We are constantly striving to deliver value back to our members to allow for on-farm investment which in turn is a vital link to the sustainability of local communities and businesses. This does not occur with other business models where the focus is on the return provided to investor shareholders.

The Northern Rivers region of New South Wales has a concentration of successful, member owned organisations which is quite unique in a relatively small geographical area. These member-owned organisations came together almost 12 months ago to form the Cooperatives Alliance (Alliance) to foster and improve business opportunities within the Northern Rivers region. All six Alliance businesses, being Norco, NSW Sugar, Ballina Fishing Co-op, Summerland Credit Union, Clarence River Fishing Co-op and the Northern Co-operative Meat Company are owned by their members and operate for the benefit of locals to increase the wealth of the Northern Rivers. Every day our businesses are working to create value for our members and to help build a stronger region.

At present, the Alliance group represents a combined annual turnover in excess of \$700 million, with a membership base extending to over 28,500 members regionally and with over 2,500 people employed locally.

The Alliance is also a practical demonstration of one of the fundamental Co-operative Principals "co-operation among co-operatives".² This Alliance helps to strengthen the co-operative movement by working together on local and regional issues allowing us to serve our members more effectively. The role co-operatives play in ensuring a strong and resilient agricultural sector has also been highlighted in the Agricultural Competitiveness Green Paper. Co-operatives allow producer members more equitable access to supply chains in Australia.

A major issue that Norco faces is the availability of capital for infrastructure projects. Other than traditional bank debt, there is little opportunity to seek large amounts of capital to upgrade infrastructure from our members given the economic conditions they face as primary producers. Even though Norco can shield our members from the supply and demand issues they would face if trying to market their produce

² New South Wales Government, *Co-operatives (Adoption of National Law) Act 2012, Part 1.3 10.*

individually, there is still very little margin left due to ever-increasing production costs and so any compulsory contribution schemes approved under the Co-operative National Law are for modest amounts at the most. A further obstacle for Norco has been the difficulty in accessing government funding for innovation and infrastructure projects. It seems quite difficult to comprehend, but our experience has been that we have been excluded from applying for some government schemes/grants simply because of our co-operative structure and a lack of knowledge regarding the co-operative business model generally.

This issue is compounded by the fact that there is no ministerial portfolio dedicated to the co-operative, mutual and member-owned sector and charged with the purpose of managing and developing the co-operative sector at either a state or federal level. The result has been that business development services provided by governments at all levels have been somewhat lacking for co-operatives and mutuals. Co-operatives, mutuals and member-owned businesses should be able to compete freely and on fair terms with other corporate ownership models. Fiscal incentives for business provided by governments should not exclude co-operative, mutual and member-owned businesses.

The regulatory environment that co-operatives work within is fragmented. Despite the efforts of many in developing the Co-operatives National Law (CNL), it is yet to commence in all states and therefore inconsistencies remain which can be a barrier to new start up businesses that may be considering a co-operative structure.

Norco strives to add value to our members' milk whenever possible and a recent development has been the ability for Norco to export fresh milk to Asia, and in particular China. This initiative has come at considerable expense to Norco but again, it is about trying to provide a higher return for our members' milk over the long run to ensure members' sustainability. The Free Trade Agreement with China has been a welcome announcement by the Federal Government and will potentially allow Australian processors to compete equally with other dairy exporting countries. However, it seems that many of Australia's trading partners know the value of co-operatives better than Australia. Potential export customers seek out businesses like Norco because of our co-operative status as this model is well recognised and well regarded in other parts of the world yet surprisingly, the sector is not well understood in Australia, resulting in little or no educational content at secondary or tertiary levels. It is essential that we educate our young people regarding the benefits and opportunities that the co-operative, mutual and member-owned business model can achieve in Australia.

Once again, thank you for providing Norco with this opportunity to make a submission to this inquiry.

Yours sincerely

NORCO CO-OPERATIVE LIMITED

GREG McNAMARA

Chairman