

final report

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Planning for Commercial Sustainability

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Executive Summary

The NCMC Planning for commercial sustainability project was designed to identify competitive pressures affecting agricultural co-operatives globally and identify opportunities for NCMC to adapt to overcome these challenges and use the co-operative structure to serve its members as a tool to differentiate itself from the wider marketplace.

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1 Background

An aim of the study was to determine the best and most appropriate strategies and actions that can be implemented by NCMC in order to meet the current and future needs of its members, customers and communities in which they reside.

2 Key Outcomes Sought

- Define and enhance member benefits.
- Engage with members and provide relevant and effective communication and benefits to encourage their on-going involvement in the future success of the NCMC.
- Involvement and engagement with the local community and its corporate social responsibility.

3 Methodology

The revised project methodology included a literary research review of co-operatives, focus group discussions with NCMC members, linkages with other co-operatives via the co-operatives alliance, an annual member survey and this the final project report.

4 Milestone 1 Overview

Milestone 1. SCU Literary Review Overview

Southern Cross University (SCU) Professor Jeremy Buultjens was commissioned as part of the sustainability project to conduct a literature review on co-operatives to identify world's best practice especially agricultural co-operatives. Whilst far from conclusive the review provided a little background information on co-operatives and the advantages or disadvantages of co-operatives to Agricultural producers.

The SCU literary review defined “a co-operative as an autonomous association of people who unite voluntary in order to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise (ICA, 1995)”. “They are seen as an alternative to the traditional market model in that the economic benefits of a co-operative’s operation are returned to the members (owners), reinvested in the co-operative, and/or used to provide shopper services. (RDAMNC,2013)”.

The SCU literary review identified a challenge of co-operatives as “a trade-off between the direct and indirect socio-economic benefits for the members and the ability to retain and/or raise sufficient capital to ensure the long-term resilience of the business” ... “it is likely that the members will have a shorter investment horizon than the business”. It also noted that in

Australia co-operatives are reducing in numbers which is in contrast to the growth of the co-operative movement overseas.

Benefits of Agricultural Co-operatives

The benefits of Agricultural Co-operative membership to producers can be both tangible as well as intangible. The tangible benefits include the perceived ability to generate greater profits by being able to source lower priced inputs and market products at better prices. The intangible benefits include the social benefits associated with members feeling part of a group. “Co-operatives stimulate strong social bonds, solidarity, partnership and trust among the members (McClintock, 1981) ... “Co-operatives may enhance participation in public affairs, involvement in public advocacy and community development (Hirschman, 1984).”

Agricultural co-operatives allow producers to join together to capture the economic benefits of vertical integration. Other perceived advantages include the moral advantage co-operatives are perceived to have being “farmer owned” over a corporate third party reseller.

Problems of Agricultural Co-operatives

The SCU Literary review listed the issues faced by Agricultural Co-operatives including; “poor management; lack of capital resources; inadequate training, extension and education programmes; a lack of communication and participation among members; feudalistic societies where landlords uses power to deprive peasants; unclear and inadequate government policies regarding the development of agricultural co-operatives; high fragmentation of land holdings; and weak linkages among the activities of co-operatives, e.g. production, credit, marketing etc. (Prakash, 2000).”

Other problems identified in the report include the fact that many of the remaining “major agriculture co-operatives are small compared to the number of co-operatives that existed Australia twenty years ago. Of the remaining co-operatives – for example, CBH, Murray Goulburn Co-operative, the Victorian Dairy Co-operative, Norco, NCMC and the Rice growers Co-operative - many are struggling with questions of ownership and structure, and appear likely to move to different ownership structures that bring in non-grower shareholders (Keogh, 2013).”

Australian co-operatives are under threat of purchase by large multinational buyers. Buultjens noted that Farmer shareholders often cannot resist the opportunity to cash their shares at relatively high price. Farmers may not fully understand “a Co-operative exists for the benefit of its members, a company exists for the benefit of its shareholder. Therefore, while a dairy co-operative may pay a relatively high price for milk and forego some profits in order to benefit its members, a company is, by law, required to maximise its returns for shareholders. This means it will try to maximise the net margin between the price it pays dairy farmer suppliers and the

price it receives when it sells products to consumers. This will occur irrespective of what assurances or promises are given when a co-operative is corporatized (Keogh, 2013).”

5 Milestone 2 Overview

Milestone 2 - The 2014 Focus Group Overview

To engage with NCMC members without bias Southern Cross University was engaged to facilitate a series of member meetings to identify concerns with NCMC membership and list possible solutions. Meetings were held Tenterfield, Lismore, Casino, Murwillumbah, Armidale and Bonalbo.

Feedback from the member meetings identified the major issues producer members both within and outside of NCMC's control.

Drought, poor industry returns, government regulations and the aging farmer were identified as major issues by members that are outside of NCMC's control.

Issues with NCMC's included:-

- Cattle being sourced from non-members
- Kill dates too long for members
- Uncertainty about the reason(s) for the purchase of Manning and Ramsey and the impact on the market
- Limited benefits of being a NCMC member

The major **solutions** identified by members, in no particular order, were:

- NCMC to provide more regular and useful information to members
- Kill preference to be given to members
- Assistance provided to producers to access new markets – e.g., PCAS, etc.
- Value adding to membership – e.g., the provision of field days, assistance with accreditation, marketing and business management, etc.
- Assistance with reducing supply chain costs through discounts to members – e.g. bulk purchases of feed, insurance, power etc.
- Increase in rebates to producers
- NCMC to take a bigger role in encouraging more competition between operators and pass on the benefits to producers
- Payment for offal and hides
- Company needs to decide what structure is best to its current and future needs

6 Milestone 3 Overview

Milestone 3 (revised) - The 2015 Member Survey by Response Consulting

In order to measure the effectiveness of investing additional resources into member services, NCMC engaged a third party company to survey members to provide a baseline assessment of NCMC's current state of engagement with its members.

The survey focused on three key areas; general information regarding membership, the services members have used in the last 12 months and members suggestions for the future.

The results of the survey were mixed, with some members very satisfied with their membership and the benefits they receive, whilst others indicated that their NCMC membership was not meeting their expectations.

In summary, the survey results reported;

- 239 surveys returned (18%), representing members involved in the production of beef, veal and pork.
- The majority of respondents (67.1%) reported as being satisfied with the value their membership provided. A quarter of respondents (26.3%) were only sometimes or never satisfied with their membership.
- The vast majority of respondents (73.4%) reported to regularly receiving benefits from their membership.

Members usually market their livestock via;

- 33% Saleyard
- 12% Private sales
- 55% NCMC Operator

Members contact NCMC when they have livestock to sell;

- 33% Almost all the time
- 16% Usually
- 7% Half the time
- 32% Sometimes
- 12% Never

Members would like more contact from NCMC buyers / marketing.

- 50% of members had never had contact with the board
- 56% of members had never had contact with any buyer or any staff member

Members reported as **satisfied** with;

- Rebates, Dividends & Return on Membership
- Information, Newsletters, Feedback sheets
- Courtesy, Staff response, timeframes for kill

Members reported as **dis-satisfied** with;

- Prices, lack of competition, rebates & dividends & return on membership

- Information, timeframes for kill, feedback sheets, bobby calves, no involvement in decisions and lack of grading for veal.

Members want more contact with NCMC buyers, the Board and staff.

The vast majority (82.1%) of respondents would like additional market information. Many would also like NCMC to look into field days, animal health needs, supplements & feed products.

Members would like field day's covering pasture, MSA, yields and technology. Many would like these on weekends or after hours.

7 Milestone 4 Overview

Milestone 4 (revised) – Overview / Member Plan

The NCMC: Planning for Commercial Sustainability project identified benefits and challenges to Agricultural co-operatives, the current satisfaction of members and areas where NCMC could improve, or look to offer additional support its members.

NCMC have immediately implemented a number of additional member engagement activities including hosting of field days, providing group discounts, aimed to improve communication and commenced the re-development of the NCMC website.

8 NCMC Communication & Engagement

Written	Print Newsletter (bi-annual)
	Email Update (monthly)
	Website Update (as required)
	Facebook (weekly or as relevant)
	Annual Member Survey
AGM	Annual General Meeting
	Meet the applicants event prior to AGM
Events	Regular Members Meeting & Update
	Producer Field Days bi-annually
	Beef Week
	- Street tent & display

	- Photo Competition
	- Carcase Competition
	Regional Productivity Groups (? Grazing BMP)
Youth development	Education Schools Day
	Ag Students tours of the Boning Room
	? Young Beef Producers Forum

Discounted Products & Services

Origin Energy	Discounted Electricity
National Australia Bank	Banking discounts
Commonwealth Bank	Equipment Finance Discounts
CIBB	Insurance Discounts
PCAS	Accreditation & first audit fee rebates

9 Conclusions

Throughout the Planning for Commercial Sustainability project it was clear NCMC needed to improve communication with its members, build its relationship with the local community and provide genuine economic and social benefits to its shareholders.

10 Key Findings

1. Develop a Formal Communication and Engagement plan

Developing a formal communication and engagement plan will assist NCMC to improve this relationship and encourage on-going involvement in the future success of the NCMC. Creating, defining and promoting NCMC member benefits will encourage additional loyalty and support from its member base, which in turn will improve NCMC's long term sustainability.

2. Investment & Engage with Local Community

Investing and engaging with the local community is a social responsibility that it is required to ensure NCMC can retain its social licence to operate, source quality staff and maintain a positive image in the market-place.

3. Investment in on-farm productivity

Investment in on-farm productivity with members will benefit both the member and NCMC by improving total production in the local area and further develop the relationship between NCMC and its member suppliers.