

Co-operative leaders see promise in times of crisis

By Trudy A. Kelly Forsythe

Co-operatives across the country have rung in 2009 and those at the top of the Canadian Co-operative Association (CCA) ladder are optimistic co-ops will repeat history and forge ahead despite current tough times. They should know, since the CCA has been around the block a few times already. After all, it celebrates its 100th anniversary this year.

As a result, CCA Executive Director Carol Hunter and CCA President Dave Sitaram are quick to point out that co-ops have historically come through tough times of crisis and market failure, such as farmers not getting a fair price for their products or businesses unable to access funding. Indeed, Hunter says it is from times of crisis that innovation and new co-operatives emerge. Sectors begin working co-operatively. People form affordable housing co-operatives, funeral co-operatives, car sharing co-operatives and home-care co-operatives, to name just a few.

Thinking Local

And people start thinking local. Canada has certainly seen its fair share of local initiatives recently. People are asking to buy local in restaurants and want more local products for themselves and their families. In the co-op family in Atlantic Canada this was evident last fall when co-op stores here invited people to take part in the Eat Atlantic Challenge – a challenge to eat only Atlantic products for the entire day on September 4.

Other Atlantic events celebrating local produce were Farm Day in the City in Charlottetown, PEI, on October 5; the Incredible Picnic, which saw 11 picnics across Nova Scotia, on August 24; the

Brigus Blueberry Festival in Brigus, Nfld, from August 7 to 10; and the Regional Potato Festival in Grand Falls, NB, June 30 and July 1.

“In times of crisis, we have to ask, how do we look after ourselves?” says Hunter. One answer is to “look locally.”

Looking Back

There is no doubt 2008 was a tumultuous year with a lot of instability, and the co-operative movement naturally saw some winners and some losers.

Early 2008 saw a strong economy with a number of co-operatives doing well. Hunter says credit unions saw record profits and wholesale co-ops like the United Farmers of Alberta, largely driven by peak oil prices, thrived as well.

There was also a lot of innovation with biofuel co-ops and social co-ops starting up. The most recent example is the Integrated Grain Processors Co-operative (IGPC), an ethanol co-operative based in Aylmer, Ontario, which officially opened in December.

Owned 100 per cent by 840 farmer and community members, IGPC became not only the first co-operatively owned biofuel plant, but also the largest co-operative start-up in Canadian history.

“Starting a co-op is never easy, especially in tough economic times, but through good planning, hard work, wise decisions and community support, a group of dedicated farmers and community members made IGPC a reality,” says Hunter, citing IGPC as an example of how co-ops can be part of Canada’s economic renewal in the midst of a global financial crisis.

Ideal Way

“Co-ops are an ideal way to organize businesses in times like these, as they are usually locally-owned and keep wealth within the community,” she adds.

Other highlights include the incorporation of the Co-operative Enterprise Council in New Brunswick in March 2008 close on the heels of The Prince Edward Island Co-operative Council (PEICC) in July 2007. The two new co-operative councils joined those already east in Newfoundland and Nova Scotia offering a multisectoral voice for co-operatives here.

Of course political, economical and environmental instabilities stressed the country in 2008 and will continue to do so into 2009. Think hard-hit pension plans, an early federal election, water damage claims from flooding, peace and security.

Hitting Us All

“It is hitting all of us even if you’re not a co-op member,” says Hunter, adding to the list of tensions the subprime mortgage crisis, which exposed some, particularly in Ontario. “Overall though credit unions have fared extremely well in comparison to the US banks. There is still liquidity in the system.”

And that is good news within the co-operative movement. The reputation of credit unions remains very positive. They are not asking for bailouts or closing their doors. They continue to operate and to lend money. Part of the reason for this is because credit unions don’t expose themselves to as much risk because they are member focused and are prudent in their risk assessment. The money they’re using, after all, is their members.

Moving Forward

So where does that put the co-operative movement going into 2009? Hunter and Sitaram say co-operatives need to keep members involved to come out of the rough

times strong. To do that they need to engage members, educate them and maintain a dialogue with them.

“We have an opportunity to educate our members in this crisis situation,” says Hunter, explaining they need to get the message across that “we’re going to get through this together. We will figure it out together. We’re here to stay in the community. We’re not just here to turn a quick dollar. I think loyalty is very important in times of crisis.”

Cross Promote

Co-operatives also need to cross promote across different co-operatives. An example of this would be if someone is considering childcare, they could look at a childcare co-operative in the community. It’s important for co-operatives to promote other co-operatives in the community and to teach people about the benefits of doing business with local co-ops.

“This will resonate with people right now because of wanting to buy local,” says Hunter. “They don’t want to see their neighbours lose their jobs.”

Economically, Sitaram says there needs to be more due diligence. “We have made mistakes from the credit union perspective and on the retail side of it looking for quick wealth, but I see us taking that second look now.”

Right Thing to Do

Environmentally, Sitaram sees co-operatives as leaders. “Our environmental policy is wonderful. All staff takes it seriously. Others might ask if we do this, how will it affect our bottom line? We do it because it’s the right thing to do.”

There are already exciting environmental initiatives underway including Mountain Equipment Co-op’s commitment to allocate 1% of its revenues to an environmental fund. Hunter holds this up as an example of how

broad-based engagement with membership and business leaders about their vision for Mountain Equipment Co-op has led to this strong commitment to the environment.

Closer to home is the focus on environmental sustainability by the Co-operators in Atlantic Canada which has engaged its membership in reducing their carbon footprint and is measuring its carbon footprint as well.

More Consolidation

So exactly what is in store for co-operatives across the country for 2009? One trend Hunter expects to see is more producer-consumer alliances. Another is more consolidation.

“There will be more mergers, particularly in credit unions and retail co-ops,” she says. “There will be more back office efficiencies, back office management and administration being shared and more economy of scales has to be realized in certain sectors such as credit unions and retail.”

This actually brings up an interesting side to the economic situation entering 2009. Experts are saying it’s going to get worse before it gets better and Hunter believes that will trigger two opposite reactions in co-operatives across the country.

Survival Mode

Some will focus on short-term profitability. These will kick into survival mode and place less focus on co-operative identity and education.

Other co-ops, though, will differentiate themselves and focus on co-operative identity. This group feels that by the very nature of the co-operative business model, co-ops can afford to take the long-term view, which presents an opportunity for co-ops to be strategic in their positioning for long-term sustainability, differentiation in the marketplace and leadership within their industry sectors.

For Hunter that brings the co-operative movement into some very interesting times. “It will be interesting to see each side as it plays out,” she says.

Giving to Charities

Of course the economic situation in Canada and beyond raises some concerns for leaders at the CCA. A natural one is when times are rough it generally means fewer returns to members. And as people worry about job losses, focus on local issues and become more protectionist, Hunter is concerned people will stop looking at their global responsibilities and stop giving to charities.

But Hunter is more focused on the opportunities facing co-operatives in 2009. Opportunities like focusing on the long term, innovation, leadership, investing in membership and collectively branding co-operatives regionally and nationally with key messages of what co-operatives are.

She also sees 2009 as a time to position co-ops as a sustainable and viable business model to members, the media and government. To that end, the CCA and the Conseil Canadien de la Coopération (CCC) are proposing a \$70-million co-op development fund.

Contact MPs

“We are encouraging members to contact their MPs and tell them that Canada needs a co-operative development fund which is a patient capital fund, plus asking for long-term investment in local communities, in jobs and in co-ops that meet consumer needs,” says Hunter, directing members to the CCA online lobby site with sample letters at <http://www.coopscanada.coop/cdi/>. “We’re also asking for the renewal and expansion of the Co-op Development Initiative which will provide support to emerging cooperatives.”

Overall, Sitaram is optimistic about the future of the co-operative movement as well.

“This is the worst recession we’ve ever had in 100 years, but I see us coming out of it quicker than the private sector because of

the community-based products we sell and given our values and principles,” says Sitaram. “I’m very, very optimistic that coming out of 2009, co-operatives will be one of the strong points.”

Opportunities outweigh challenges for co-operatives

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CCA Executive Director Carol Hunter and CCA President Dave Sitaram feel 2009 presents the co-operative movement some challenges and many opportunities. Here are just a few of each.

Challenge

Key challenges facing co-operatives this year include growth, reinforcing loyalty to members and simply getting through the rough economic times.

Sitaram on growth:

“The money we return to members, that return is going to be significantly smaller. We need to ask, “How do we expand our growth?”

Hunter on member loyalty:

“We need to make them part of the dialogue. We don’t want to see members withdrawing from memberships.”

And Sitaram on putting in the time:

“Some experts say we’ll be out of it in six months; I would say nine months to the third quarter of next year. From now to then is going to be a tough road and in the co-op movement we’re not immune to what’s going on. Job wise, market price – I’m not saying we won’t have casualties.”

But, Sitaram points out, challenges are what started the co-op movement. “It was not started when times were good.”

Opportunity

There’s no doubt, there are challenges, but history reveals that co-operatives know how to turn challenges into opportunities. In 2009, those involved in co-operatives have lots of opportunity – to focus on the long term, to exercise leadership and be innovative and to position co-operatives as a sustainable and viable business model.

Hunter on the long term:

“We have a strong user-owner linkage and we put people before profit. We can afford to take the long-term focus because we’re not as focused on short-term profit and maximization to shareholders. Because of that we have the opportunity to exercise leadership and because we have a long-term view, we have permission to engage with our members.”

Hunter on leadership:

“There is also an opportunity to exercise leadership, for crisis is but an opportunity for leadership. If we go by the history of innovating and starting new co-ops, there is no reason to believe we wouldn’t do it again.”