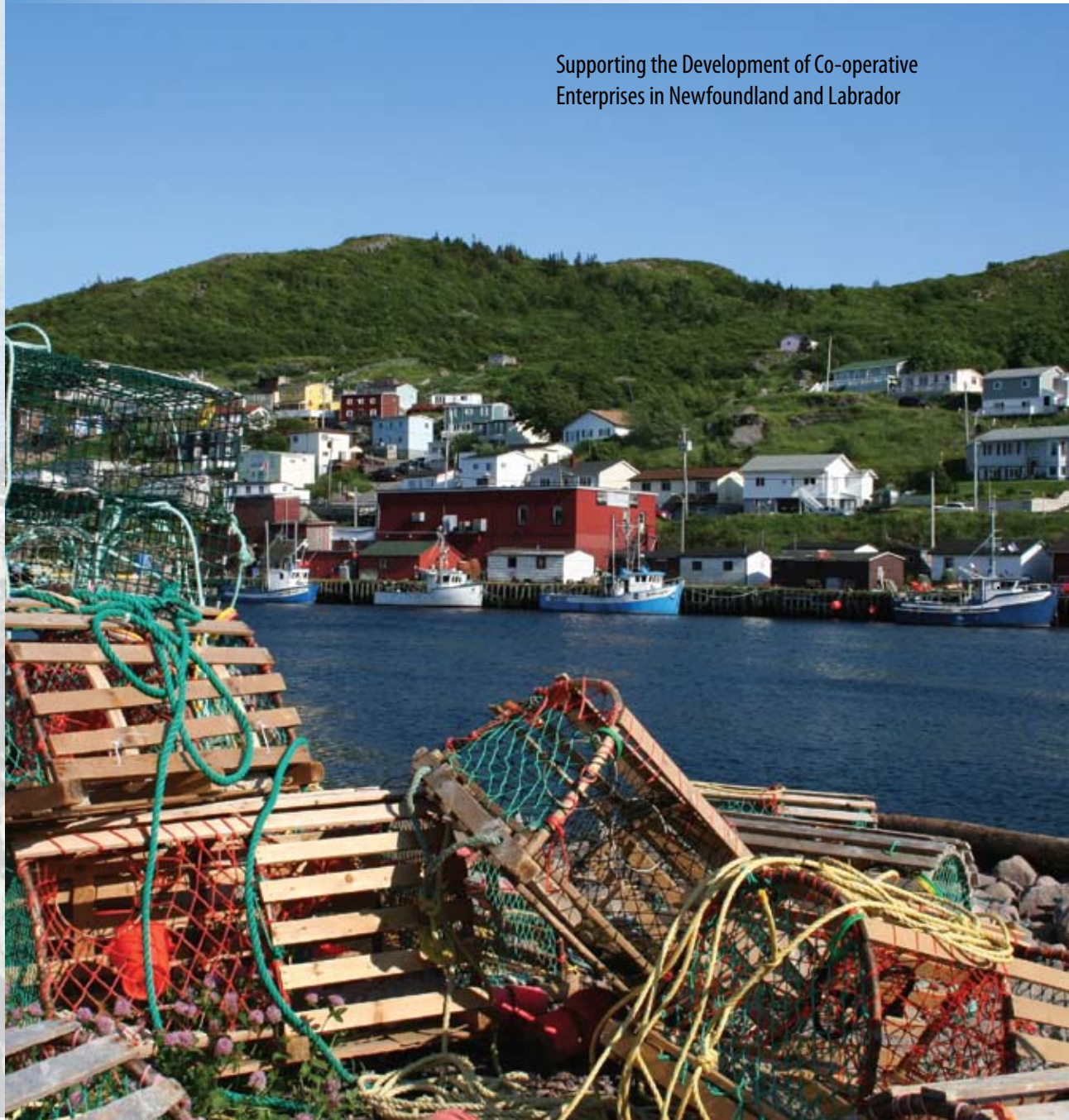


co-opzone:NL

You're right. There is a better way.

Supporting the Development of Co-operative
Enterprises in Newfoundland and Labrador



JOIN THE CROWD!

For over 100 years the people of Newfoundland and Labrador have been establishing co-operatives to meet their economic and social needs. Today approximately 90 co-ops in communities across the province provide services for their members in a variety of business sectors. Many of these co-ops are members of the Newfoundland-Labrador Federation of Co-operatives (NLFC). The NLFC is the lead agency representing the collective interests of the co-op sector and promotes its continued growth and development.

In 2007 the NLFC entered into a partnership with the provincial Department of Innovation, Trade & Rural Development (INTRD) to implement new services to assist groups pursuing the establishment of new co-op enterprises to meet their service requirements.

CO-OPZONE:NL is now operational and this booklet provides an introduction to the co-operative business model, the co-op development process, and the support services available through this program.

Co-op development has been and continues to be an important component of the community development process. Many opportunities exist for community development agencies, industry associations, small business, and social service organizations to establish co-ops to meet their collective service requirements in a manner that provides for their ownership and control of the decision making process.

You can join thousands of co-op members in this province and millions of other members across Canada by joining local co-ops in your region or by forming a new co-operative to meet your service needs!



INSIDE

JOIN THE CROWD!	2
CO-OPERATIVE BASICS	
The Co-operative Business Model	4
Types of Co-operatives	6
The Co-operative Difference	8
Co-operatives and Community Development	10
Starting a Co-operative	12
The Existing Co-operative Sector	14

CO-OPZONE:NL

What's it All About?	5
Regional Co-operative Developers' Network	7
Co-operative Development Training Modules	9
Co-operative Equity Investment Fund	11
Service Delivery Partners	13
Other Co-operative Development Support Agencies	15

THE CO-OPERATIVE BUSINESS MODEL

A co-operative is a business that is legally incorporated under provincial or federal legislation. It is established by groups of individuals, privately owned businesses and/or community based organizations to provide a wide range of needed services. These members jointly own and control their co-operative and are the primary beneficiaries of the services it provides. Co-operatives can be formed for many different purposes and are active in many sectors of our economy.

Co-operatives operate much the same as any other business. They have operating expenses and generate revenue from the services they deliver. However, unlike private sector enterprises, their profits are not shared amongst owners based on the number of

shares they hold. Profits in a co-operative are shared based on the extent to which the member/owners have used the services the co-op provides.

Co-operatives are considered to be an integral part of this province's social economy because they are democratically controlled and designed to meet the social and economic needs of their members. They are a proven tool for mutual self-help, enabling people to work together to achieve common goals. Co-operatives have helped many people in the province to create effective solutions to community challenges, while building local leadership skills and maintaining local autonomy and control.



Innovation, Trade and Rural Development



WHAT'S IT ALL ABOUT?

CO-OPZONE:NL is a co-operative development program delivered by the NLFC in partnership with INTRD to enhance the growth and development of the co-op business sector in Newfoundland and Labrador. Financial assistance to establish the program and facilitate service delivery has also been provided by the Atlantic Canada Opportunities Agency (ACOA) and Agriculture and Agri-Foods Canada (AAC) through the federal government's Co-operative Development Initiative (CDI).

A pro-active working relationship has also been established with the Newfoundland and Labrador Regional Economic Development Association (NLREDA). NLREDA recognizes the value of the co-op business model as a tool that can help facilitate the community development process. It is working with NLFC and

INTRD to enhance awareness of the potential benefits of the co-op business option amongst its member Regional Economic Development Boards and facilitate identification of increasing numbers of new co-op development opportunities at the community level.

Services are available in communities across the province through INTRD's twenty-three Regional Offices. A number of selected staff members in some of these offices are members of the Regional Co-op Developers' Network and respond to local requests for co-op information and development support services. This Network also plays a coordinating role in facilitating the delivery of other CO-OPZONE:NL services including the Co-op Development Training Modules and the province's Co-op Equity Investment Fund. Read on for further details!



Regional
Economic
Development
Boards



Agriculture and
Agri-Foods Canada

Agriculture et
Agroalimentaire Canada

TYPES OF CO-OPERATIVES

Co-operatives operate in a variety of industry sectors in Newfoundland and Labrador. The following are some examples of the types of co-ops and the services they provide for their members:

Producer Co-operatives:

Provide processing and marketing of products and services for individuals and organizations collectively engaged in primary production and harvesting in sectors such as fishing, farming, and forestry. Such co-ops are engaged in agricultural production, processing and marketing; farm supply, pasture management, and equipment sharing; fish harvesting, processing, and export; crafts production; film making and other activities in the tourism and cultural sectors.

Community Service Co-operatives:

Provide needed services to individuals, communities or other enterprises. These co-ops can range in size from small day care centers to large housing co-operatives and can be an interesting alternative to public service delivery. Water supply, cablevision, funeral, energy, health care, day care and nurseries, transportation and communication, and municipal services are some sector examples.

Retail Co-operatives:

Provide their members with goods for their personal use ranging from small purchasing groups to large supermarket organizations. Some examples include food products, petroleum products, lumber & hardware, clothing, and outdoor recreational gear.

Worker Co-operatives:

Provide their members, who are the workers and owners of the enterprise, with employment. These worker-owners control the management and administration of their enterprise. Natural foods, arts and entertainment, construction, forestry, printing and publishing, ambulance services, and home care services are some examples of sectors where worker co-ops have been established.

Multi-stakeholder Co-operatives:

The membership of these co-ops includes different categories of members who share a common interest in the success of the business. These groups may include producers, employees, consumers and/or community groups, and industry associations. Home care and health care services and local and organic food production are some examples.



REGIONAL CO-OPERATIVE DEVELOPERS' NETWORK

To provide easy access to co-op information and advice, the NLFC and INTRD have established the Regional Co-operative Developers' Network. It consists of nine INTRD staff who work at the regional level to advance the community development process in rural Newfoundland and Labrador. These individuals are the first point of contact for groups and individuals exploring the co-op option and are the primary delivery arm for services offered through CO-OPZONE:NL.

Services provided by the Network include:

- introductory presentations, information sessions and resource materials on co-op structure, development and operations;
- assistance with identifying co-op opportunities and initial feasibility assessment to determine potential for co-op development;
- advice to help groups work through the steps in the co-op development process and identify problems and challenges;
- technical assistance and advisory support to assist new and emerging co-ops with their business plans;
- identification of potential sources of government and non-government project financing to facilitate co-op development and start-up; and
- assistance with co-op by-laws, the incorporation process and other legislative requirements.

THE CO-OPERATIVE DIFFERENCE

Co-operatives combine community development principles with a business approach that focuses on financial viability, independence and self-sustainability. Aspects of co-op operations that make them different from the private and non-profit sectors include:

Service over profit: Co-ops have as their primary goal the provision of high quality, cost effective services for their member/owners. Generation of profits is secondary, although all co-ops are encouraged to build their equity and maintain a surplus to address future needs.

Community service is the priority: Co-operative enterprises embody the same principles and values as community development agencies in their regions. The co-operative model extends these principles and values into the business sector.

Co-operatives generate community investment: Co-op members buy shares when they join their co-op. This local capital is an investment by local workers, producers, consumers and other co-op members in the development of their communities. It is an important financial component of the community development process. Co-op shares tend to be priced from \$5.00 to \$100.00.

Members share in co-op profits: Profit payouts are based on members' use of the co-op's services. These profits therefore are distributed back into the local economy. All, or part, of

this profit may also be retained by the co-op for operational purposes or to support other community initiatives.

Co-operatives are governed by their own legislation: A co-operative is a legal corporate entity incorporated under the province's "Co-operatives Act." This legislation provides a well-defined organizational and operational framework under which co-ops conduct their business activities.

Local ownership and democratic control: Because they own their co-op, members have a direct say in how it is operated and the services it provides. Each member has one vote and can attend the annual general meeting, propose changes to co-op operations, and elect the co-op board of directors.

Co-operative shares cannot be sold or traded: Unlike private businesses, co-op shares cannot be sold or traded and their value does not increase. This ensures that local ownership and control is always maintained.

Local distribution of profits: This retention of profits in the local economy is a fundamental component of a co-op's operational structure that is not commonly associated with private sector companies. Private companies may operate in a region but their profits are often distributed to shareholders who live elsewhere.



CO-OPERATIVE DEVELOPMENT TRAINING MODULES

CO-OPZONE:NL supports the co-op development process through delivery of three Co-op Development Training Modules. They enable individuals to become more informed about the co-op sector; better understand the role co-ops play in the community development process; and to understand what is involved in developing a new co-operative in the province. Target audiences include community development organizations, industry sector agencies and groups pursuing the establishment of new co-operative enterprises.

Module #1: Co-operatives: The Basics

This is an introductory module covering the basics of the co-operative business model including such topics as:

- the co-op business structure;
- an introduction to co-op development;
- an overview of co-op legislation and regulations; and
- a look at the existing co-op sector in Newfoundland and Labrador.

Module #2: Co-operatives and the Community Development Process

This module stimulates discussion on the role of co-ops in the community development process. Topics include:

- what makes co-ops different from other types of business;
- how co-ops build community equity and generate local investment; and
- the role community development agencies can play in the co-op development process.

Module #3: Developing a Co-operative Enterprise

This module is designed to engage participants in information sessions and workshop exercises that provide a participatory experience in the development of a new co-operative. It is a “hands-on” activity where participants will learn:

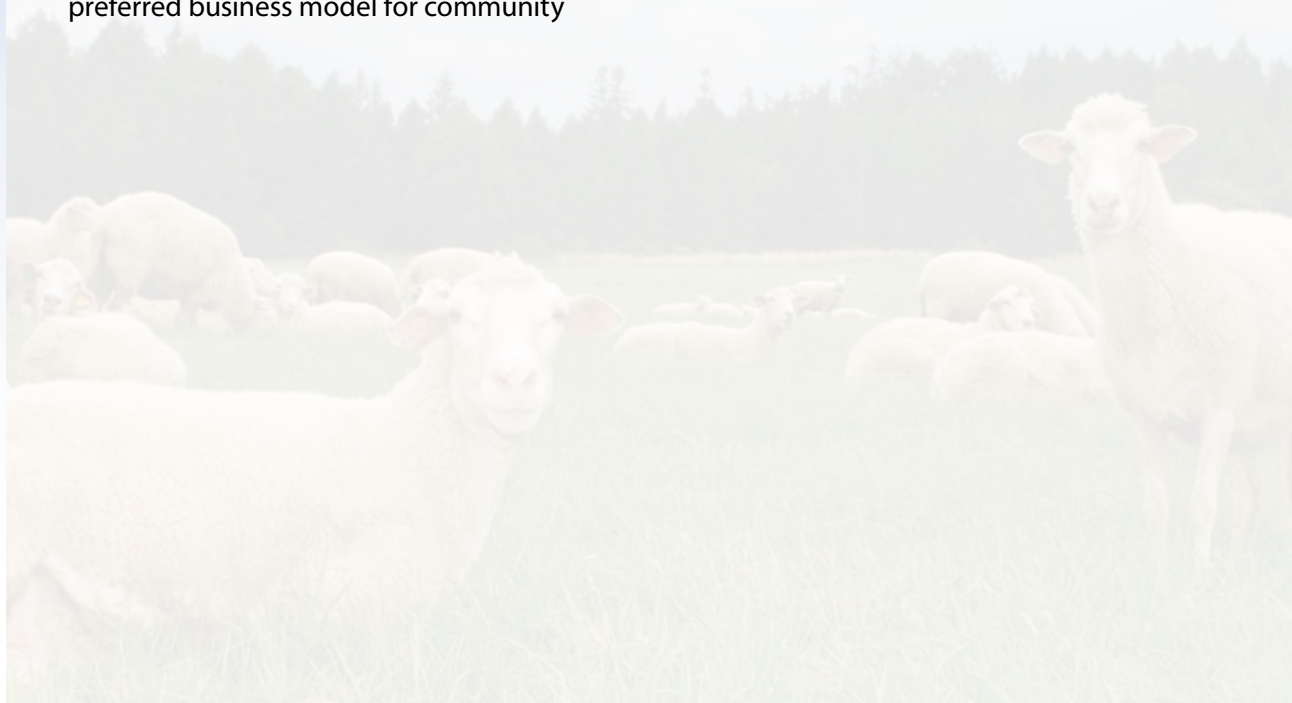
- how to identify co-operative development opportunities;
- the stages in the co-operative development process; and
- the process of taking a co-operative initiative from “idea to operation.”

CO-OPERATIVES AND COMMUNITY DEVELOPMENT

Co-operatives add a unique dimension to the community development process by engaging local people in the collective ownership of business ventures that are serving the needs of their communities. The operation of a business is not normally seen as a role for community development organizations such as zone boards, municipal councils, and industry associations. Co-op development is therefore an important addition to the work of these agencies, enabling them to extend community development principles and practices into the business sector.

For this reason, a co-op enterprise is often a preferred business model for community

development organizations that are undertaking initiatives intended for commercialization. Co-ops have a long history of assisting local people to establish collectively owned community enterprises in Newfoundland and Labrador. Today, agencies such as the Newfoundland-Labrador Federation of Co-operatives (NLFC), the provincial Department of Innovation, Trade and Rural Development (INTRD) and the Newfoundland and Labrador Regional Economic Development Association (NLREDA) are working together to support co-op development in the province as an integral component of the community development process.





CO-OPERATIVE EQUITY INVESTMENT FUND

The Co-operative Equity Investment Fund (CEIF) assists members of eligible, newly developing co-ops to generate the equity investment required for the implementation of their co-op business plans. The total amount that co-op members invest may be matched by the fund on a three to one basis, to a maximum of \$30,000. CEIF becomes a non-voting shareholder in the co-op by virtue of its equity contribution. This contribution is repayable once the co-op is profitable.

All local co-operatives incorporated in the province are eligible, as long as they can demonstrate that the project or initiative will not create negative competitive impacts on other existing enterprises in the market area.

However the primary focus of CEIF is on the province's targeted growth sectors, through support for the following co-op enterprises:

- **Agricultural Co-operatives:**

Established by producers to collectively share processing, marketing and other services to reduce costs and increase farm profitability.

- **Social Economy Co-operatives:**

These provide social services such as child care, health care, and seniors' support to meet community needs.

- **Innovative Co-operatives:**

Those that use the co-op model in new and different ways to develop business opportunities, create employment, and/or provide community services.

- **Export and Marketing Co-operatives:**

Co-ops that focus on the development of joint marketing and export opportunities both within and outside the province.

- **Small Business Co-operatives:**

Existing enterprises that establish a co-op to reduce operating costs and increase sales through joint production and/or marketing initiatives, equipment sharing, and other collective activities.

STARTING A CO-OPERATIVE

Every new co-op development project has its own individual development requirements, but the following are some common steps involved:

1. Opportunity Identification:

Confirm and clarify the co-op business opportunity and establish a steering committee to lead the development process.

2. Development of the Business Idea:

Develop the co-op concept, conduct a market assessment, and determine initial estimates regarding start-up costs and sources of financing.

3. Development of the Co-operative Business Plan:

Confirm cost estimates, sources of financing and an operational plan.

4. Development of Co-operative By-laws:

Review co-op legislation and confirm the policies and procedures framework which will govern the co-op's operations.

5. Member Recruitment:

Agree on member application processes and share purchase requirements, initiate member sign up, and establish ongoing co-op education activities.

6. Co-operative Incorporation:

Complete by-laws, business plan, and articles of incorporation and submit to the provincial Department of Government Services; confirm provisional board of directors.

7. Business Launch:

Confirm banking/accounting procedures, implement financial/operational plans, schedule the first annual general meeting and elect the board of directors.

8. Ongoing Operations:

Monitor operations, hold regular board meetings, develop policy, and establish business/community networks.



SERVICE DELIVERY PARTNERS

Newfoundland-Labrador Federation of Co-operatives

The NLFC is leading the development of CO-OPZONE:NL and co-ordinates provincial service delivery. This includes providing support services for the Regional Co-op Developers' Network such as conducting research on co-op business models; developing resource materials; conducting workshops; and facilitating referrals to other co-op agencies for assistance and advice. The NLFC will also provide direct co-op development project assistance at the regional level as required.

Department of Innovation, Trade and Rural Development

INTRD is partnering with the NLFC to support the implementation of CO-OPZONE:NL. Selected INTRD staff are participating as members of the Regional Co-op Developers' Network and assisting with co-op development projects at the community level. Assistance is being provided for the delivery of co-op development training modules through INTRD's Community Capacity Building Program. Both the NLFC and INTRD are providing financial contributions and service delivery support for the Co-operative Equity Investment Fund. Co-ops are also eligible to apply for other small business development programs.

Co-operative Development Initiative (CDI)

The Federal Government provides financial assistance to support the development of new co-operatives in communities across Canada through CDI. This program is delivered in Canada by the Canadian Co-operative Association and its Francophone counterpart the CCCM. Funding is allocated on an annual basis through CDI to support the delivery of CO-OPZONE:NL.

In addition, CDI can provide grants of up to \$75,000 annually for newly developing innovative co-ops to assist with organizational development and other start-up costs.

Contact Us

To find out more about co-operative development and support services in Newfoundland and Labrador, contact your INTRD regional office or visit their web site at www.gov.nl.ca/intrd. You can also contact the NLFC toll free at 1-800-726-9431 or you can visit their web site at www.nlfc.coop. It contains additional information on the provincial co-op sector, CO-OPZONE:NL, and links you to other co-operative web sites in Canada. Further information on CDI can be obtained at <http://cccm.coopscanada.coop/en>.

THE EXISTING CO-OPERATIVE SECTOR

- The Newfoundland Independent Filmmakers Co-op was established in 1975 and today it continues to lead the development of the video and film production industry in the province.
- The worker co-operative model has been used to maintain the availability of ambulance and paramedic services for some rural communities in Newfoundland and Labrador.
- Community development co-ops have existed in the province for over twenty years operating small enterprises, running seniors' homes, and undertaking recreational projects.
- A new co-op model has been developed and implemented in the province of Newfoundland and Labrador to engage youth in the community development process in rural communities.
- Over fifty co-ops have been established to provide funeral services across Canada, with the majority of them based in Quebec.
- Approximately 400 co-operatives provide daycare and pre-school services in Canada, including in Newfoundland and Labrador.
- There are over 350 worker co-ops in Canada with over 13,000 members. These co-ops hold assets valued in excess of \$320 million.
- Over 25% of the population of Atlantic Canada (over 70,000 people) are members or use the services of co-operatives.
- Quebec studies indicate that the survival rate of co-operatives is almost twice that of investor-owned companies.
- Across Canada over 70,000 volunteers are learning leadership and management skills through serving on the boards of directors of their co-operatives.
- There are 6 million members of co-operatives across Canada, which means that four of every 10 Canadians are members of a co-operative.
- There are more than 8,500 co-ops in Canada. They employ over 150,000 people, hold over \$209 billion in assets and do over \$28 billion in business each year.



OTHER CO-OPERATIVE DEVELOPMENT SUPPORT AGENCIES

CO-OPERATIVE ORGANIZATIONS

The Co-operative Housing Association of NL (CHANAL)

is a provincial agency that represents housing co-ops in the province and assists them with their developmental and operational support requirements.

www.chfcanada.coop

Co-op Atlantic (CA) provides retail and agricultural goods and services for over 130 co-operatives in Atlantic Canada, including member co-ops in this province.

www.coopsonline.com

The Co-operators Group provides insurance and investment services across the country and supports co-operative and community development through a variety of program and services.

www.cooperators.ca

The Canadian Co-operative Association (CCA) is the national association representing the co-op sector.

CCA delivers the Co-operative Development Initiative.

www.coopscanada.coop

OTHER AGENCIES

The NL Regional Economic Development Association and its 19 member zone boards support the growth of co-op development in their regions and can assist with public awareness, co-op training, and co-op development activities.

www.nlreda.ca

The NL Association of Community Business

Development Centres and its 15 regional members provide business financing and other services which may be accessed by eligible co-operatives and other community enterprises.

www.cbdc.ca

The NL Department of Government Services administers the province's Cooperatives Act and incorporates new co-operatives in the province.

<http://assembly.nl.ca/Legislation/sr/statutes/c35-1.htm>

The Co-operative Secretariat is part of

Agriculture-Agrifoods Canada. It coordinates federal government policy affecting co-operatives, encourages co-op development, and provides a link between the co-op sector and other federal departments.

www.coop.gc.ca

STATEMENT OF THE CO-OPERATIVE IDENTITY

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Co-operative Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

INTERNATIONAL PRINCIPLES OF CO-OPERATION

The co-operative principles are guidelines by which co-ops put their values into practice:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation amongst co-operatives
7. Concern for the community

a partnership between:



Agriculture and
Agrifoods Canada

Agriculture et
Agroalimentaire Canada

Newfoundland-Labrador Federation of Co-operatives

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