



## NEW GENERATION CO-OPERATIVES

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The emergence of the “New Generation Co-operative” (NGC) is a relatively recent trend in Ontario. Traditional co-operatives have existed in Ontario for more than 150 years, and the rural community has been active participants in these.

Current changes in technology, local and international markets, and trading arrangements present both challenges and opportunities for the agricultural industry and rural communities. Farmers have responded by diversifying production and developing new opportunities for the processing and adding value to their products.

Responding to these opportunities, some farmers pooled their resources and now own and operate processing and value-added businesses. This has the potential of improving incomes, creating jobs and economic growth for rural communities. This value-added approach was pioneered by American sugar beet growers in the mid 1970’s. From that model New Generation co-operatives have developed which are today processing diverse commodities such as bison, durum wheat, soybeans, eggs and poultry. Although some co-operatives have actually increased the price of the raw commodity, the primary economic benefit to members is the return on investment in the processing activities.

This Factsheet explains the New Generation Co-operative structure and will help you determine if it is suitable for you.

For more information on the process of forming a co-operative refer to Factsheet *How to Form a Co-operative*, Order No. 02-019.

### SECTION 1 — BASICS OF A NEW GENERATION CO-OPERATIVE

#### HOW ARE NEW GENERATION DIFFERENT FROM TRADITIONAL CO-OPERATIVES?

New Generation Co-operatives share many of the key attributes of traditional co-operatives, including:

- democratic control, based on one-member, one-vote

- distribution of earnings based on use of service or sales to the co-operative
- a board of directors elected by the membership.

However there are some general attributes that make New Generation Co-operatives different from traditional co-operatives. They are:

- delivery rights are contracted and tied to the level of investment
- membership is limited to those who purchase delivery rights
- higher levels of equity investment by individual members is required
- shares that provide delivery rights can be transferred and can fluctuate in value.

Table 1 on the next page compares the principles between traditional and New Generation co-operatives.

#### KEY ATTRIBUTES OF THE NEW GENERATION CO-OPERATIVE

##### Delivery Rights

Equity shares in a New Generation Co-operative (NGC) give co-operative members both the right and obligation to deliver a certain amount of farm product to the co-operative each year. The use of delivery rights that are purchased by the member means that their investment is proportional to their use of the co-operative. Any patronage refunds that the co-operative generates are distributed to members according to the level of product they delivered to the NGC.

Delivery rights shares act as a two-way contract between the producer-members and the co-operative — they obligate the producer-members to deliver product each year to the co-operative, and in turn the co-operative is obligated to accept delivery of the product. This assures producers of a market for their product and the co-operative of a steady supply of its primary input. If producers cannot meet the quality or quantity commitments from their own product, they must purchase the product elsewhere to fulfill the delivery requirements. Otherwise, the co-operative will purchase the needed product and charge the member the difference.

**TABLE 1: Comparison of Tradition and New Generation Co-operatives**

<b>Co-operative Principles</b>	<b>Traditional Co-operative</b>	<b>New Generation Co-operative</b>
<b>Voluntary and Open Membership</b> — voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership.	Yes	Membership restricted to only those who purchase delivery rights shares
<b>Democratic Member Control</b> — co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions.	Yes	Yes
<b>Member Economic Participation</b> — members contribute equitably to and democratically control, the capital of their co-operative.	Yes	Members share in earnings according to their delivery rights. Higher equity contributions are required.
<b>Autonomy and Independence</b> — co-operatives are autonomous organizations controlled by their members. In agreements with other organizations, or raising capital from external sources, negotiated terms ensure democratic control and autonomy is maintained.	Yes	Yes
<b>Education, Training and Information</b> — co-operatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to future development.	Yes	Yes
<b>Co-Operation Among Co-Operatives</b> — co-operatives serve their members most effectively, and strengthen the co-operative movement by working together through local, national, regional, and international structures.	Yes	Yes
<b>Concern for Community</b> — co-operatives work for sustainable development of their communities through policies approved by their members.	Yes	Yes

The price of each delivery right share is typically determined by dividing the total amount of equity capital the co-operative requires to finance the business by the processing capacity of the co-operative's facilities. If the co-operative requires \$20 million in equity capital and the capacity of the facility is 5 million bushels then the price per delivery right share is \$4 per share.

#### **Closed Membership**

In contrast to traditional co-operatives that accept new members on a continual basis, membership in a New Generation Co-operative is restricted once the targeted amount of delivery rights shares are sold. New members are allowed only when an existing member wishes to sell some of their delivery rights shares to another producer, or if the processing capacity of the facility expands beyond what the current members can supply. This ensures a stable level of supply of product for the NGC. Membership may change because producers wish to sell some of their delivery rights shares, but this does not change the supply of product being delivered to the co-operative. The sale of shares between producers usually requires approval from the board of directors.

#### **Higher Level of Initial Equity Investment**

A New Generation Co-operative typically requires members to make a significantly higher investment than for most traditional co-operatives. This is because NGC's raise between 30%–50% of their total capital requirements from selling shares. Usually a minimum number of delivery

rights shares must be purchased to be eligible for membership. Because a member's investment is significant they tend to remain more committed and involved in a NGC than in a traditional co-operative.

Equity investment also increases the likelihood of a return to the members at the year end because of reduce financing costs. This may not be true in the start-up years of the business. If the NGC expands its operational capacity, more delivery rights shares are sold to provide the necessary equity financing for expanding.

#### **Transfer, Appreciation or Depreciation of Delivery Rights Shares**

Co-operative members can transfer their delivery rights shares to other members or other producers, subject to board approval. The share price is negotiated and fluctuates according to the performance and earning potential of the co-operative.

#### **WHY CHOOSE A NEW GENERATION CO-OP STRUCTURE OVER ANY OTHER?**

The New Generation Co-operative structure is not the only business structure available to those interested in value-added business ventures. Partnerships, incorporated companies, and joint ventures are other structures to consider. When is it appropriate to consider a NGC? While there is no definitive answer there are circumstances when a New Generation structure may be a better choice than another type of business structure. These include:

- when equal membership control is important
- when a sense of co-operative effort is required
- when members would have a greater comfort level with the co-operative structure and the co-operative structure is more easily explained and understood
- when community acceptance of the business is important — co-ops have a long standing commitment to education, local control and concern for local community and therefore may be more attractive to some communities than alternate business models.

Perhaps the most unique feature of the co-operative is the principle of one member one vote. This is unlike the corporate structure, where shareholders' voting power is proportional to share ownership. For example, a shareholder who owns 51% of the shares gets 51% of the vote, essentially controlling the corporation. In a NGC regardless of how many delivery rights a person owns, they only have one vote. For members with a larger percentage of delivery rights this could be viewed as a disadvantage, while the member with a smaller percentage of delivery rights would most likely consider it advantageous because it assures them some control.

Table 2 on the next page outlines some of the advantages and disadvantages of the NGC business structure.

## ORGANIZATIONAL STRUCTURE

The New Generation Co-operative, like the traditional co-operative has 4 key groups of people.

**Members** — Members, as owner-users, are the reason the co-op is organized. The members are represented in the co-op by the Board of Directors.

**Board of Directors** — The Board of Directors is a policy-making body elected by the members, who oversee the co-op's business affairs. Directors, as trustees, establish policy, report to members and give direction to the co-op's hired management, generally without getting involved with the day-to-day operations.

**Management** — Management supervises and co-ordinates the day-to-day operations and are supervised by the board.

**Staff of the Co-operative** — Staff of the co-operative report to management.

## SECTION 2 — FORMING A NEW GENERATION CO-OPERATIVE

The process of forming a NGC is essentially the same as any other co-operative. The Factsheet *How to Form a Co-operative*, Order No. 02-019 outlines these steps, including the process of incorporation. Developing a fully-operating business from an initial idea requires strong organizational and communication skills and a comprehensive business plan. Feasibility studies and business plans are critical to the success of these ventures. NGCs often operate in niche markets where it is important to understand the type, quality, and quantity of product demanded. A clear understanding of markets and consumers enables these ventures to serve markets that large corporations cannot.

The following steps outline the order of events typical in the formation of a co-operative.

**The Initial Idea and Key Organizers** — An idea for the co-op is usually formed by a key group of individuals who see a business opportunity or a solution to a problem.

**Selection of a Steering Committee** — Select a steering committee from the initial group and from those willing to fund the feasibility study.

**Conduct a Feasibility Study** — Decide on the scope of a feasibility study, including areas of study and budget required. Evaluate the feasibility of the business idea carefully before proceeding. Determine the most efficient plant size. This, in turn, determines the amount of product the plant can accept. Look to either organizers, potential members of an economic development agency to fund the feasibility study.

The study determines the economic viability of the venture and also outlines the market advantages, if any, of a member-owned processing co-operative.

**Selection of an Interim Board** — If the feasibility study is positive and you decide to form a co-operative, dissolve the steering committee and replace it an interim board. Elect a chairman and explore funding options to complete the business plan. The interim board can decide if it is appropriate to recruit a chief executive officer.

**TABLE 2. Advantages and Disadvantages of New Generation Co-operatives**

<b>Advantages</b>	<b>Disadvantages</b>
Efficient due to the integration of production and processing. NGC members can alter practices at one step in relation to the needs of the other, thus improving the overall system	While high quality production should not be regarded as a disadvantage it can be a challenge for some producers
Stability — the control membership creates a stable business environment which increases efficiency	A high level of initial investment is required
Market niche producers can gain ownership in further processing	Higher levels of risk are involved than in a traditional co-operative. A failure can result in a substantial loss for investors
Because delivery shares specify quality and production standards they can satisfy niche markets that require identity preservation and high quality	A high level of expertise is needed in the processing side of the venture, both in management and marketing. It can be a challenge finding and attracting this level of ability
Equity investment increases member commitment	
Tradable equity shares creates a capital base which increases the attractiveness to other lenders and investors	
Generates rural development and community investment and renewal	

**Incorporation of the Co-operative** — The timing of incorporation depends on a number of factors including the need to enter into legal agreements such as confidentiality agreements, letters of intent, supply agreements, funding agreements with governments. As soon as there is potential exposure to liability incorporation is recommended.

**Development of the Business Plan and the Legal Organization of the Co-operative** — The business plan outlines the goals and objectives of the co-operative and the steps to reach those goals. The board uses this information to promote the co-operative and is a basis for filing an offering statement with the Financial Services Commission of Ontario, where required. (see Financing the Co-operative) This must be done before the sale of shares can take place.

Information on feasibility and preparing business plans is available from OMAF, local Business Enterprise Centres and private consultants. OMAF's Factsheets *Evaluating the Feasibility of Business Opportunities*, Order No. 95-023 and *Preparing Business Plans*, Order No. 99-011 can be obtained by contacting the Agricultural Information Contact Centre at 1-877-424-1300.

**Preparation of an Offering Statement** — Co-operatives wishing to raise more than \$200,000, issue shares to more than 25 members or issue shares with a value of more than \$1,000 per member are generally required to file an offering statement (similar to a prospectus) with the Financial Services Commission of Ontario (FSCO).

**Conducting a Fund Raising Campaign** — Once the legal and filing requirements are in place and the business plan finished, the board can launch the funding campaign.

A key element in forming a co-operative is the involving potential co-op members. This ensures a variety of input to the plan and encourages members to develop ownership and commitment to the co-op.

## **INCORPORATING THE CO-OPERATIVE**

The *Co-operative Corporations Act* is administered by the Financial Services Commission of Ontario. A co-operative requires at least 5 persons to incorporate. These incorporators may be individuals at least 18 years old, or they can be corporations, including other co-operatives. The following is a summary of some of the more important requirements of the *Act*, however it should not be used in place of the *Act*. A schedule of fees for incorporation is available from the Financial Services Commission of Ontario.

### **Articles Of Incorporation**

To incorporate a co-op in Ontario, you must file Articles of Incorporation with the Financial Services Commission of Ontario (FSCO). The Articles of Incorporation, along with the *Co-operative Corporations Act*, provide the basic legal framework for your co-op. They outline its purpose and how it will be financed. The articles of incorporation include:

- the name and location of the co-operative, names, addresses, and signatures of the incorporators
- the number of directors of the co-operative
- share structure of the co-operative
- how the co-op finances itself: by accepting loans, selling debentures, or charging membership fees
- any special restrictions or provisions which apply to the co-operative.

The FSCO can be contacted at:

**Financial Services Commission of Ontario**

P.O. Box 85

5160 Yonge Street, 4<sup>th</sup> floor

North York (Ontario)

M2N 6L9

Telephone: 1- 800-668-0128

(416) 226-7776

Web site: [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca)

**Federal Incorporation**

If the co-operative is going to do business outside Ontario consider incorporating federally. To incorporate under federal legislation, the co-op must be conducting business in 2 or more provinces and have a fixed place of business in more than one province. Under the federal *Co-operatives Act*, at least 3 persons age 18 or older are required to incorporate a co-operative. Please note that co-operatives incorporated outside of Ontario are subject to the Ontario Securities Commission (OSC). This means they will be required to meet the regulations and securities legislation administered by the OSC.

Contact the Co-operatives Secretariat, Agriculture and Agri-food Canada by phoning (613) 759-7194 or on the Web site at [www.agr.ca/policy/co-op/](http://www.agr.ca/policy/co-op/) for information on federal incorporation.

A more detailed discussion of the incorporation process can be found in the Factsheet *How To Form a Co-operative*, Order No. 02-019 available at [www.gov.on.ca/OMAFRA](http://www.gov.on.ca/OMAFRA).

**Preparing By-Laws**

The next step is to elect officers and enact by-laws. By-laws explain how the co-operative will operate and expand on the articles of incorporation. Bylaws do not need to be filed with the FSCO. They take effect once approved by the board of directors and ratified by the members. The NGC may wish to include the marketing obligations of the members and co-operative right in their bylaws.

Have the articles and by-laws prepared by professionals familiar with co-operative law and practice. Involve directors in the process, making sure they understand how the articles and by-laws affect the co-op.

**FINANCING THE CO-OPERATIVE**

Co-operatives can raise capital through equity or debt financing. Co-operatives can choose to incorporate either “with share capital” or “without share capital”. Incorporating “with share capital” allows a co-operative to raise capital by selling shares as well as using debt instruments such as debentures. A co-operative that incorporates “without share capital” can only raise capital through debt financing and may not issue shares. A co-operative must decide how they will file before the incorporation process begins.

The co-operative’s business plan states how much capital the co-op needs and for what purpose. The sale of shares in the co-op would finance the purchase or construction of the processing facility. As stated earlier New Generation Co-operatives typically raise 30%–50% of their capital by selling shares linked to delivery rights. This higher equity reduces dependence on debt financing and thus enhances the viability of the enterprise. Additional capital may be raised through preferred share offerings, member loans and other securities. If the co-op is not successful this investment may be lost.

**Offering Statements and Exemptions from Filing**

Before a co-operative issues either shares or debentures it must determine if it has to file an offering statement with the FSCO. The offering statement gives potential investors a full, true and plain disclosure of all material aspects of the co-operatives operations and proposed business. This includes both the current state of the business and the intended use of the money being raised. The offering statement allows a potential member to access the risk associated with investing in the co-op.

A co-operative does not have to file an offering state if there are:

- 25 or fewer security holders
- more than 25 security holders but the shares or debt obligations issued to members does not exceed \$1,000 per member in a year and does not exceed an aggregate value of \$10,000 per member or the aggregate value of all securities issued does not exceed \$200,000.

Offering statements are complex legal documents and should be prepared by a professional with specific experience preparing such documents.

**EQUITY FINANCING**

**(Incorporation With Share Capital)**

Incorporating with share capital means a requirement of membership is the purchase of shares. This is an investment in the co-op. If the co-op is not successful, the investment may be lost. Share capital incorporation allows greater financing flexibility because a share capital co-op can use debt financing as well as equity financing.

**Types of Shares**

All co-operatives that incorporate with share capital can issue **membership** and **preference** shares. Preference shares can have different rights and privileges attached to them. This is the case in NGCs that issue preference shares with delivery rights. These are sometimes called **equity** shares; however they are simply a specific class of preference share. The NGC share structure typically includes membership shares and several classes of preferred shares. One of the classes of preferred shares has delivery rights attached to it.

## **Membership Shares**

The membership share gives the holder the right to vote and the right to purchase preference shares, to which delivery rights are attached. Only producers of the commodity can hold membership shares, thereby ensuring control of the venture remains in the hands of the producers. Voting rights are tied to membership, independent of the level of investment. This ensures that no one member can exercise control over the group.

## **Preferred Share with Delivery Rights**

The preference share with delivery rights allows the member to deliver their product to the co-operative. Selling shares to members helps the co-op raise the necessary startup capital. Each equity share purchased gives the member the right and the obligation to deliver one unit (i.e., one animal or one bushel of crop) of product to the co-operative for processing. (see Section 1 for more on delivery rights)

The purchase of delivery rights represents a significant investment on behalf of producer-members and a significant equity infusion for the co-operative. For example, in 1990, the North American Bison Co-operative sold 180 membership shares at a cost of \$100 (U.S.) each. These 180 members purchased a minimum of 10 equity shares at a cost of \$250 (U.S.) each, a minimum investment of \$2,500 (U.S.).

The preference shares with delivery rights may be both tradable and transferable subject to the co-op's articles and by-laws. They can be sold to other producers with the approval of the board or transferred to the next generation of family members.

## **Preferred Share Without Delivery Rights**

The preferred share without delivery rights allows the co-op to invite investment from non-producers. Preferred shareholders cannot vote except in certain circumstances as described in the legislation. Communities and non-producers might choose to invest in the co-operative because they want to support development in their communities and encourage job and wealth creation close to home. The preference share can be attractive to investors for a number of reasons:

- Co-ops generally require dividends to be paid on preference shares before they are paid on membership shares.
- When a co-op is dissolved or wound up, preference shareholders generally rank ahead of holders of membership shares in their claim on the co-op's assets, but behind creditors and debenture holders.

## **Premiums and Dividends**

To help protect investors against inflation, the co-op may choose to pay an extra amount or **premium** for

preference shares they redeem. The maximum premium for a preferred share is 10%/yr compounded or the Consumer Price index, whichever is greater. Paying a premium ensures that the value of your co-op's shares keeps pace with inflation. Paying premiums also means your co-op will have less equity, so striking a balance is important.

Your co-op may also pay investors a return on their membership and preference shares. This return is called a **dividend**. The maximum dividend any co-op may pay on membership shares is capped at 2% above the prime rate of any financial institution (credit union, bank, trust company) named in the co-op's by-laws.

There is no cap on the dividend that may be paid on preference shares unless your co-op chooses to have one.

## **DEBT FINANCING**

### **(Incorporation Without Share Capital)**

Both New Generation and traditional co-operatives can raise financing from their members. Even co-ops issuing shares can require member loans. Like dividends on membership shares, the maximum rate of interest co-ops may pay on member loans is capped at 2% above the prime lending rate of any financial institution (credit union, bank or trust company). Co-ops must repay member loans, together with any accrued interest, when the member leaves the co-op.

### **Patronage Loans**

Your co-op may also require members to lend it some or all of their patronage returns. Patronage returns loaned back to your co-op are called patronage loans. By requiring members to make patronage loans, your co-op can use its own earnings for debt financing. The maximum rate of interest your co-op may pay on patronage loans is the same as on member loans.

### **Member, Non-Member and Institutional Loans**

If required the co-operative may borrow additional money from members, non-members, and financial institutions at the going market rate. The availability and cost of those loans depends on the financial condition of the co-operative and its credit rating.

### **Debentures**

A co-op can also issue debentures. Specific assets may be used as security by co-ops issuing debentures. If your co-op has fixed assets financed by equity, such as real estate and buildings, it may be able use these to attract investment in its debentures. Co-ops may issue many kinds of debentures, but usually they promise to make regular interest payments and to pay off the principal on a certain date. If the co-operative fails to make these payments, debenture holders have the right to sue your co-op. There is no cap on the rate of return a co-operative may offer investors on its debentures, although the co-op will need to

decide how much it can afford. Debentures can also be unsecured.

## **SECTION 3 — OPERATING THE NEW GENERATION CO-OPERATIVE**

### **KEY ATTRIBUTES OF SUCCESSFUL NEW GENERATION CO-OPERATIVES**

Successful New Generation Co-operatives appear to focus on a set of key attributes. These are:

- Vision and leadership — motivated and determined producers
- Soundness of the business opportunity — a market that can be profitably supplied and where a reliable supply of raw product is critical to success
- Acceptable business climate — opportune timing in terms of entry into the industry and for obtaining investment from producers
- Professional management of the processing facility
- A stable supply of primary input
- Aggressive pursuit of a particular market segment
- A diversified customer base.

### **MARKETING AGREEMENTS**

New Generation Co-operatives rely on marketing contracts with their members to ensure a continuous supply of raw product. Include the following in a marketing contract:

- clarification of who owns the product and at what point the ownership changes
- the rights and duties of the member to market their products through the co-op
- the terms and conditions under which the products will be marketed and accounted for including quality requirements and delivery dates
- the course of action available to the co-operative, against the member in the event of non-delivery of the product
- the course of action available to the member, against the co-operative in the event of non-payment for the product

Since the marketing agreement with the member is such a vital document for the New Generation co-op it is important to draft it carefully. Legal advice is important. Some of the marketing agreements key points can be included in the co-operative's by-laws.

### **USING THE REVENUE SURPLUS**

Surplus is what is left of earnings after paying operating expenses. How a co-operative uses its surplus can directly considered insolvent if its liabilities exceed the sale value of assets or if it is unable to pay debts as they become due.

### **Dissolution**

If members decide to dissolve the co-op, they must first signify their intent by filing articles of dissolution with the

affect the financing requirements. The co-op will likely need to keep part of its surplus in the form of retained earnings or reserves. Retained earnings are used to finance expansion in operations or to replace worn-out assets. Determine the operating requirements of the co-op before distributing any earnings to members and shareholders.

### **TAXATION OF SURPLUS EARNINGS**

The method used to distribute the surplus earnings affects the tax treatment of the surplus both for the co-op and its members and investors. Patronage returns are paid out of the co-operative's pre-tax income and are recorded as an expense. This lowers the amount of tax that the co-op may have to pay.

Dividends on shares are paid out of the co-op's after-tax income and are taxed in the hands of the member. Co-op shareholders may claim the federal tax credit for dividends paid by the co-op. For specific tax information consult an accountant.

### **OTHER CO-OPERATIVE REGULATIONS AND ISSUES**

#### **Audit Requirement**

The *Co-operative Corporations Act* specifies an auditor must be appointed to examine the financial records and make an annual report. The auditor must be impartial and cannot be a director or employee of the co-op.

#### **Withdrawal of Members**

Member shares of the co-op are personal property and are transferable subject to the conditions in the *Act*. A member may withdraw from the co-op by giving 6 months notice. After the notice period has expired, the co-op must begin to purchase the member's shares or repay the member's loans. A deceased member's shares or loans must be paid out within 6 months of the death. A member can be expelled by a majority vote of the Board of Directors and the co-op must pay out the former member's shares or loans within 1 year. A member who has voted against a resolution that (in effect) materially changes the nature of the co-op may withdraw their membership and their shares or loans must be paid out within ninety days. A material change could include a sale or disposition of the property of the co-op, amalgamation with another co-op or conversion of the co-op into a corporation.

In each case, the *Act* contains riders which give the co-op the power to delay pay-out of members if the pay-out would render the co-op insolvent or be extremely detrimental to the financial stability of the co-op. A co-op is

FSCO. Member loans and patronage returns rank in second place after the ordinary debts of the co-operative which are paid out first. Net surplus is then either apportioned equally among the members or paid out in proportion to the patronage rebate paid over the past five years. Alternately, the money may be given to charity. If the method of

disposing of surplus funds is not in the articles of incorporation or by-laws, the funds will be apportioned equally to members regardless of the number of shares held.

## SUMMARY

The New Generation Co-operative is an evolving model which may be suitable in a variety of situations, but certainly not all. Apply caution in using the model to ventures that do not incorporate the strategies of two-way delivery contracts and high member equity investment. Producers must be willing to commit time to the development process, to invest sufficient equity to capitalize the project, and to contract product to supply the plant, or the project will not succeed. If producers are not committed through delivery contracts and investment, it will be difficult to leverage other investment funds either as debt or outside investment capital. If the two-way contracts are replaced with softer delivery agreements, the risks to the co-operative venture increase because the co-operative will not have a secure supply of product.

It is highly recommended that advice from lawyers, accountants and business planners who are familiar with the co-operative incorporation process be obtained since co-operative incorporation is significantly different from regular business incorporations.

## SOURCES OF INFORMATION ON CO-OPERATIVES

In addition to the Ministry of Finance, information is available to co-ops from:

- Canadian Co-operatives Association — Ontario Region (CCA) 1-888-745-5521 or (519) 763- 8271,  
Web site: [www.ccaont.on.ca/](http://www.ccaont.on.ca/)
- Co-operatives Secretariat, Agriculture and Agri-food Canada. (613) 759-7194  
Web site: [www.agr.ca/policy/co-op/](http://www.agr.ca/policy/co-op/)
- Farm Improvement and Marketing Co-operatives Loan Act, Agriculture and Agri-food Canada (613) 759- 6289  
web site: [www.agr.ca/misb/nmp/fimcla/](http://www.agr.ca/misb/nmp/fimcla/)
- Center for the Study of Co-operatives (306)-966-8509  
e-mail [co-op.studies@usask.ca](mailto:co-op.studies@usask.ca)  
Web site: <http://co-op-studies.usask.ca/>
- Agricultural Business Information – OMAF Business Development  
Web site [www.gov.on.ca/OMAFRA/english/busdev/agbusdev.html](http://www.gov.on.ca/OMAFRA/english/busdev/agbusdev.html)

## REFERENCES

*Co-operatives in Ontario*, Ontario Ministry of Finance, A series of publications that include: Guide to Setting Up and Co-operative, Incorporating a Co-operative With Share Capital, Incorporating a Co-operative Without Share Capital, Legal Requirements.

Canadian Co-operative Association, *New Generation Co-operative Factsheet Series*, # 1– Overview, #2 – Regulatory Requirements and #3 – Taxation, Ontario Region (CCA) 1-888-745-5521 or (519) 763- 8271  
Web site: [www.ccaont.on.ca/](http://www.ccaont.on.ca/)

*How to Form a Co-operative*, Co-operatives Secretariat, Agriculture and Agri-food Canada, Web site:  
[www.agr.gc.ca/policy/co-op/kitco-op/sphashe.html](http://www.agr.gc.ca/policy/co-op/kitco-op/sphashe.html)

*New Generation Co-operatives: Responding to Change in Agriculture*, Brenda Stefanson and Murray Fulton.  
Centre for the Study of Co-operatives, University of Saskatchewan, 1997, Web site: <http://co-op-studies.usask.ca/responding/index.html>

*Creating 'Co-op Fever': A Rural Developer's Guide To Forming Co-operatives*, William Patrie, Rural Development Director, North Dakota Association of Rural Electric and Telephone Co-operatives

*New Generation Co-operatives on the Northern Plains*, Agri-Food Research & Development Initiative (ARDI) and University of Manitoba Web site:  
[www.umanitoba.ca/afs/agric\\_economics/ardi/](http://www.umanitoba.ca/afs/agric_economics/ardi/)

This publication is intended as general information and not as specific advice concerning individual situations. Although it outlines some of the legal and tax considerations of co-operatives it should not be considered as either an interpretation or complete coverage of the *Income Tax Act*, the *Co-operative Corporations Act* or the various law affecting incorporation of co-operatives. The Government of Ontario assumes no responsibility towards persons using it as such.

This Factsheet was written by **Rob Gamble**, Finance and Business Structures, Program Lead, Agriculture and Rural Division, OMAF, Guelph. The author would like to acknowledge the assistance of **George Alkalay**, Northfield Ventures Ltd., King City, Ontario in reviewing this Factsheet.

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## POD

ISSN 1198-712X  
Également disponible en français  
(commande n°02-018)

