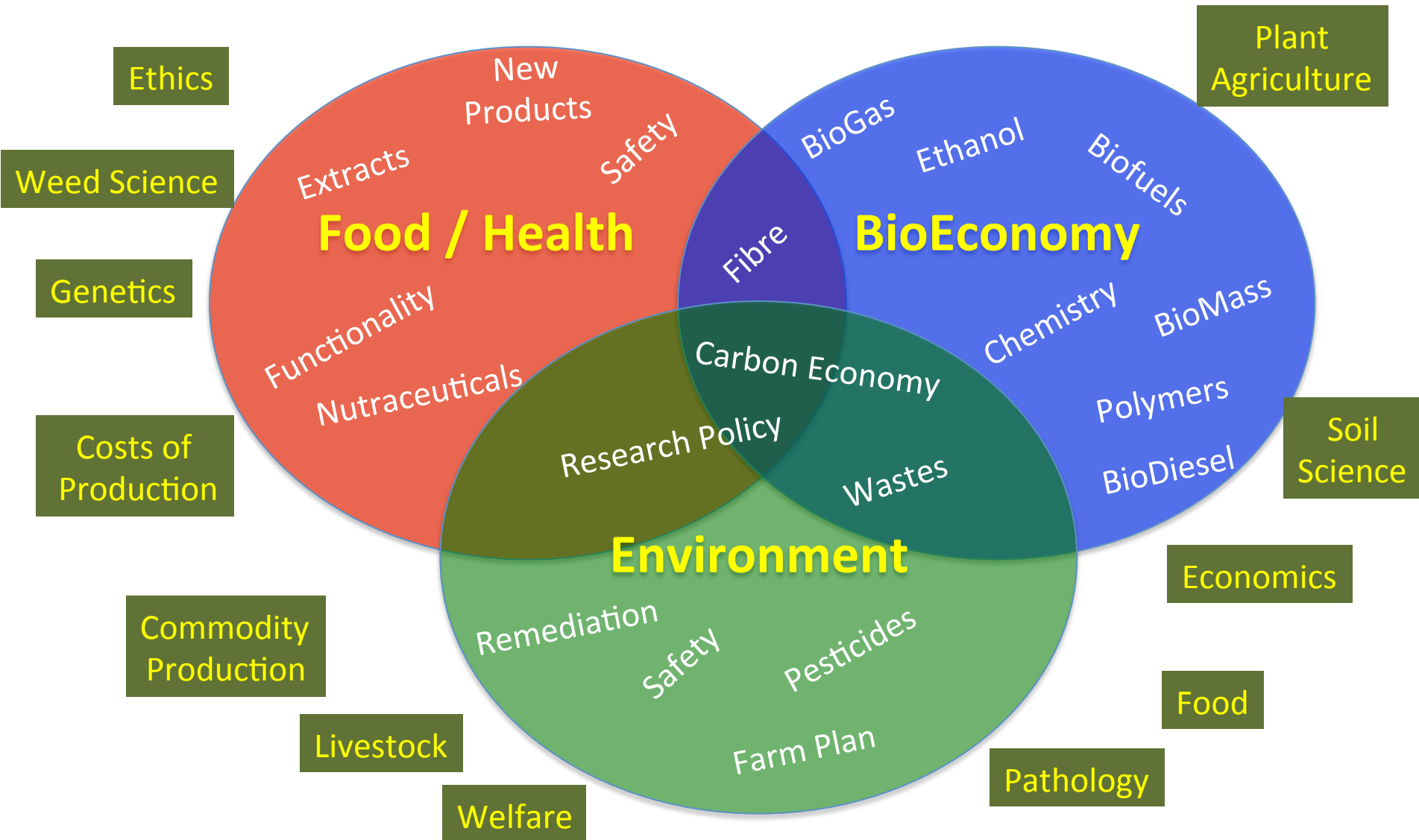


A man in a black suit, white shirt, and black tie is blindfolded with a black cloth. He is tied to a chair with a thick, dark rope around his waist. The chair is engulfed in bright yellow and orange flames. The man has a pained or shouting expression on his face.

Get up off your .....

John Kelly  
Vice President  
Ontario Fruit and Vegetable Growers'  
Association

# The New Agriculture



# Developing a new product

## Simple Value Chain



Technology  
Provider

Grower

Aggregator

End User

Consumer

# Developing the market

Identification of consumer needs

Product concept

Selection of raw material

Selection and optimization of processing technology

Verification of product safety

Substantiation of health effects

Marketing message / health claims

Access to marketing channel, partners

Compliance with regulations







Molnar, Hazelnut Information Session, Simcoe, 2010



# Hazelnuts: *Corylus spp.*





Hazelnuts

British  
Columbia









# **Some Barriers to Agri-Food Value Added Success**

- **Financing for business start-ups and operations is becoming more and more difficult to find.**
- **Lack of subsidies, lack of awareness among politicians of the agricultural situation and farming activities in the area, and**
- **Excessive regulations or regulations not adapted to agriculture and food**

# Barriers to Entrepreneurs

- Being good at one thing but thinking they are good at others when they are not.....
- Not recognizing that an idea may not have fiscal value or when it does....
- Funding
- Knowledge
- IP protection
- Experience
- Regulatory hindrances



# Organized.....



# The Basics of a Co-operative

- A co-operative is a business organization owned by the members who use the services of the co-operative
- Principles from the International Co-operative Alliance
  - Voluntary And Open Membership
  - Democratic Member Control
  - Member Economic Participation
  - Autonomy and Independence
  - Education, Training and Information
  - Co-operation Among Co-operatives
  - Concern For Community





# Organizational Structure

- **Members**
- **The Board of Directors**
- **Management**



# Comparison of Co-op versus Corporate Structure

	Co-operative For Profit	Co-operative Not For Profit	Corporation For Profit	Corporation Not For Profit
Purpose	Service and saving for members	Social, cultural and economic needs of members	Profit for shareholders on investment	Social and cultural activities other than personal financial gain
Ownership	Members	Members	Shareholders	Member, but no ownership
Control	One member, one vote	One member, one vote	Voting Shares per Shareholder	One Member, one vote unless otherwise stated
Liability	Members – to share subscription Directors can be liable	Members – to investment Directors can be liable	Shareholders limited to share subscription Directors can be liable	Limited to Investment Directors can be liable

# Comparison of Co-op versus Corporate Structure

	Co-operative For Profit	Co-operative Not For Profit	Corporation For Profit	Corporation Not For Profit
Distribution of Surplus or earnings	Surpluses may be paid into the reserve or to members in the form of patronage returns	Surplus remains in co-op.	Dividends paid on shares. Rate set by board of directors. There is no limit on share dividend	Surplus remains in corporation. Surpluses do not belong to individual members but to the organization.
On Dissolution	As above	Surplus goes to another non- profit group at time of dissolution	The value of shares reflect the net value of the corporation.	Surplus goes to the membership or to another charitable organization at time of dissolution.

# Forming A Co-operative

- Initial Idea and Key Organizers.
- Selection of a Steering Committee
- Conduct a Feasibility Study
- Selecting an Interim Board
- Incorporating the Co-operative
- Developing the Business Plan and Organization of the Co-operative
- Prepare an Offering Statement
- Conduct a Fund Raising Campaign





# Incorporating a Co-operative

- Co-operative Corporations Act
  - Need at least 5 members (worker coops need 3)
- Each member or delegate has only one vote
- No member or delegate may vote by proxy
- Interest on loan capital and dividends on share capital are limited (Prime +2)

# Articles of Incorporation

Filed with Financial Services Commission of Ontario

- 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. They can be seen as the "constitution" of your co-operative. 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;*
  - *how the co-op finances itself: by accepting loans, selling debentures, or charging membership fees;*
  - *the share structure of the co-operative*
  - *any special restrictions or provisions which apply to the co-operative.*

# ByLaws – Detailed!!!

- Membership and divisions of membership
- Requirements for membership and rights and responsibilities of members
- Requirements for supply agreements
- Member loans or share capital; share or loan certificates
- Meetings of members
- Board of directors and officers — number, duties, terms of office and compensation minor
- Election of delegates
- Use and distribution of surplus funds
- Borrowing powers; cheques, drafts and notes
- Bonding of employees and officers
- Custody of securities
- Execution of documents
- Fiscal year, notices, amendments



# Operating the Co-op

## Using The Revenue Surplus

- **Surplus is what is left of earnings after paying operating expenses.**
  - 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.
  - Co-ops have traditionally distributed most of their surplus to members as patronage returns.
- **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 your co-op's pre-tax income and are recorded as an expense. Paying patronage returns lowers the amount of tax your co-op may have to pay. Patronage returns paid by worker co-ops and some kinds of non-consumer co-ops are taxed as income earned by the member.
  - 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
- Withdrawal of Members
- Dissolution
- Marketing Agreements



# Hazelnut Information Session

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