

2 Background

2.1 Cooperatives in Australia

Cooperatives are mutual organisations which are operated for the benefit of their members. Cooperatives are distinguished from other forms of organisation by their democratic structure and the fact that capital is used to service the common needs of the members, rather than to provide individual benefit. Cooperatives are also distinguished from other business enterprises and organisational structures because they operate according to internationally agreed cooperative principles developed by the International Cooperative Alliance.

Cooperatives have existed in Australia since the mid nineteenth century. Producer cooperatives became a common form of organisation in the dairying and wheat industries in the late nineteenth century. This extended to the sugar, cotton and rice industries in the mid part of the twentieth century. Consumer cooperatives became more numerous in the years between the First and Second World Wars - and in some rural communities became the principal source of consumer goods. Other forms of mutual organisation have also played an important role in Australian society. Friendly societies which provided medical services and income support were common in the early part of the twentieth century. Credit unions and building societies became a feature of Australian society from the 1950s.

In current day Australia, the number of cooperatives has declined. This reflects changes such as the restructuring of rural industries and markets, the concentration of retail markets around national enterprises such as supermarkets as well as changes in medical insurance and the financing of health care.

As of September 2009 there were 1,726 cooperatives registered across Australia. Three quarters of these cooperatives are established as non-profit entities and have rules which prevent them from distributing any surplus to their members. The remaining quarter distribute surpluses to their members and are known as distributing cooperatives or trading cooperatives. The spread of cooperatives by jurisdiction and type is shown in Table One.

Table One: Number of cooperatives by jurisdiction and type

	Distributing	Non-distributing	Total
Australian Capital Territory	5	-	5
New South Wales	180	511	691
Northern Territory	1	-	1
Queensland	79	98	177
South Australia	50	2	52
Tasmania	10	19	29
Victoria	127	583	710
Western Australia	n/a*	n/a*	61
Total	452	1213	1726

* Western Australia legislation did not distinguish between distributing and non-distributing cooperatives at the time this data was collected.

Non-distributing cooperatives are commonly established for community purposes such as providing childcare or providing facilities for sporting and cultural pursuits. Other examples are cooperatives which purchase consumer goods like food or petrol in bulk. Membership rules vary. For example a non-distributing cooperative may require payment of a periodic fee, require participation in a minimum number of sporting events each year or sporting season or sometimes require that a share is purchased at a nominal value. Surpluses generated from the activities of non-distributing cooperative are typically used to improve the facilities, but some non-distributing cooperatives also disperse a proportion of any surplus for community purposes.

Distributing cooperatives predominantly operate in wholesale and retail trades, transport – particularly taxi networks, agriculture, manufacturing and property services. In general, distributing cooperatives maintain a proportion of any surplus to build the capital of the organisation and then disperse any remaining surplus to members – with distribution usually being based on the value of business that the each member does with the cooperative.

Most cooperatives in Australia are small organisations in terms of turnover and assets. Approximately 98 per cent of cooperatives have annual revenue of less than \$25 million and 99 per cent have assets of less than \$12.5 million. There are a very small number of cooperatives which have assets in excess of \$100 million, with most mainland States having at least one large manufacturing or agricultural cooperative.

Nearly all cooperatives operate in just one jurisdiction. Less than one percent of cooperatives operate across borders. In September 2009, there was a total of twenty six “foreign cooperatives” registered in Australian jurisdictions. A “foreign cooperative” is a cooperative which is incorporated in one State or Territory and which is registered as carrying on business in another State or Territory. The actual number of cooperatives operating across borders is less than twenty six, because a foreign cooperative is counted once for each jurisdiction where it is registered.