



SUMMARY REPORT OF

RURAL CO-OPERATIVE OUTREACH AND DEVELOPMENT PROJECT

EXECUTIVE SUMMARY AND LESSONS LEARNED

November 2011

EXECUTIVE SUMMARY

Alberta rural communities face challenges which are distinct from those of their urban counterparts. A reduction in available services such as health care, schools, and local businesses exacerbates the trend in rural depopulation, especially among young adults and families. Seniors wishing to stay close to their special places seldom have options to do so. Yet, those who remain and, to some degree, those who have left seek to reverse those trends.

The Alberta Community and Co-operative Association's (ACCA) Rural Co-op Outreach and Development project (2008 to 2011) and was funded by the Rural Alberta Development Fund (RADF) and sought to address rural issues by innovative applications of the co-operative model. It was designed with three main aspects of co-op development:

Phase 1: An exploratory aspect to determine the interest in and need for co-op development

The approach proposed a process of connecting with communities and learning about their needs to determine if the co-operative model could be of value in addressing those needs. However, most communities were not as interested in connecting until they saw a relevant application of the co-operative model which could fit specific needs that they had identified (e.g., helping them to explore ways to provide seniors care). As a result, the second phase of the project was brought forward and a part of the first phase (assessing community development plans to identify potential co-operative solutions) was postponed until completion of the second phase in which community connections were established.

Phase 2: An outreach aspect to introduce basic concepts of co-op development

Upon invitations from community representatives, outreach presentations were made in 20 rural communities. The presentations gave an overview of the co-operative model, illustrations of how the model is being used differently than has often been experienced in rural Alberta, and some brief guidelines regarding how to get a co-op started. Participating communities were invited to submit proposals for developing an innovative co-operative in their community. Four made application and two were selected to receive the services of a co-operative developer to development of their co-ops.

Phase 3: A capacity building aspect to train key community members in co-op development.

The two selected communities received hands-on development assistance. The group in Sangudo initially chose to develop a co-operatively owned arts centre to attract business from outside the community. However, based upon the feasibility study that they conducted, they realized that the centre was not feasible as a co-op.

The group changed focus and developed the Sangudo Opportunity Development Co-operative (SODC). The co-operative identifies and assesses business opportunities in the community and provides capital to assist with the business start-up, succession, and/or development.

22 members each invested \$1000 of share capital and \$9000 of member loans enabling the co-op's first investment: the purchase of the Sangudo Custom Meat Packers from its retiring owner. Two young community entrepreneurs lease the property from the co-op and pay a combined flat rate and percentage of gross. Consequently, co-op members have a vested interest in the abattoir and bring their business to the operation and encourage others to do so as well. In its first year of operation, the abattoir has increased employment from two full time equivalents to seven (an increase of approximately \$13000 to \$16000 per month in wages). At the end of the first year of operation, the co-op returned 6.3% on member loans.

The second community, Two Hills began with a focus on developing a worker owned co-operative. The community of Two Hills has a significant Mennonite population which have a reputation for a strong work ethic, but many of whom are handicapped by lower education. Also, in many cases, English is not their first language. The co-operative first explored two potential areas: construction and a greenhouse operation. Over time, the two groups diverged. The construction group eventually dissolved.

The greenhouse group was challenged by the substantial costs of operating greenhouses in central and northern Alberta during the winter months. As a result, the group shifted its focus to develop greenhouses suited for cold, northern climates by designing more energy efficient structures and utilizing renewable energy sources both passive (i.e., solar) and active (e.g., bio-digesters). To access the needed expertise, the group expanded to include other members and partners who represent a range of resources including energy efficient design, alternative energy source technologies, greenhouse production, and performance measurement.

Three organizations became the founding members of the Alberta Solar Greenhouse Co-operative. The co-operative is in the process of pursuing funding to assist with its design research. Ultimately, it seeks to create sales in:

- Produce grown in the co-op's commercial greenhouses,
- Greenhouses fabricated and built for both commercial and possibly hobby style, and
- Technology (e.g., bio-digesters)

Interest has been received from other communities regarding replication of the SODC model. As the Alberta Solar Greenhouse Co-operative has not yet developed its tested prototypes, it is too early to know what interest there is in its replication.

LESSONS LEARNED FROM THE RADF FUNDED RURAL CO-OPERATIVE OUTREACH AND DEVELOPMENT PROJECT

Including co-operatives in community development plans?

Generally, the concept of encouraging communities to adopt co-operatives into their community plans seems to have had little impact. Reasons vary but were largely:

- Timing. Planning processes typically involve a sequence of events such as collection of data which feed into strategic planning events and development activities. Not surprisingly, engaged communities were not in that mode. Their plans were completed and were in the implementation stages.
- Planning usually focuses on municipal needs (e.g., infrastructure, safe and secure neighbourhoods, planned expansion). Some needs could be addressed by co-ops (e.g., access to health care, seniors housing) and ACCA provided suggestions pointing out the co-operative vehicle as a potential solution for some needs identified in the plans. However, other rural needs may not be the subject of a municipality's plan. For example, producer co-ops and retail co-ops are less likely to arise within a municipality's plan.
- Strategies to attract and retain viable, healthy businesses may well show up in the plans; however, the support needed for such businesses would likely be similar to that needed for co-operatives.

In addition, the costs for the results in this strategy are questionable. Unless there is an invitation from a municipality to provide input toward their plans, then the expense of seeking out opportunities does not justify the results.

However, making decision makers more aware of the co-operative alternative as a community economic development vehicle and the unique characteristics of the model would have the desired effect of placing co-operatives in their development toolkit. The strong interest that many municipalities have had in our work on cooperatives capitalization that have arisen from this project seem to bear this out.

The way in to rural communities

For a provincial association with limited resources (such as ACCA) to successfully engage with rural Alberta, agencies and networks which are established within those communities can provide critical connections to those people. For example, in Two Hills, the Community Futures office facilitated the connection between the significant interested group and ACCA.

However, there continues to be challenges of how to get the attention of such agencies, particularly when they are so busy and there are a great number of competing demands for their attention. What we learned was that:

- a) Those who can connect the dots to see relevance from situations which are not exactly the same as their own are rarer.
- b) Few, if any, took notice of messages unless providing examples that resonated with their situation. In other words, asking the audience to use their imagination was not pragmatic!
- c) Success stories need to fit the audience's reality. Small village audiences were quick to dismiss examples of sizable co-ops which were in larger towns.
- d) Messages have to be concise to get the audience's initial attention. Once they saw a link to their own situation, they could take interest in more in-depth information.
- e) Interest and acceptance were higher when we were able to involve presentations from existing successful cooperatives (e.g., Westlock terminals). (Many of our latest outreach sessions now involve presentations from existing cooperatives rather than simply ACCA staff presenting case studies and second hand examples.)

Partly based on this reality, ACCA has focused on deeper upfront integration with project partners in its development strategies and integrating cooperative development activity, including such groups as the Community Futures Network of Alberta and their member Community Futures offices, Alberta Business Family Institute, the Economic Developers Alberta, etc...

Innovation versus replication

For those which are undertaking an innovative concept, there are typically higher risks due to the unknowns. In such instances, the need for outside financial assistance may be critical to test out the new concept. As the Chair of SODC stated, it is unlikely that the community would have considered developing a co-op without the assistance of the RADF funded co-operative development project. (Presumably, had there been a co-op which they could have readily replicated to meet their needs, they would have been more receptive to the cost of development.) Recent research indicates that replicated co-ops are much more likely to survive than innovative co-op incorporations. (Stringham & Lee, 2011)

In short, innovative models may attract a different (perhaps more iron-nerved) leadership, while the replications co-ops, still need leaders who can attract and motivate others; however, the risk costs are not as high.

Flexibility in the process

Development of a co-operative is a very human affair. There are multiple perspectives to be considered and data to be weighed. Although there is a standard series of steps for co-operative development the circumstances should really dictate the order of the development steps. An experienced co-operative developer can help the group navigate those unpredictable waters. In the cases of both Sangudo and Two Hills, the co-operative developer was able to do so.

Similarly, the feasibility process may lead to dead ends. In both Sangudo and Two Hills, the original intents (i.e., respectively to develop an arts centre and a construction co-op) were not feasible. Goals and objectives had to be abandoned and new ones were created. However, in both cases, the primary outcomes for the community remained the same: community economic development that creates more business and livelihoods in the community. Being ready to shift goals and objectives to ensure that the ultimate outcomes can be achieved is an important quality of both the developer and the group.

Partnerships

The project proposal was written with an understanding that partnerships would assist ACCA to connect with communities. To some degree that happened; however, as noted above, the reach into rural communities could have been substantially enhanced by working through organizations with working knowledge of and inroads into the communities.

Many funding proposals call for partnerships and while this can be a valuable contribution to the project, if not well articulated in advance, it can lead to misunderstandings. Prior to counting on partnerships in future strategies, it is important that the partners clarify what specific roles they will play and resources that they will provide.

As well, new partnerships can arise during the project which may be more valuable than pre-launch partners e.g. Community Futures in Two Hills made significant contributions.

Developing Alberta co-op prototypes to address common rural needs

Common needs which arose during the outreach sessions were:

- Seniors care and housing: Particularly smaller rural communities struggled with the problem of seniors having to move to larger centres for both housing and care needs as well as other amenities (e.g., access to health care). For a great many, their family still remained in or near the smaller communities where the seniors themselves had lived.
- Access to health care: Again for smaller rural communities, health care services were accessible mostly by going to larger centres. Again, this was particularly problematic for some seniors if they were unable to drive. Some rural communities were addressing the issue with a passenger van equipped to handle wheelchairs.
- Housing: In some communities, the surging oil and gas economy had created a demand for housing that was difficult to satisfy. This was particularly important for attracting the labour needed to satisfy the other service needs of the oil and gas workers and their families. The situation is likely less concerning these days.

Although these were identified as needs in several communities, the extent of those issues has not been assessed by ACCA. However, a simple survey could be conducted to identify the extent of the need.

Where the need is common, developing co-operative prototypes which address the need could go a long way as other communities could adapt the prototypes to fit their specific needs. (Note: In some cases, co-ops are addressing similar situations in other parts of the country; however, as noted above, examples which are a much closer fit with the target communities will have more resonance.)

Capitalization

Lessons learned from this project regarding capitalization are:

- The money is out there!
- Small communities have it as well as larger communities!
- The transparency of the coop model stands in sharp relief to the more opaque investment vehicles available for investors. People like to see where their money is going as it engenders trust. There is almost a "satisfaction return on investment" that can be achieved when investors invest locally, something that national or internationally investment vehicles can't provide.
- Money talks! The significant investment at SODC has driven engagement of the members. With \$10,000 invested, they care and want to know how it is used and protected.
- "Should other communities be seriously committed to adapting the SODC for their needs, serious consideration should be made for the development of a regional or provincial coop investment structure which could be structured to support independent community based investment while amalgamating the legal/administrative costs more centrally. Such a structure would make it easier for individuals to make larger investments. Discussions have already begun with existing groups e.g., Community Futures, to provide this form of centralized administration.
- Serious consideration should also be made for incorporating the use of RRSP in future investments, using similar structures to what is available now for business or mortgage investments, i.e. rather than having local people with traditional RRSP instruments (managed by someone else, they can be invested in local businesses which have real and hard value which investors can see and become a part of the business success.)". ACCA has secured funding to pursue the use of self directed RRSPs and is currently exploring it with SODC, the Federation of Gas Coops and other cooperatives in the province.

Local business resonates, but local ownership less so

When interviewing non-co-op members in Sangudo, a surprising distinction arose. When asked about the importance of local business, all indicated that it was highly important. When asked about the importance of local ownership, the responses were much more mixed. Perhaps economic leakage is not as obvious a concept to those who have not examined community economic development.

The lesson might be that if communicating co-op benefits to those who have not been involved in CED, local ownership may not resonate highly. On the other hand, it might be a way of sorting low-hanging fruit. Those who are interested in local ownership may well be the most likely group upon which to first focus.

Each audience is in a different place

Presentations used for outreach were "canned". Feedback indicates that some of the information may have been too basic for some audiences. A more interactive process of inquiring about the audience's knowledge would help skilled presenters to tailor the message and would engage the audience, including presentations by representatives of cooperatives which are more relevant to local needs-

Community capacity

Success is more likely when working with groups which have built trust and demonstrated an ability to work together for the community's benefit. This is particularly important for innovative approaches to the model. In Sangudo, the community had worked together to create community successes. (Sangudo is an ACE community.) In contrast, the original group in Two Hills, even though they were from the same ethnic background, was fractured. This made overcoming the hurdles of co-op development even more challenging.

Challenges of marginalized populations

The face of the marginalized population in rural Alberta may be different than in urban centres, but it still represents unique challenges. Their lack of financial resources and, most often, lesser education, make it difficult to forge common direction. For the Two Hills group, English was not the first language for many. And literacy rates were low. The co-operative developer adjusted appropriately by not using significant amounts of written materials. (Being fluent in Spanish was also helpful!)

These groups may also have a more difficult time persisting through setbacks and believing that positive outcomes can be created through cooperation. In other words, there may be the need for greater time, energy, and different skills on the part of the co-operative developer and associated agencies.

Who is development for?

Marginalized populations may be more challenging to work with, but they may also be the most in need of the co-operative model. Yet if they can't pay for development, who will?

Similarly, rural communities which are at higher risk (e.g., smaller, more remote) are costly to get to. Who will pay?

The question is philosophical and for an organization such as ACCA should be answered by the board of directors. Some of the new service delivery models that ACCA is considering involve blended fee for service payments that allow communities to pay for services over time as they achieve success.

WORKS CITED

Stringham, R., & Lee, C. (2011). *Co-op Survival Rates in Alberta*. Port Alberni: Canadian Centre for Community Renewal.