

New Generation Cooperative fits the bill

It's been said that the egg is the perfect food. That's not news to the founding members of the Alberta Egg Producers Cooperative.

Made up of 110 of Alberta's 170 egg producers, the Cooperative provides new market access and a voice for members on the future of the industry.

"The initiative behind the formation of the Cooperative was completely based on having a say in the industry, as well as creating a profile," says Jeff Orchard with Meyers Norris Penny who helped the Cooperative organize.

"The upside to the Cooperative is it has given us a market presence, and we've increased our production as a result. We're large enough to be recognized as a player in the industry."

The Alberta Egg Producers Cooperative is an example of a "New Generation Cooperative," a form of business arrangement that encourages agricultural producers and processors to expand the scope of their businesses. Sometimes described as hybrids between traditional co-ops and limited companies, NGC's are one way to help bridge the gap between commodity-oriented primary producers and consumer-focused markets.

It all sounds simple enough, but forming a New Generation Cooperative (NGC) isn't as simple as calling a meeting. With help from Alberta Agriculture, Food and Rural Development (AAFRD), Meyers Norris Penney and a law firm specializing in cooperatives, the logistics of forming the NGC were hammered out.

According to Merle Good, Provincial Tax Law Specialist with AAFRD, an NGC is a type of cooperative that uses a system of delivery rights and obligations to encourage business loyalty and provide a form of vertical integration. NGC's are particularly suitable to ventures involved in value-added agricultural processing and marketing.

“The trendsetting ability of Alberta Egg Producers Cooperative made it a natural fit as an NGC,” says Good. “We knew they were on the right track, and we also knew that with their product and market potential, they’d be successful in the venture.”

New Generation Co-ops are governed by boards of directors who are elected by the membership on a democratic basis. The board hires the management team, which manages the operations of the co-op.

Even though the Cooperative is approaching its second year of business, interest in it has not declined. Indeed, with long-term shareholder support for what the Cooperative is doing, egg producers continue to express interest in investing.

“Cooperatives, much like publicly traded companies, require more care and nurturing than a private, limited company,” notes Jeff Orchard. “But that care has helped us stay focused, and to identify at least two very exciting opportunities for the non-food use of eggs.

“Overall, the projects that we’re working on are very exciting,” he adds. “The upside of what we’re trying to do here is potentially huge.”

Forming and maintaining an NGC isn’t all fun and games. Orchard notes that challenges existed early on when discussion turned to owning and operating a plant. But the Cooperative overcame that challenge by partnering with Vanderpol’s Eggs of Abbotsford, BC, to form Vanderpol’s Egg Products Inc. The result is an egg processing plant located in Airdrie, Alberta, which produces liquid egg products. Each company has 50 per cent ownership of the plant, with Vanderpol responsible for managing the operation.

“The risk of the business was lessened by going into business with an egg processor,” says Orchard. “The basis of the Cooperative was to capitalize on the opportunity of the egg and egg processing industries.

“Other risks involved included management risks, leadership risks, operational risks, market risks and, finally, financial risks,” adds Orchard. “But we’ve mitigated all these risks by joining up with an established player in the industry that exhibited the same values and believed in the same principles we believe in. Experience is the best guide, and getting an experienced player on your team is great.”