

NEW GENERATION

SASKATCHEWAN

New Generation Co-operatives for
Agricultural Processing and Value-Added Projects

DEVELOPMENT GUIDE



Saskatchewan
Industry and
Resources

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I. INTRODUCTION

This guide has been prepared for groups interested in developing agricultural processing and value-added projects, with emphasis on the New Generation Co-operative (NGC) model.

Throughout the guide, a fictitious example of development of a feedmill is used to illustrate the development of a new generation co-operative. Please keep in mind that this process, while being one of many possible methods for project development, outlines steps that are basically the same from methodology to methodology.

II. WHAT IS A NEW GENERATION CO-OPERATIVE?

The primary objective of a new generation co-operative is to process or otherwise add value to members' primary produce and to share in the profits based on patronage or use of services. This co-operative model usually has a value-added focus, giving its members the opportunity to capture a larger share of the consumer dollar by selling processed products.

In Saskatchewan, new generation co-operatives are incorporated under *The New Generation Co-operatives Act*. This legislation was enacted in January 2000. The new legislation was enacted because *The Co-operatives Act, 1996* does not address such issues as non-member capital and non par value shares. New legislation was needed to provide co-operatives with greater flexibility to implement a capital structure tailored to their needs. Those choosing to utilize the NGC legislation must have proposed projects involved in the agricultural sector.

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; and
- A board of directors elected by the membership.

The three attributes that distinguish new generation co-operatives from traditional co-operatives are:

- A tied contract, setting out delivery rights and obligations,
- A membership limited to those who purchase delivery rights; and
- Higher levels of equity investment by individual members.

EXAMPLES OF SUCCESSFUL NEW GENERATION CO-OPERATIVES

New generation co-operatives in Canada and the United States include facilities to process and/or market organic grains, soybeans, corn into ethanol, agricultural fibre into panel products, poultry, sugar beets, specialty cheeses, sea vegetables, bison, beef, oilseeds, almonds and edible beans.

There is also potential for smaller groups to become successful new generation co-ops. When we envision new generation co-operatives, we may have to consider smaller value-added ventures that may be more realistic than multimillion-dollar operations.

WHY SHOULD NEW GENERATION CO-OPERATIVES BE FORMED?

The benefits are threefold:

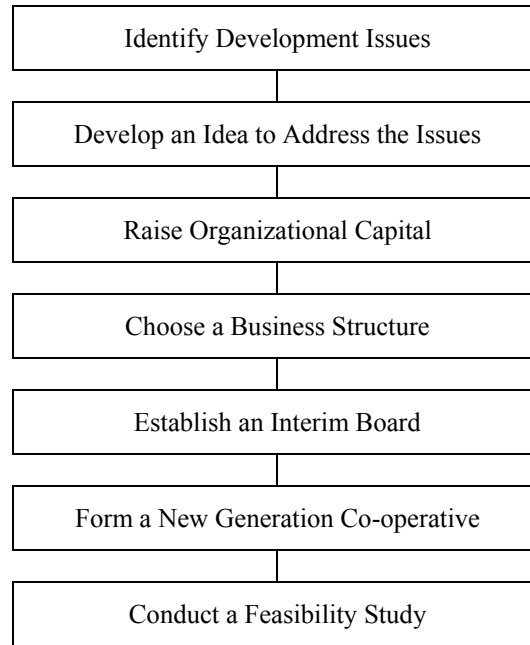
- i) Benefits to the local economy
 - Establishing processing facilities in the province creates jobs and keeps more of the food dollar in the local economy.
 - Provides value-added activity in the province. Currently 70 per cent of the food processing in Canada is done in Ontario and Quebec, with Saskatchewan processing only 2 per cent. In other words, Saskatchewan receives 2 per cent of the food-processing industry in Canada, and yet we have 40 per cent of the arable land. To survive simply by growing the raw product and exporting it out of the province is no longer a viable option.
- ii) Benefits of adding value to a producer's product
 - It is important for Western Canadian farmers to move up the food chain and capture part of the value resulting from processing and marketing the commodity that is grown.
 - By joining an NGC, producers can increase the potential of obtaining a viable, local market for their product, thus avoiding the costs of long-distance transportation. However, the producer has to be prepared to take risks and invest.
- iii) Benefits of the NGC business structure
 - An NGC is more likely to stay in the community because community stakeholders have developed it, and its members have majority ownership and control of the business.
 - To the producer members, the co-operative processing operation is an extension of the farm operation. The producer members are able to retain ownership of their farm product as it proceeds along the food chain. In doing so, they are able to access the returns from the processing and marketing of the food product that results from the processing of their raw commodity. In other words, they realize two profit centres, originating from both the raw commodity and the processed product.
 - The farmer members are able to make decisions and exercise control at both the production and processing levels.

CONCLUSION/SUMMARY

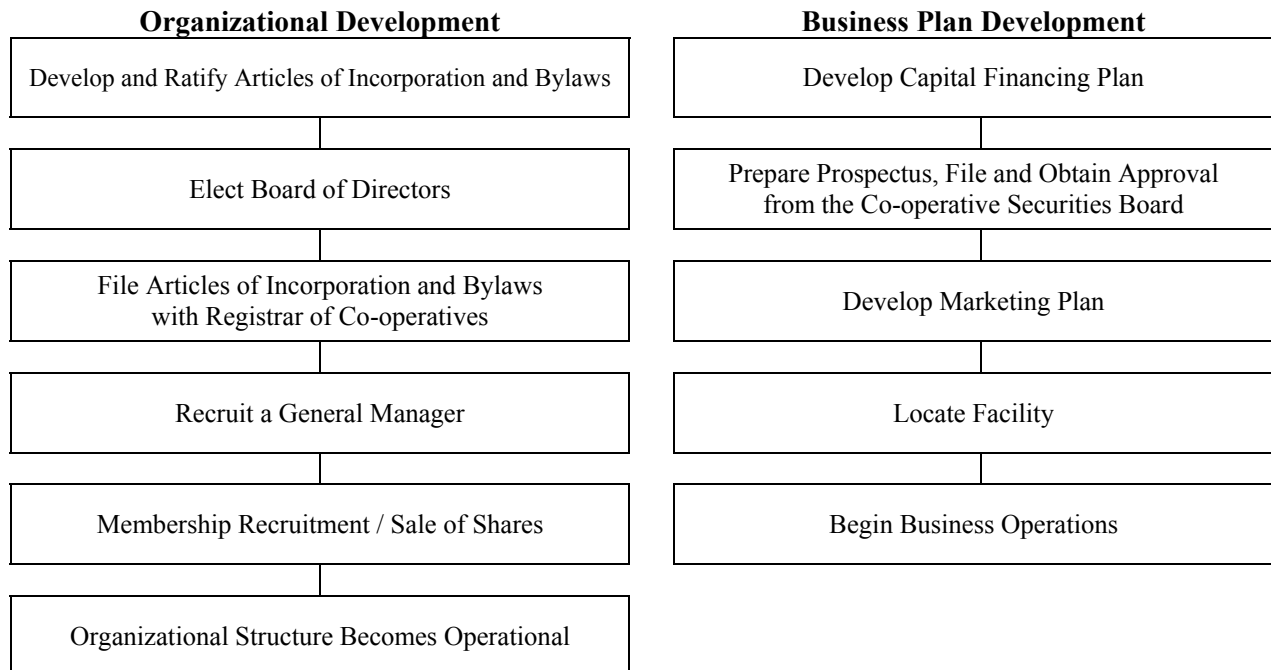
- The new generation concept is a way for farmers to increase their incomes and to offset some of the negative impacts of recent changes in agriculture. The NGC legislation also allows non-producers to get involved through purchasing preferred shares.
- Farmers today realize they need to retain ownership of their product beyond the farm gate and invest in ventures that add value to those products. The NGC model offers farmers the opportunity to join together, move up the value chain and capture some of the profits along the way. Producers have to get the production, the manufacturing and the marketing dollars for their products.
- Farmer-owned, value-added agricultural enterprises are a much-needed addition to our rural economy and will continue to be important.

III. INVESTIGATING THE NEW GENERATION CO-OPERATIVE MODEL

The following chart illustrates the key steps in developing a new generation co-operative, as described in this guide. It begins with a single-streamed process, which includes the identification of development issues and ideas, the selection of a business structure and a feasibility study. When the decision is made to develop a new generation co-operative, it becomes a dual process focusing simultaneously on the development of the co-operative's organizational structure and its business plan.



STOP OR PROCEED



A. Identifying Development Issues

The first step in developing a project is determining what the project will be. If the focus is on community development, it is important to have as much input from the community when setting priorities and developing a process. This should lead to a greater level of “buy-in” to the project, as it then truly becomes a community project with a wide scope of stakeholders.

The local economic development committee of a southeast Saskatchewan community held a brainstorming session and conducted a SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats) with community leaders and other interested individuals. The purpose of the session was to identify various options to capitalize on new opportunities in agriculture. Industries discussed included ethanol, cattle feedlot enterprises, hog production enterprises and a feed manufacturing plant.

Several factors contributed to the committee’s decision to focus on a feed manufacturing plant, including the lack of mills in the region, continuing livestock expansion in the region and the existence of a target market in hog feed.

When the development issues have been identified, proponents may respond as individuals and start their own business ventures or they may work with others who are facing similar issues and use a collective approach to solve them.

B. Developing The Idea

A public meeting was then held to bring the community members on side and get them involved. The committee discovered that many local producers were interested in becoming involved in a value-added venture.

Most producers who attended the meeting produced some type of inputs for feed and were interested in improving their profits through value-added activity. They considered the following options:

- *Selling their inputs to an established feed mill;*
- *Encouraging an entrepreneur to set up a feed manufacturing plant; and*
- *Working together to set up a producer-owned plant.*

The group has determined that there are no existing plants in their area and that they will need to develop a local facility.

At the end of this public meeting, six producers volunteered to join the current economic development committee members, thereby forming the project development committee for this venture.

It is important that members of the project development committee represent the community, the industry in which the project will complete (for example, if you are going to try to build a feedlot, cattle industry representation is important) and the rural/urban business community. The committee **MUST** have the desire to initiate change, be prepared to put in the time and have a genuine interest in the project.

C. Raising Organizational Capital

Legal advice is commonly required when needing to incorporate and when organizational capital is needed from the community.

The product development committee plans to incorporate and to solicit organizational capital as soon as possible, and therefore decides to hire a legal firm that has experience in this area, including knowledge of co-operatives.

At this point, and perhaps earlier, organizational capital will need to be raised to finance the organizational development, incorporation process and feasibility study.

The project development committee has decided to conduct initial fund-raising for organizational capital, which will go towards the cost of organizational development, the incorporation process and the feasibility study.

The committee is able to use an exemption under The New Generation Co-operatives Regulations Section 10 (g). This exemption allows a co-operative to raise a maximum of \$100,000 from its members, which will go towards the preparation of feasibility studies and business plans.

For more information on the securities exemptions and the prospectus process, please refer to “Key Steps Relating to the Issuance of Securities” on the Centre for the Study of Co-operatives Web site: <http://www.coop-studies.usask.ca/NGC2/resourcematerial/resourcematerialch5.htm>, or contact the Saskatchewan Securities Commission at (306) 787-5645.

D. Choosing a Business Structure

The group knows there are several types of ownership structures to consider for their venture. Because this is a community venture, the committee agrees that the sole proprietorship and partnership options are not appropriate because of the number of potential participants. The business structures left to consider are:

- *Business Corporation: controlled by investors/owners, proportionate to the number of voting shares each holds in the business, and*
- *Co-operative: owned and controlled by members on an equal basis regardless of the level of investment or patronage.*

They have heard about the new generation co-operative model and agree that it is worth investigating. They also agree that the decision to form a business corporation or a co-operative is complex and requires additional research. Janet and Brian agree to research this area and consult with their lawyer and to report back to the group at the next meeting.

Technically, a business corporation can have all the features of a new generation co-operative. However, a new generation co-operative (through its structure) is owned by the producers, who deliver the raw product for processing, with their dividends being linked to these delivery rights. In comparison, corporations generally are made up of investors who want to earn profit on their capital.

When assessing business structures, a group should consider which model is most appropriate and acceptable for the specific venture. The voting and control structures are particularly important. The co-operative structure, based on one-member, one-vote regardless of the equity invested, might not be acceptable to all investors if there is significant variation in the relative amounts invested by individual participants. In other words, the business corporation model will appeal to people who want control to be

directly linked to the amount of their investment and the co-operative model will attract individuals who want to accept equal voting power regardless of their level of investment.

In summary, co-op members will commit themselves to sell raw product to the co-operative and share in the profits in proportion to how much of the raw product they provide, whereas corporations are made up of investors who want to earn profit on their capital.

Groups should seek professional legal and financial advice to help them select the appropriate business structure.

Appendix A gives detailed information about the new generation co-operative and business corporation and structures. Another good reference is the publication entitled *Choosing the Right Structure for Your Agribusiness*, published by Saskatchewan Agriculture, Food and Rural Revitalization.

The Next Meeting:

Janet and Brian present their report about key differences in structure between a business corporation and the new generation co-operative model. They stress to the producers that because they produce the inputs, they should have control of the company and be the ones that realize the two profit centres deriving from the raw commodity and the processed product. The group also prefers that each member have equal voting power regardless of their level of investment. Therefore, the group agrees that a new generation co-operative is the appropriate structure for achieving their collective goals.

Other determining factors in choosing the co-operative structure include the democratic control, which gives members more opportunities to participate in directing and controlling the venture. In addition, the distribution of profits according to the amount of business the members do with the co-operative is often times deemed important to members.

E. Establish an Interim Board

It is now time to establish an interim board, as the incorporation documents will need to be completed by a legal firm once the business structure is chosen. At a committee meeting, the group elects an interim board that includes members of the project development committee, local producers and local business leaders. This interim board includes a president, vice-president, secretary and treasurer.

F. Forming a New Generation Co-operative

The interim board decides to advise their lawyer that at this point they will proceed with the name search for the new generation co-operative. Janet (President) and Brian (Treasurer) agree to meet with their lawyer, who will prepare the necessary name search documents and forward the documents to Saskatchewan Justice - Corporations Branch. The name chosen is Living Skies Feed Processing Co-operative Ltd.

*The name search fees include an automatic 90-day reservation of the available name. This will give the Board time to complete and file the incorporation forms (see IV. ORGANIZATIONAL DEVELOPMENT - A. Incorporating the Co-operative). To ensure the reserved name is still available, documents must be submitted and **approved** before the expiry date of the reservation. If the reservation expires before the documents are approved, it will be necessary to obtain another name search for Living Skies Feed Processing Co-operative Ltd. and pay another name search fee.*

G. Feasibility Study

i) SWOT Analysis

To be successful, organizations must be able to develop an idea into a functioning organization and business. A SWOT analysis (strengths, weaknesses, opportunities and threats) enables a group to review its ability to develop, finance and operate a proposed project.

The interim board conducts a SWOT analysis of their organization and business ideas. It identifies the group's strengths as:

- *Commitment to work together,*
- *Community minded,*
- *A strong membership base, and*
- *Organizational experience.*

Its weaknesses are:

- *Lack of capacity to finance,*
- *A lack of experience in the feed processing industry, and*
- *Insufficient knowledge of the feed manufacturing business area.*

Its opportunities include:

- *Better returns through adding value to its raw product, and*
- *The ability to sell high quality livestock feeds throughout the region.*

Its threats are:

- *The cost of start-up,*
- *Competition from established companies, and*
- *The highly competitive feed processing industry.*

This SWOT analysis has made it clear to the group that there is one key strategy, which is essential to proceeding with mill development: establish supply contracts with two or three major customers.

The group also realizes that although there is potential for success in this venture, further research is necessary to determine the feasibility of the proposal. They recommend that a consultant be hired to assess what is needed to establish the business and to evaluate its potential for success. The group prepares an outline of what the consultant's report should include and advertises for submissions accordingly.

ii) Feasibility Study

At this point, you will want to determine if there is a market specifically for your products or services.

Someone independent of the co-operative should undertake the feasibility study, and this person should understand the industry, the co-operative's ownership structures and business practices.

The feasibility study should address the following:

- Market opportunities,
- Assessment of competition,
- Start-up costs,

- Capital costs,
- Production costs,
- Investment requirements,
- Amount of raw product required,
- Size of membership required to provide raw product,
- Potential return on investment,
- Personnel requirements, and
- Management requirements and availability.

A good feasibility study will determine the potential for a successful business, but it will not provide any guarantees. It should also recommend how to proceed, identify necessary changes in the development process and set out the steps needed to organize a successful venture.

The costs to prepare a feasibility study can be significant, but groups can apply for funding. See Appendix C for sources of Saskatchewan provincial government funding specific to co-operatives.

The interim board receives the feasibility study, which reveals the project has the potential to be viable. Within a 200-km radius to the proposed location, only one smaller mill exists, and expansion of the livestock industry in the area has been ongoing. A primary target in the region has been identified as a hog operation requiring feed. Secondary feed markets originate from several different livestock operations in the region.

The board decides to proceed. The first step is to formally organize the co-operative.

IV. ORGANIZATIONAL DEVELOPMENT

A. Incorporating the Co-operative

When the group has agreed to proceed, it should incorporate. A minimum of six people are required for incorporation. The incorporators must develop and ratify Articles of Incorporation and Bylaws that meet all requirements of *New Generation Co-operatives Act*. The Articles of Incorporation and Bylaws are agreements between a co-operative and its members. They define a co-operative's basic financial and organizational structure and set out the rules by which it is governed. The Articles of Incorporation also set out the co-operative's share capital structure and objectives.

The share structure is one of the key features of new generation co-operatives. It often involves more than one class of shares, each with different rights and conditions. For example, it may include:

- Shares required as a condition of membership,
- Shares linked to delivery right/obligations, and
- Shares purchased by non-producers.

The objectives of the co-operative should be clearly defined so potential members have essential information about the organization. For example, in this case, the Articles of Incorporation may set out the following objectives:

- To provide a market and to process the primary product,
- To provide and/or increase earnings for members and investors, and
- To support economic development in the community (e.g. job creation).

The co-operative is also required to establish bylaws addressing key policy and operating issues such as conditions of membership, individual equity requirements, provisions for distribution of surplus and other applicable items listed in Section 7 of *The New Generation Co-operatives Act*.

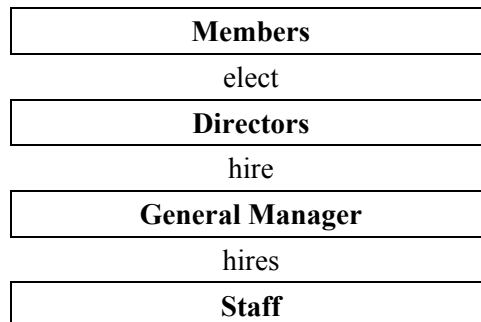
Living Skies Feed Processing Co-operative Ltd.

The incorporation documents are submitted to Saskatchewan Justice – Corporations Branch. Corporations Branch then approves the documents and issues a Certificate of Incorporation. The co-operative is now ready to sell membership shares at \$100 each, as the sale of these securities is exempt from any review under The New Generation Co-operatives Regulations.

The co-operative’s first general meeting is held, at which all members are entitled to attend and vote. Normal business at this meeting includes adoption of the bylaws, election of directors and appointment of an auditor.

B. Co-operative Governance Structure

A co-operative is a democratically controlled organization owned and controlled by its members. Members have a duty to patronize the co-operative and to participate in its democratic operation by attending meetings, voting on issues, voting in elections and by being willing to hold office in the organization. The board of directors sets the co-operative’s strategy and goals and hires a manager. The manager conducts the day-to-day activities necessary for the operation of the co-operative and reports to the board. The board and management have a collective responsibility to report to the membership. Following is an illustration of the control structure of a co-operative:



V. THE BUSINESS PLAN

A comprehensive business plan is necessary to ensure successful establishment and operation of any co-operative enterprise. Each component of the plan should contain clearly defined goals with strategies and timelines for implementation. The business plan should include a capital financing plan, a marketing plan, and a plan for building and locating necessary facilities.

The board is now overseeing the development of a business plan and has established member committees to work on various components. The board decides to hire a consulting firm for development of the business plan because the board members are volunteers with limited time, business knowledge and skills.

A. Financing Plan

A financing plan has two main components: (1) identification of the amount of capital required to finance a project, and (2) identification of potential sources from which that capital can be raised. Sufficient capital will be required to purchase or lease the land, plant and equipment to establish the business. The capital is also needed to cover start-up costs associated with the project. These costs, which will be incurred before any revenues are generated, usually include:

- The cost of raw product required to start operations,
- Initial operating and personnel costs prior to starting operations, and
- The cost of preparing and implementing the business plan.

For new generation co-operatives, potential sources of capital include:

- Shares sold as a condition of membership (common shares),
- Shares linked to delivery rights (member right preferred shares),
- Preferred shares, which usually have a defined rate of return,
- Debentures of other equity instruments such as member loans, and
- Loans from financial institutions.

Identifying Capital Requirements:

The board has identified several potential sites for the plant and has received cost estimates for construction and equipment. It has established a capital-financing plan based on this information. Total capital costs for building the plant and initiating operations will be \$2.2 million. The board decides it must raise a minimum of 40 per cent, or \$880,000, through the sale of shares linked to delivery rights. It has also identified that 550,000 bushels of feed grain are required for processing to break even and that one million bushels will equal full capacity. Based on the minimum equity required (\$880,000) and the minimum units of production (550,000), the price of each share/delivery right will be \$1.60 per bushel. The balance of financing will be in the form of loans from a financial institution.

The Articles of Incorporation and Bylaws of the co-operative have set out the following financial instruments:

- *A \$100 Class A membership share to be purchased by all members;*
- *A \$1.60 Class B member right share required per unit of production contracted, minimum 4,000 shares per member; and*
- *A \$1,000 Class C preferred non-voting share yielding a dividend of 5 per cent per annum.*

B. Approval to Issue Securities

Part XXII of *The New Generation Co-operatives Act* together with Section 10 of *The New Generation Co-operatives Regulations* set out the rules governing how an NGC can issue securities. As a first step to issuance of securities, an NGC should determine if the proposed issue of securities is exempt from any review under the *Act* or *Regulations*. If the NGC is unable to make use of these exemptions, it should then look to the exemptions available under *The Securities Act, 1988*. Should the NGC find that there are no statutory or discretionary exemptions available for its proposed security offering, then it is very probable that a prospectus will be required.

The prospectus must be provided to all persons to whom the co-operative seeks to sell shares. The major focus in marketing shares will be on producers with products for processing. Potential members must be willing to enter into tied contracts to sell their produce to the co-operative as a condition of their share purchase. In addition, the co-operative may seek investment from non-producers through the sale of

shares or other financial instruments such as debentures. The members will have to consider the potential effect of having non-producers as members.

For more information on the securities exemptions and the prospectus process, please refer to “Key Steps Relating to the Issuance of Securities” on the Centre for the Study of Co-operatives Web site: <http://www.coop-studies.usask.ca/NGC2/resourcematerial/resourcematerialch5.htm>, or contact the Saskatchewan Securities Commission at (306) 787-5645.

The board of Living Skies Feed Processing Co-operative Ltd. has received approval from the Saskatchewan Securities Commission to issue and sell its shares under an exemption. The board establishes a membership committee representative of both members and directors. They contact all eligible producers in the region and, in a period of a few months, sell 95 membership shares at \$100 each. These 95 members purchase a total of 575,000 Class B member right shares; \$920,000 raised through the sale of delivery rights. The co-operative has also raised \$70,000 from the sale of Class C preferred non-voting shares.

C. Marketing Plan

The board also establishes another committee to develop a marketing plan. A major target customer is a swine genetics company, and three other similar customers have been identified.

To ensure that a co-operative is able to operate as a sound business, the market in which it will be operating must be analysed before the business gets underway. Successful marketing requires producing the *right product* in the *right place*, and promoting it to the *right people* at the *right time* for the *right price*. Following are some of the factors that must be addressed:

Right product:

- Will you have sufficient raw materials?
- Is your product unique?
- Is there a need for your product or service?
- Will your product be of high quality, and can you ensure quality consistency?

Right place:

- What is the size and location of your market?
- What is the location of your producer-members?
- How strong is your competition, and how far away is the competition?
- What advantages do you have?
- What advantages do they have?
- Are there any likely new competitors?
- What is your potential market share?
- What transportation will be needed?

Right price:

- Can you produce your product to cover costs and earn a profit?
- Is the price of your product stable?
- Are your prices competitive?
- Will you have to give discounts for cash, volume, distributors or salespeople, or pay commissions?

Right people:

- Where are your customers (local, regional, national, international)?
- Who are they (age, sex, income)?
- How much will they buy and how often?
- How will they pay for the product (cash or credit)?
- What do they want in a product?

Right promotion?

- Do you have a logo or trademark, and is it registered?
- How much advertising and promotion is right for your products?
- How will you make your potential customer aware of your product?
- What is the potential for free publicity?
- Can demands for supply be met?

D. Locating the Plant

The board, in consultation with members, has approved a plant site that is near the junction of two major highways, is easily accessible for members to deliver the product and is located very close to all major utilities. The mill design will allow for future expansion of a pelleting mill.

The site selection should not be made until all economic factors have been considered. Factors to consider include:

- Proximity to members and markets,
- Transportation routes, highways and railways,
- Availability of labour,
- Availability of land and buildings, and
- Levels of taxation, environmental and other regulations.

E. Starting Operations

A general manager is hired. The general manager then oversees the hiring of staff necessary to begin operations. The construction of the mill is complete and the equipment has been installed. The implementation plan is on target, with the first deliveries of raw product being made in May. The plant begins production.

A first-year operating plan is essential for starting a new business. It should include the recruiting of a qualified manager, who will hire other staff and develop operating policies and procedures. The board and management must also develop a three-year to five-year operating plan, which should be reviewed each year and modified to meet changing conditions.

The operating plan should include the following projections:

- Revenue from all sources, and
- Expenses, including the mortgage or lease, taxes, utilities, management, labour, insurance, promotion, transportation, maintenance and all other costs required to get the product from the member to the customer.

The First Annual Meeting:

The plant has been built and production has begun. 105 members have joined and have signed contracts committing to 615,000 units of production. The co-operative has created jobs in the community, and members and other investors have received their first dividends. Interest is growing among other producers, and there have been a number of requests to join the co-operative. The board will consider these requests as part of its organizational and business planning process.

VI. CONCLUSION

This document was prepared as a guide for groups considering the development of a new generation co-operative, and it provides information on key issues relating to the establishment of these co-operatives as both functioning organizational structures and successful business operations.

However, this guide does not provide comprehensive information on all of the specific issues that individual groups will likely have to address. When developing projects, most groups will need to supplement this information by accessing other resources including those available from various levels of government, economic development organizations and private-sector consultants, lawyers and accountants. Appendix B lists some of the government agencies and co-operative organizations that may be able to provide advice and assistance to individual groups considering a project and/or contemplating forming a new generation co-operative.

APPENDIX A
A Comparison of Business Structures

	New Generation Co-operative	Business Corporation
Objective	To process or otherwise add value to members' primary produce or livestock, and to share in the profits based on patronage.	Generally established to maximize profits to investors.
Ownership	Producer members with shares/delivery rights to sell to the co-operative.	Any person may own shares in the corporation.
Control Structure	Each member has one vote, regardless of the number of shares held, no proxy voting, elected Board of Directors by members, and hired management and staff.	Shareholders vote in proportion to the number of voting shares held, proxy voting is permitted, elected Board of Directors, and hired management and staff.
Share Structures	<p>There are three types of shares provided for under Saskatchewan legislation:</p> <ul style="list-style-type: none"> • A NGC must have common par-value shares. These shares are purchased to qualify for membership. • Member right shares may be issued only to members. Each member who owns shares of this class is obliged to conduct a specific amount of business with the co-operative (delivery rights). These shares do not have a par-value and are non-voting. • Preferred shares may be issued to members or non-members and are non-par-value shares. 	A corporation can have any number of shares, each with their own rights, restrictions and privileges. However, there must always be a class of shares that votes, is entitled to dividends and shares in the remaining property of the corporation upon dissolution.
Liability	Limited to a member's total investment in the co-operative. Directors may be liable for their actions.	Limited to a shareholder's total investment in the corporation. Directors may be liable for their actions.
Share Purchase Requirements	Members must purchase the minimum shares required as a condition of membership. They may be required to purchase additional shares in order to obtain delivery rights.	Not applicable.
Delivery Rights and Obligations	Members will sign a contract to deliver a prescribed amount of produce or livestock and the co-operative will be obligated to purchase this amount.	Delivery rights may be linked to share ownership. Shareholders may enter into a contract for delivery with the corporation.
Securities Regulation	If the security is not exempt under the <i>NGC Act</i> or <i>Regulations</i> , the co-operative must apply to The Co-operative Securities Board regarding the issuance of securities. A co-operative also has the option under the <i>NGC Act</i> to advise the Board by written notice, that all trades in a proposed securities offering will comply with <i>The Securities Act, 1988</i> .	All share issues may be subject to review and approval by the Saskatchewan Securities Commission. If sold on a stock exchange, other regulations may apply.

APPENDIX A

A Comparison of Business Structures (continued)

	New Generation Co-operative	Business Corporation
Distribution of Surplus or Profits	Earnings not retained in reserves are distributed on the basis of patronage (the amount of product a member sells to the co-operative); to investors based on dividend rate.	Earnings not retained in reserves are distributed in the form of dividends paid on shares at a rate set by the Board of Directors.
Tax Implications	Patronage dividends paid to members are deducted from the co-operative's pre-tax earnings and are subject to taxation only by the member receiving the dividend.	Corporate taxes paid on all profits. Dividends are then paid to shareholders who pay personal taxes and apply for a personal tax credit. Corporations can also receive a tax credit on reinvested profits.

For more information on business structures, please refer to *Choosing the Right Structure for Your Agribusiness*, published by Saskatchewan Agriculture, Food and Rural Revitalization (SAFRR). Copies of this booklet can be obtained by contacting SAFRR at (306) 787-5960.

APPENDIX B
Agencies and Organizations That May Provide Information
or Assistance to New Generation Co-operatives

Government of Saskatchewan

Saskatchewan Industry and Resources
Business and Co-operative Services Branch
2103 11th Avenue, 4th Floor
Regina, SK S4P 3V7
Toll Free: 1-800-265-2001
Telephone: (306) 787-2232
Facsimile: (306) 787-8447
e-mail: webmaster@ir.gov.sk.ca
Web site: <http://www.ir.gov.sk.ca>

Saskatchewan Agriculture, Food and Rural
Revitalization
Agriculture Research Branch
3085 Albert Street, Room 329
Regina, SK S4S 0B1
Telephone: (306) 787-5960
Facsimile: (306) 787-2654
Web site: <http://www.agr.gov.sk.ca>

Saskatchewan Justice
Corporations Branch
1871 Smith Street
Regina, SK S4P 3V7
Telephone: (306) 787-2962
Facsimile: (306) 787-8999
e-mail: webteam@justice.gov.sk.ca
Web site: <http://www.saskjustice.gov.sk.ca>

Saskatchewan Securities Commission
1920 Broad Street, #800
Regina, SK S4P 3V7
Telephone: (306) 787-5645
Facsimile: (306) 787-5899
Web site: <http://www.ssc.gov.sk.ca>

Government of Canada

Agriculture and Agri-Food Canada
Market and Industry Services Branch
1800 Hamilton Street, #401
Regina, SK S4P 4K7
Telephone: (306) 780-5545
Facsimile: (306) 780-7360
e-mail: PIRS@agr.gc.ca
Web site: <http://www.agr.gc.ca>

Prairie Farm Rehabilitation Administration
11 Innovation Boulevard, #1011
Saskatoon, SK S7N 3H5
Telephone: (306) 975-4130
Facsimile: (306) 975-4594
e-mail: PIRS@agr.gc.ca
Web site: <http://www.agr.gc.ca/pfra/>

Co-operative Sector

Centre for the Study of Co-operatives
University of Saskatchewan
101 Diefenbaker Place
Saskatoon, SK S7N 5B8
Telephone: (306) 966-8509
Facsimile: (306) 966-8517
Web site: <http://coop-studies.usask.ca/>

APPENDIX C
Sources of Saskatchewan Provincial Government Funding Specific to Co-operatives

Agricultural New Generation Co-operative Program (ANGen)

This program provides help to assist the development of value-added agricultural new generation co-operatives. Assistance under the program is provided for:

- Formalizing organizational structure of the co-operative
- Feasibility study
- Business plan development
- Market analysis and planning
- Developing a prospectus to attract shareholders
- Pre-design of facilities prior to construction

Assistance is not available for the production of products or the purchase of land, buildings or equipment. Applicants are required to contribute at least 50 per cent of project amounts.

For more information contact:

Saskatchewan Agriculture, Food and Rural Revitalization
3085 Albert Street
Regina, SK S4S 0B1
Telephone: (306) 787-5140

Co-operative Development Assistance Program

The purpose of this program is to encourage and support the development and expansion of new co-operative enterprises by providing funding for organizational development and business analysis. Funding under the program is cost shared on a 50/50 basis up to a maximum of \$10,000. Not-for-profit co-operatives and Employment (Worker) Co-operatives incorporated under Part XXV of *The Co-operatives Act, 1996* can receive funding up to 100 per cent of eligible costs. Eligible projects funded under this program include:

- Organizational development costs
- Board member training and development
- Feasibility studies
- Business and marketing plans

Funding is not available for pre-incorporation and incorporation cost, purchase of assets, or business operation costs.

For more information contact:

Saskatchewan Industry and Resources
Business and Co-operative Services Branch
2103 11th Avenue, 4th Floor
Regina, SK S4P 3V7
Toll Free: 1-800-265-2001
Telephone: (306) 787-2232
Facsimile: (306) 787-8447

For more programs available for expansion or start-up of agribusiness ventures in Saskatchewan, please refer to *Sources of Government Funding for New or Expanding Agri-Businesses*. This booklet is intended to be a comprehensive source of information on federal and provincial government funding programs available to Saskatchewan agribusinesses. The document provides a short description of the programs, and provides contact information for further information.

http://www.agr.gov.sk.ca/DOCS/about_us/programs_services/govtfunding.pdf