Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

CASE STUDIES IN RURAL CO-OPERATIVES

Three Studies of the Organisation and

Management of Rural Co-operatives Providing

Post-Harvest Facilities in the Kiwifruit Industry

A Research Report Presented in Partial Fulfilment
of the Requirements for the Degree of Master of
Agricultural Business and Administration at Massey
University

Michael Ian Beattie
1983

ABSTRACT

The co-operative ownership structure is one that is commonly encountered in New Zealand's agricultural industry. This type of organisation would appear to have a number of natural advantages that should make it very competitive in modern agri-business. However it is apparent at least some co-operatives have not lived up to their members' expectations. This research project has been undertaken to identify some of the problems of co-operative enterprise and to provide some possible strategies to improve their operation.

This report examines the management and organisational practices of three co-operative enterprises providing post-harvest facilities in the Kiwifruit industry. The research follows a longitudinal case study approach, with each co-operative described in terms of the six dimensions of history, facilities, shareholding, direction, operation and finance. The material generated by the study is discussed within a framework of central issues, established from evidence of other co-operative activity, both in New Zealand and overseas.

The report concludes with a description of some

14 common problems, and a discussion concerning the

effectiveness of management and organisational measures

that have been implemented as possible solutions.

It then goes on to outline 10 general strategies that could be of significance in the improved operation of rural co-operatives.

ACKNOWLEDGEMENTS

The completion of this research project has been made possible through the advice and assistance of a number of individuals and organisations. I wish to express my appreciation for their support and encouragement. In particular, I would like to thank Dr W.R. Schroder, my research supervisor, for his timely council and guidance.

The Rural Banking and Finance Corporation
sponsored this research project and I appreciated the
financial and material support provided by this
Organisation. Staff members in Wellington, Palmerston
North, Rotorua and Tauranga were of particular assistance
at various stages in the course of this study.

I am indebted to each of the four co-operative organisations for agreeing to participate in this research project. The members and management of each company willingly gave of their time and for this I am very grateful. Particular mention should be made of the special assistance provided by Messrs R. Halford, B. Honeybone, W. Sisam and R. Sharp in my developing an awareness of each co-operative enterprise.

Other organisations have also been of considerable assistance in this research project. To this end I would like to thank the Kiwifruit Authority, Kiwifruit

Exporters Association, individual export companies,
Ministry of Agriculture and Fisheries and several
private packing and storage companies for their time
and efforts to answer my many queries.

My special thanks to the seven typists in the Rural Bank's Office in Palmerston North all of whom contributed in some way to the final preparation of this report.

Finally I am deeply grateful to Kay for her unstinting support throughout this project.

TABLE OF CONTENTS

			PAGE
ABSTRACT	(8)		ii
ACKNOWLEDGI	EMENTS	9	iv
TABLE OF CO	TABLE OF CONTENTS		
LIST OF TAR	BLES AND	FIGURES	\mathbf{x}
CHAPTER 1			
INTRODU	JCTION		1
1.1	17.7	und to the Horticultural y in New Zealand	1
1.2	The Importance of Producer Co-operatives in New Zealand Horticulture		
1.3	Research	n Problems and Objectives	
	1.3.1	Research Problem	10
	1.3.2	Objectives of this Study	11
1.4	Research	n Method	
	1.4.1	Preliminary Case Study Co-operative	12
	1.4.2	Selection of Case Studies	12
	1.4.3	Investigative Method	15
	1.4.4	Identifying Management Problems and Strategies	16
CHAPTER 2			
THE AGI	RICULTUR	AL CO-OPERATIVE ENTERPRISE	17
2.1	Philosophy and Principles of Co-operatives		
2.2	Business Organisation of Co-operatives		
	2.2.1	The Members	20

					vii
			*		PAGI
					è
	2.2	2 The	Board of Directors	(0)	22
	2.2	3 Mana	agement		23
2.3		Attracti operative	ion of Producer	8	24
2.4		-	f Agricultural e Enterprise		26
2	2.4		icultural Marketing operatives		27
Α.	2.4		icultural Supply operatives		28
	2.4		icultural Credit operatives		31
	2.4		er Co-operative erprises	71	31
2.5			pects of Agricultural Enterprise		33
	2.5		Role of Producer-		34
	2.5	.2 The	Standard of Management	-	34
	2.5		Level of Commitment Members		35
	2.5	.4 The	Level of Financing		36
	2.5		Amount of Forward		38
	2.5	.6 Orie	entation		38
	2.5	•7 The	Level of Communication		39
	2.5	.8 A Co	ode of Ethics		39
	2.5	9 Educ	cation		39
	2.5		-member Co-operative ivities		40
CHAPTER	3				
THE	CASE S	TUDIES			42
3.1	A D	escriptio	on of Case Study One		44
	3 1	1 The	Co-operative		1,1,

Co-operative

136

		* .	PAGE
	4.1.6	Directors	137
	4.1.7	Management	139
	4.1.8	Labour	140
	4.1.9	Handling of Produce	141
	4.1.10	Quality of Produce	142
	4.1.11	Charging for the use of the Facilities	143
-26	4.1.12	Capital Structure	145
	4.1.13	Attitude to Reserves	148
4.2	Some Co	mmon Problems	148
	4.2.1	Impartiality	148
	4.2.2	Direction and Leadership	149
	4.2.3	Disunity Amongst Shareholding	150
	4.2.4	Influence in the Company	151
	4.2.5	Long Term Grower Patronage	153
	4.2.6	Growth of the Co-operative Enterprise	154
	4.2.7	Inflation	156
	4.2.8	Raising Sharecapital	157
	4.2.9	Level of Gearing	158
	4.2.10	Competitiveness in Charge-out Rates	159
	4.2.11	Labour	160
	4.2.12	Record Keeping	161
	4.2.13	Breach of Faith	161
	4.2.14	Growers Awareness	162
4.3		Strategies to Improve the on of Rural Co-operatives	162
APPENDICES			166
BIBLIOGRAPHY			175

LIST OF TABLES AND FIGURES

				Page
Table	One	-	Gross Production from Several Sectors of New Zealand Farming	2
Table	Two	-	Areas in Tree Fruits and Vines by M.A.F. Horticultural District - 1980	3
Table	Three	-	Revenue Generated by the Export of Food and Live Animals from New Zealand	6
Table	Four	-	Fresh Kiwifruit: Export Sales by Volume	7
Table	Five	-	Shareholders Future Requirements for Post-Harvest Facilities - Case Study One	52
Table	Six	-	Summary of Balance Sheet, November 1982	68
Table	Seven	-	Packhouse Throughput - Case Study Two	80
Table	Eight	-	Shareholders Future Requirements for Post-Harvest Facilities - Case Study Two	82
Table	Nine	-	Summary of Consolidated Balance Sheet of Both Packhouse and Coolstore Co-operatives, September 1982	99
Table	Ten	-	Packhouse Throughput - Case Study Three	110
Table	Eleven	-	Shareholders Future Requirements for Post-Harvest Facilities - Case Study Three	113
Table	Twelve	-	Summary of Balance Sheet, December 1981	127