



**UNIVERSITÉ DE MONCTON**  
**CAMPUS DE MONCTON**

**Chaire des caisses populaires acadiennes  
en gestion des coopératives**

**THE SOCIOECONOMIC IMPACT OF THE CO-OPERATIVE SECTOR  
IN NEW BRUNSWICK**

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**Chaire des caisses populaires acadiennes en gestion des coopératives**

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## Chaire des caisses populaires acadiennes en gestion des coopératives

The Chair began its activities in 1990 with the financial support of the Caisses populaires acadiennes and the Mouvement coopératif acadien. As early as 1982, Mr. Raymond Gionet, who was then at the head of the Institut de coopération acadien, initiated a fund-raising campaign and invited employees of the Mouvement coopératif acadien to contribute. Others later made other donations to the endowment fund.

Since 2006, the Chaire des caisses populaires acadiennes en gestion des coopératives is managed by the Faculté d'administration. Its mandate is to develop new knowledge through studies on innovative themes in the area of the co-operative management, and to translate this knowledge to those who are interested in strengthening their practices in various economic sectors.

More specifically, the main objectives of the Chaire des caisses populaires acadiennes en gestion des coopératives are to:

- Promote studies on co-operatives, especially those dealing with various aspects of co-operative management, at the Université de Moncton, on all three of its campuses, and in the community it serves;
- Plan and conduct research projects on various aspects of co-operative management;
- Foster the creation of multidisciplinary research teams, consolidate multidisciplinary research programs, and obtain research funds from external sources;
- Plan, conduct and support research projects, alone or in collaboration with other researchers, in order to respond to the needs of co-operatives and to ensure their growth and development;
- Raise the awareness and interest of the student population in the area of co-operative management and the co-operative model, and contribute to a strong education in management which can better respond to the needs of the labour market;
- Encourage students, especially graduate students, to participate in research and development activities related to co-operative management;
- Organize various events and services for the university and the outside community on themes relating to co-operative management and studies on co-operatives with the goal of enabling the Chair to reach its full potential in the community.

André Leclerc, Ph.D.  
Chair

## **THE SOCIOECONOMIC IMPACT OF THE CO-OPERATIVE SECTOR IN NEW BRUNSWICK**

**André Leclerc<sup>1</sup>**

**Chaire des caisses populaires acadiennes en gestion des coopérative  
Faculté d'administration  
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### **I. INTRODUCTION**

New Brunswick's co-operative sector originates in several different traditions. The first is related to European immigrants, some of whom had experience with co-operatives in their homelands and tried to replicate the system in Canada. The second tradition is connected to agricultural societies; in some cases, these ventures gradually transformed into agricultural 'feed and seed' co-ops and then into consumer co-ops. Finally, in the tradition of the Antigonish Movement, an important network of co-operatives was established, operating in four main sectors: savings and loans, fishing, consumer, and agricultural co-ops.

The majority of co-operatives which currently operate in New Brunswick are the result of the efforts of the Antigonish Movement. Over the years, co-operatives have been established in new sectors, for instance in forestry, culture, communications and housing. Today, other initiatives appear to be open to the possibility of co-operative management: renewable energy, agro-forestry, tourism and health care. When the co-operative approach is applied to these new areas of activity, it proves to be flexible, responsive and adaptable enough to respond adequately to the new concerns of local communities.

Despite the rich tradition and the adaptability of the co-operative movement in New Brunswick, there has never been a thorough and systematic evaluation of its socioeconomic impact. This

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<sup>1</sup> The author would like to thank Robert Penney, Superintendent of Credit Unions, Co-operatives & Trust Companies, and Claire Gagon, Registrar of Co-operatives, at the Department of Justice, for making the annual reports of New Brunswick co-operatives available to us. Without access to this information, it would have been impossible to complete this study.

study is intended to fill that gap by providing, for the first time, an overall evaluation. First, major trends of the recent evolution of the movement are presented. Next, by using the input-output table, an estimate of the impact of the co-operative movement on employment and provincial tax receipts is calculated. Last, from the point of view of the major objectives of sustainable development, an analysis of the main socioeconomic impacts of the movement is provided.

## II. RECENT TRENDS

Firms are adapting to changes in their environment. Co-operatives are no exception to this rule. It is then not a surprise to observe a perpetual transformation of the co-operative sector. Using the data of the Co-operative Secretariat, this section looks at the recent situation of the New Brunswick' co-operative movement during period 1996-2005, last year for which the data are available. These data allow us to follow the evolution of the number of co-operatives in several business sectors.

Table 1. Number of co-operatives by sector, 1996-2005

	<b>Caisses populaires / Credit unions</b>	<b>Consumers</b>	<b>Agriculture</b>	<b>Fisheries</b>	<b>Production</b>	<b>Services</b>	<b>Total</b>
1996	112	37	12	10	26	73	270
1997	112	36	11	10	27	71	267
1998	103	37	11	10	29	73	263
1999	87	35	15	10	30	76	253
2000	81	28	12	10	30	78	239
2001	71	25	13	10	26	72	217
2002	59	26	11	10	24	67	197
2003	58	23	11	8	21	67	188
2004	56	24	11	8	22	72	193
2005	56	23	11	10	24	68	192

Source : Canada, Co-operatives Secretariat.

The evolution of the number of financial services and consumer co-operatives is the first major trend. Since 1996, we observe an important decrease of these two types of co-operatives. This is

partially explained by the closure of some co-operatives, but especially by mergers. The relative stability of the other types of co-operatives is the other noticeable trend. Globally, the number of co-operatives goes from 270 in 1996 to 192 in 2005, corresponding to a 29% decrease.

To better capture the effect of this evolution, it would be important to look at the membership trends. These data will give us a perspective onto the penetration of the cooperative movement in communities. Table 2 has the same structure as Table 1.

Table 2. Membership by sector, 1996-2005

	<b>Caisses populaires / Credit unions</b>	<b>Consumer</b>	<b>Agriculture</b>	<b>Fisheries</b>	<b>Production</b>	<b>Services</b>	<b>Total</b>
1996	289.3	73.0	3.0	2.0	2.0	14.0	383.3
1997	291.7	73.0	3.0	2.0	3.0	14.0	386.7
1998	294.3	75.0	3.0	2.0	3.0	14.0	391.3
1999	296.6	75.0	3.0	2.0	3.0	18.0	397.6
2000	299.2	60.0	2.0	2.0	3.0	18.0	384.2
2001	301.1	54.0	2.0	2.0	3.0	15.0	377.1
2002	307.3	54.0	2.0	2.0	3.0	14.0	382.3
2003	311.7	40.0	2.0	1.0	3.0	15.0	372.7
2004	321.5	59.0	2.0	1.0	3.0	18.0	404.5
2005	320.1	62.0	2.0	1.0	3.0	17.0	405.1

Source : Canada, Secrétariat aux coopératives et Nouveau-Brunswick, Justice et Consommation.

From 1996 to 2005, the number of members in New Brunswick's co-operatives goes from 383,300 to 405,100, corresponding to a 5.7% increase. This result is explained by the good performance of services' co-operatives and of credit unions. In consumer, agriculture and fisheries co-operatives, the number of members has decreased.

Clearly, the financial services and consumer co-operatives are the two more important co-operative sectors. To understand better the importance of these two sectors, we can look at their market share in the provincial economy.

At the end of 2008, the total assets of New Brunswick's caisses populaires and credit unions was \$3,562 million.<sup>2</sup> From their part, chartered banks had a total provincial asset of \$26,028 million<sup>3</sup>. The provincial market share of financial services' co-operatives was then 12%. In the case of consumer co-operatives, it would be preferable to look at the situation for the Atlantic provinces given that Co-op Atlantic operates at this scale. A recent evaluation of the Canadian Competition Bureau indicated that its market share, in terms of percentage of food sales in the Atlantic region, amounted to be 10.8%.<sup>4</sup>

### III. ECONOMIC IMPACT: METHODOLOGY AND RESULTS

This section deals with the measurement of the repercussions New Brunswick's co-operative movement has for other sectors of the economy. In evaluating the economic impact of projects, organizations or policies, the researchers generally use one of three methods: macro-economic multipliers, the input-output model, and the computable general equilibrium model. To begin with, we'll examine the logic upon which these three different approaches are built.<sup>5</sup>

The first approach is macro-economic. It is based on the use of multipliers of expenses, income or jobs in order to measure the impact of a project or a policy. These multipliers are established by designing a macro-economic balance model with estimates for a province or a country. The logic behind this approach can be illustrated easily with the help of a Keynesian multiplier. This is the number by which a variation of a corporation's or a government's expenses must be multiplied to estimate its global effect on the production in a region, a province or a country. In an example where only the consumer expenses are considered, we would have:

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<sup>2</sup> At the end of 2008, the total consolidated assets of the Fédération des caisses populaires acadiennes was \$2,794 million, while for the Credit Union Central of New Brunswick it was \$768 million. (Those data are from the annual report of both federation.)

<sup>3</sup> This data is from Table C5 (Chartered Banks: Regional distribution of assets) of the Banking and Financial Statistics produced by the Bank of Canada. (<http://www.bankofcanada.ca/pdf/bfs.pdf>).

<sup>4</sup> Canada. Competition Bureau. (webpage consulted on June 28 2010). Loblaw Companies Limited - Acquisition of certain assets of The Oshawa Group Limited in Atlantic Canada [On-line]. <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/00814.html>.

<sup>5</sup> A detailed presentation of these models is available in Lemelin, A. (2008). Modèles économiques régionaux : un survol de la littérature. [On-line] Québec : Gouvernement du Québec, Institut de la statistique du Québec.

$$\text{multiplier} = \frac{1}{1 - MPC}$$

where *MPC* represents the marginal propensity to consume. It measures the portion of the increase of income which households allocate to purchases. Following an increase in their revenue, if households spend an average of 75% of their gain on consumer goods and services, the marginal propensity to consume would equal 0.75. In this case, the multiplier would be  $1 / (1 - 0.75)$ . By solving the equation, we obtain a multiplier of 4. This implies, for example, that an investment project of \$1 million would increase the total production by \$4 million, i.e.  $1 \text{ million} \times 4$ .

The main advantage of this method is that evaluation is simple and rapid. This is the method used by Higgins and Beaudin (1988) in their evaluation of the impact of the Université de Moncton on the regional economies of Moncton, Edmundston and Shippagan.<sup>6</sup>

The second approach relies on a method of analyzing inter-industry relations invented by French economist François Quesnay and made popular by an American economist of German origin, Wassily Leontief. In Canada, this approach has led to the production of input-output tables by Statistics Canada for provincial and national economic data.<sup>7</sup> An input-output table or an inter-industry relations matrix considers the interdependence between different sectors of the economy. For the purposes of production, each industry uses production factors and goods and services purchased from other industries. These backward linkages (inputs) are one of the items measured by the tables. Their other dimension is the sales (outputs) made by various industries to other sectors of production or to the final demand, that is the final consumption by households or other countries. The following formula presents the development of inputs and outputs:

$$X = AX + Y$$

Converting this equation gives us:

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<sup>6</sup> Higgins, B. et Beaudin, M. (1988). Impact de l'Université de Moncton sur les régions de Moncton, d'Edmundston et de Shippagan. Moncton : Institut canadien de recherche sur le développement régional.

<sup>7</sup> Statistics Canada, Cansim, matrix 381-0013.

$$X = (I - A)^{-1} \cdot Y$$

The solution for product vector (X) can be calculated by determining the final demand (Y) and the technical matrix (A). These elements are defined as:

A = matrix of input-output coefficients of dimension  $n \times n$ ;

X = vector of products (outputs) of dimension  $n \times 1$ ;

Y = vector of final demand of dimension  $N \times 1$ ;

I = identity matrix  $n \times n$ .

With these tables or matrices, we can calculate coefficients and use them to estimate the repercussions on income, taxes and jobs generated by an investment project or an activity.

For each of the sectors of economic activity, the repercussions will be divided into three types:

1- direct [Economic impact on a business directly involved in the construction of a project or the operation of a business (e.g. the jobs or revenues generated by a co-operative). The business earns income by conducting an activity or has capital expenditures requiring an investment project.];

2- indirect [Economic impact on the activities of businesses which supply co-operatives with goods and services (e.g. jobs and revenues generated by the fishermen who supply a fishermen's co-operative association such as the Association Co-operative des pêcheurs de l'Île)];

3- induced [The households of the various workers involved in direct and indirect activities will spend a portion of their incomes in the local economy. These expenditures represent income for other companies and will, in turn, lead to the creation of additional jobs. The induced effects are therefore generated by the expenditures, salaries and other revenue resulting from direct and indirect effects. Input-output tables do not take induced effects into consideration. To evaluate them, we have to use the method suggested by Pollin and Garrett-

Peltier (2009) in their assessment of the economic impact of a wind farm. Their method is based on the average induced impact used in several Canadian studies of economic impacts.<sup>8</sup>

The third method of evaluating the economic impact of projects, organizations and policies is the computable general equilibrium model (CGEM). Those who can remember their micro-economics course may recall the general equilibrium theory of Walras; this is the theoretic foundation of the CGEM. In a competitive environment, economic agents make decisions based on signals given by the markets. By generalizing the decisions to the entire set of markets, we can develop a highly complex and powerful model. Compared to the models already discussed, this one has the advantage of being dynamic rather than static; this is why the CGEM is often used to analyze the effects of government policies. For instance, it is used to assess the impact of policies on poverty, or the effect of opening up markets to international competition. Recently, it was used to estimate the repercussions of large infrastructure projects on a regional economy.

What is the best method to use? The choice of a methodology depends on two criteria: the method which best responds to the needs of our study, and the method which is most apt to consider provincial economic conditions.

In a context of full employment, the computable general equilibrium model is the most appropriate. In general equilibrium, we consider the fact that completing a project necessarily means a transfer of resources from old economic activities to new ones. Thus, the project will have a positive impact if it makes it possible to transfer resources to more productive jobs. This gain in productivity explains the increase in wealth resulting from the investment.

Given the unemployment rate, the employment rate and the labour market participation rate in New Brunswick in 2009, it would be hard to assume a situation of full employment. We are forced to admit that a portion of available resources is under-utilized, and, for this reason,

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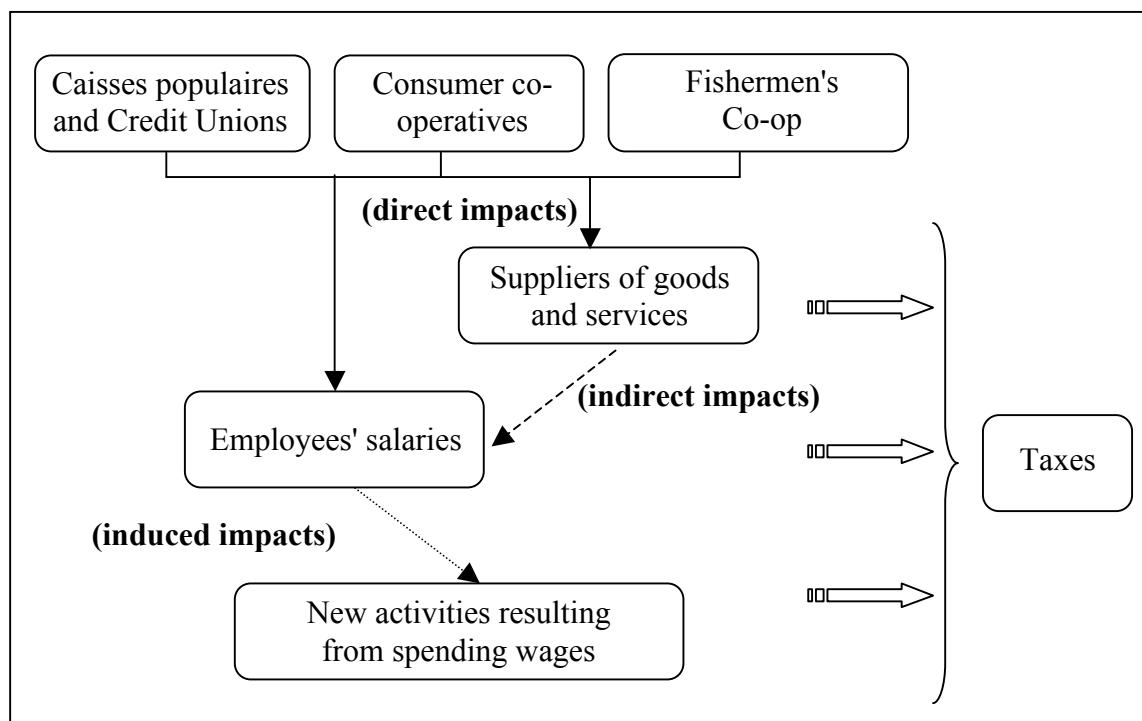
<sup>8</sup> Pollin, R. and Garrett-Peltier, H. (2009). Building the Green Economy: Employment Effects of Green Energy Investments for Ontario [On line], Green Energy Act Alliance, Blue Green Canada and World Wildlife Federation, [www.greenenergyact.ca](http://www.greenenergyact.ca).

decided not to use the computable general equilibrium model to study the effect on the co-operative sector on the regional economy.

Co-operatives we are studying operate in different sectors: retail sales, fish processing, finance, etc. The multiplier effects also vary from one sector to another, and it would be risky to use a macro-economic multiplier to assess their impact in our province. From our perspective, the macro-economic approach would present substantial weaknesses for this study. It would, for example, have been unthinkable to assess a macro-economic equilibrium model in the context of this study because of the complexity of the task; we would have been obligated to use national multipliers which are ill-suited to the reality of New Brunswick. This approach was also not selected for our study. We concluded that the only method sufficiently flexible to consider the range of sectors in which co-operatives operate, as well as the economic situation of the province, would be the input-output model. We thus chose this method to assess the impact of New Brunswick's co-operatives on the economy of the province. The figure below shows the different impacts we measured in a simple context which presumes there are only three types of co-operatives.

Several levels of co-operatives exist in New Brunswick. The vast majority are first-level co-operatives, i.e. they maintain economic relations with consumers, small businesses or not-for-profit organizations. Some are second-level co-operatives, i.e. they represent clusters or a group of co-operatives or federations. This is the case for Credit Union Central of New Brunswick. When assessing these, it is important to avoid counting the same activities twice. We should also remember that the sales of first-level retail or consumer co-operatives include the sales of their wholesaler, Co-op Atlantic. To avoid duplication, there are two options. The first is to work with the value-added amount for each business, that is, the difference between the value of sales made by a business and its purchases from other businesses, its suppliers. Because the information available in the annual reports of co-operatives does not always make it possible to calculate intermediate purchases, this option was rejected.

**Figure 1. Economic impacts in a simplified context**



The second option consists of calculating the jobs generated by co-operatives. Complete information on jobs is available: co-operatives in New Brunswick employed 5,284 people in 2008. As mentioned earlier, the multiplier effect of a business depends on the sector in which it operates. In the provincial input-output table produced by Statistics Canada, the aggregation is such that 25 economic sectors are identified. Our first task was to associate each of the co-operatives with one of the 25 sectors. Table 3 gives examples of co-operatives by industry sector.

In the first column of this table, we find the number corresponding to one of the 25 industries found on the input-output table. The next two columns show the Statistics Canada Industry Classification Code and the name of the sector. The last column provides some examples of co-operatives or types of co-operatives.

**Table 3. Example of co-operatives by industrial sector on the provincial input-output table**

Number	Code	Industry	Example
1	1A	Crop and animal production	Pasture
2	1B	Forestry and logging	Coopérative Travailleurs forestiers de McKendrick
3	1C	Fishing, hunting and trapping	Village of Richibouctou
6	22	Utilities	Wind energy
8	3A	Manufacturing	Northumberland Co-op, Pêcheurs de l'Île
9	41	Wholesale trade	Co-op Atlantic
10	4A	Retail trade	Really Local Harvest Co-op
12	51	Information and cultural industries	Community radio stations
13	5A	Finance, insurance, real estate and rental and leasing	<i>Caisses populaires</i> , Housing co-ops
14	54	Professional, scientific and technical services	CDR-Acadie
18	71	Arts, entertainment and leisure	Théâtre l'Escaouette, Galerie Sans Nom
24	NP	Non-profit institutions serving households	Seniors' clubs

The direct impact of co-operatives is calculated by applying the multiplier of jobs in different industries to the number of jobs created by co-operatives in this industry sector. By adding these figures, we find an indirect effect of 4,310 jobs.

The method proposed by Pollin and Garret-Peltier (2009) to estimate induced effects, based on studies by Hemming, Kell and Mahfouz (2002), is simple.<sup>9</sup> The sum of direct and indirect jobs is multiplied by a coefficient of 0.3. A figure of 2,878 induced jobs is obtained through this formula. The total impact of co-operatives is obtained by adding the direct, indirect and induced effects. The contribution of the co-operative movement to employment is measured at 12,473

<sup>9</sup> Pollin, R. and Garrett-Peltier, H. (2009). Building the Green Economy: Employment Effects of Green Energy Investments for Ontario [On-line], Green Energy Act Alliance, Blue Green Canada and World Wildlife Federation, [www.greenenergyact.ca](http://www.greenenergyact.ca) and Hemming, R., Kell, M. et Mahfouz, S. (2002). The Effectiveness of Fiscal Policy in Stimulating Economic Activity - A Review of the Literature [On-line], Washington : International Monetary Fund Working Paper, WP/02/208, <http://www.imf.org/external/pubs/ft/wp/2002/wp02208.pdf>.

jobs. This sum represents 3.4% of the total number of jobs in New Brunswick. As we can see in the next figure, these jobs amount to a total payroll of 464 million dollars.

As noted in a previous section, financial services co-operatives and consumer co-operatives are the two more important sectors. An analysis of the distribution of the total impact of co-operatives by sector shows that the caisses populaires and the credit unions are responsible for 53.2% of the 12,473 jobs created by the co-operative sector. For consumer co-operatives, we speak about 24.2%

Co-operatives and their employees contribute to the provincial economy in another way, by paying taxes, including income tax. The input-output table from Statistics Canada makes it possible to estimate these contributions to the revenue of the provincial government. We selected three main types of taxes for our calculations: income tax on corporations and individuals, sales

**A) Impact on employment**

**Direct impact:**

Jobs created by co-operatives  
5,284 jobs (full- and part-time)  
Payroll: \$199 million

**Indirect impact:**

Jobs created by suppliers (backwards linkage, input) = 4,310 jobs

**Induced impact:**

Jobs created by business activity other than that of suppliers. This signifies the effect on retail trade, health services, etc. (forward linkage, sorties) = 2,878 jobs

**Grand total** = 5,284 + 4,310 + 2,878 = **12,473 jobs**

**3.4 % of the total number of jobs in New Brunswick**

**Total payroll: \$464 million**

**B) Fiscal revenue for the province**

**Impact of these activities on the fiscal revenue of the province of New Brunswick:**

Income tax: \$56.7 million  
Consumer and sales tax: \$46.9 million  
Property tax: \$13.8 million  
Total: \$117.4 million

tax, and property tax.

In 2008, the economic activity generated by the co-operative sector in New Brunswick allowed the provincial government to collect 56.7 million dollars in income tax, 46.9 million dollars in consumer taxes, and 13.8 million dollars in property taxes. Adding together these three sums, we arrive at a fiscal contribution of 117.4 million dollars.

The economic impact of the co-operative movement in the province of New Brunswick is, therefore, substantial. Our findings show that co-operatives are a dynamic form of business which could make an increased contribution to the economy if it received the same level of support as other kinds of business.

#### **IV. IMPACT FROM THE PERSPECTIVE OF SUSTAINABLE DEVELOPMENT**

La contribution of the co-operative movement to New Brunswick is not limited to its effects on job creation and provincial tax revenue. Its impact must be considered in a wider perspective that is consistent with environmental concerns and the interest in sustainable development. Obviously, not all co-ops subscribe to a three-faceted accountability (social, environmental and other types of economic considerations), so it is difficult to present a full profile of this aspect. This should be read as a partial and tentative outline of the global contribution of the co-operative movement to the economic and social well-being of the province.

##### ***The Social Dimension***

A co-operative is a democratic organization. The ultimate power in this business model lies with the general membership. The distribution of power in a co-op is best illustrated by the famous inverted pyramid. Members at an annual general meeting elect a board of directors according to the laws and by-laws governing the organization. For example, in order to avoid putting the control of the co-operative in the hands of a few members, the number of years a given board member can serve has been stipulated.

For many, the annual general meeting of the co-operative is their first experience of a deliberative assembly; the same holds true for sitting on the board of directors. From this point of view, a co-op serves as a school for democracy.

Co-operatives were in the past and still remain a school for entrepreneurship. Their members are introduced into the world of business as they learn to read and understand financial statements. They become aware of the impact of their decisions on the financial success of the co-op and may even decide to start their own business.

New Brunswick's co-operatives have sometimes provided effective opportunities for integrating people with special needs. Often, co-operatives establish several partnerships through which they can offer services, create opportunities to meet individual needs and foster involvement in the community. One such co-operative is the *Atelier des copains Coop Ltée*, located in Saint-François-de-Madawaska.<sup>10</sup>

Co-operatives play a central role in social housing development in several regions of the province. The leadership shown by Co-op Atlantic in this field deserves further attention. One project in which the Co-op invested money is Tannery Courts, established in Moncton (2005) and Fredericton (2007). With the financial assistance of the federal and provincial government, Co-op Atlantic has made affordable housing available to low-income single people in the two communities.<sup>11</sup>

Co-operatives also contribute to community development through sponsorship programs. It should be noted that certain regulations governing co-operatives recognize that they can generate dividends, i.e. that co-operatives can invest a portion of their income in projects and initiatives of associations working for the benefit of the community. Thus, from 2004 to 2008, the *Mouvement des caisses populaires acadiennes* returned nearly 9.1 million dollars to the community in the

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<sup>10</sup> To find out more about this workshop, visit their Web site: <http://www.atco-plco.ca> .

<sup>11</sup> A short profile is available at: <http://www.cmhc-schl.gc.ca/en/inpr/afhoce/prpr/loader.cfm?csModule=security/getfile&pageid=183598> .

form of donations, sponsorships and scholarships.<sup>12</sup> Consumer co-operatives on the Acadian Peninsula recently published a Social Responsibility Report outlining their commitments over the 2007-2008 fiscal year. Over that period, its 5 co-ops, with close to 24,000 members, injected more than \$700,000, raised by a community lottery, into their communities.<sup>13</sup>

### *Environmental Concerns*

Certain small local producers have chosen to join together into co-operatives to better manage their environmental impact. This is the case for approximately thirty growers in the southeast of New Brunswick who have become members of the Really Local Harvest Co-op.<sup>14</sup> By encouraging people to buy produce grown locally, the members hope to reduce greenhouse gas emissions caused by transporting agricultural products. All of the co-op's members farm within a 50-km. radius, and have made a commitment to respect certain agricultural practices designed to produce safe and healthy fresh fruit and vegetables. Developed by the Canadian Horticultural Council and revised by the Canadian Food Inspection Agency, these standards cover all aspects of food production.

Environmental concerns have also affected traditional co-operative sectors. The example of the *Association coopérative des pêcheurs de l'Île*, a fishermen's co-op, illustrates the changes brought about by environmental awareness. Located in Lamèque, in northeastern New Brunswick, this co-operative has changed course dramatically in recent years.<sup>15</sup> Two major changes have occurred: first, the co-op has invested in an ambitious waste-water treatment program, and second, it has adopted a strategy of making value-added products from shrimp

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<sup>12</sup> This information is available on the Fédération des caisses populaires acadiennes Web site at: <http://www.acadie.com/en/contenu.cfm?id=1040>.

<sup>13</sup> Bilan social consolidé des Coopératives de consommation de la Péninsule acadienne, 2007-2008.

<sup>14</sup> This co-operative's Web site outlines its major activities: <http://www.recoltedecheznous.com/home.cfm>.

<sup>15</sup> A detailed presentation of this experience can be found in Omer Chouinard, André Leclerc, Maurice Beaudin, Pricette Donovan-Vinagbe et Gilles Martin. (2009). Contribution de la co-opération et de l'économie sociale dans le développement territorial des Îles Lamèque et Miscou en Acadie du Nouveau-Brunswick. [On-line] Moncton : Chaire des caisses populaires acadiennes en gestion des coopératives, [http://www.umce.ca/andre\\_chaire/recherche.htm](http://www.umce.ca/andre_chaire/recherche.htm).

shells. Research and development for these projects is being done in cooperation with the Coastal Zones Research Institute, affiliated with the Université de Moncton.

### ***Other Economic Considerations***

Without a co-operative, many communities would not have local access to such essential services as a full range of financial services and retail products. In these two sectors, large companies plan services on a regional basis, and choose to locate in places where they will have access to a sizable clientele. On the other hand, co-operatives have, wherever possible, maintained a high number of points of service, even when they recognize the negative effect this has on their balance sheet. Many branches of the *Caisses populaires acadiennes* have remained open, although the total number has fallen as a result of restructuring.

The rule of benefit-sharing in co-operatives has an impact on the distribution of wealth. Since dividends returned to the members are pro-rated on their transactions, a portion of the surplus generated by their co-operative is made available to them once it is fully funded. Between 2004 and 2008, the *Caisses populaires acadiennes* paid out 27 million dollars in dividends to its members.<sup>16</sup> If this surplus had been generated by a conventional business, the profits would have found their way into the pockets of shareholders outside the province.

The co-operative movement reduces the wage gaps between workers and managers. At times, policies will be made to adjust to economic crises; this is not the practice for other types of business. In order to limit the loss of employment caused by the current economic crisis, the *Caisses populaires acadiennes* quickly established a job-share program to avoid layoffs.<sup>17</sup>

One of the positive aspects of a strong co-operative movement which is often forgotten is its effect on certain sectors of the economy. In these sectors, co-operatives play the role of consumer watchdog by maintaining a healthy level of competition. This benefit extends to all

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<sup>16</sup> <http://www.acadie.com/contenu.cfm?id=1040> .

<sup>17</sup> Une analyse de l'ajustement des coopératives aux crises économiques est présentée dans Birchall, Johnston; Ketilson, Lou Hammond. (2009) Resilience of the co-operative business model in times of crisis, Geneva: International Labour Organization.

consumers, whether or not they are members of a co-operative. Indeed, in some sectors, the co-operative movement is the only competition for large holding companies. Northumberland Co-op, for example, is the only competition for Baxter, a major dairy processing corporation which is part of the Saputo Group. Without Northumberland, Baxter would have a monopoly on the dairy industry in New Brunswick. Similarly, Co-op Atlantic and its affiliates are the only independent retailers of food products, competing with Sobeys and Loblaws. Credit unions and *caisses populaires* are the sole competition for large Canadian and foreign chartered banks. This issue has an even greater importance in a small province like New Brunswick, where the competing interests of foreign banks are low.

Co-operatives, then, play an important role in implementing government policies intended to ensure a healthy competition and to protect consumers. Although their contributions in this area represent a fundamental asset to society, they are often ignored.

The current financial crisis has forced the Canadian government and the Bank of Canada to take measures to limit credit rationing for businesses. These measures demonstrate the importance of access to commercial loans for economic growth. In several communities, co-operatives are key players in this area. Credit unions and *caisses populaires* make it easier for small and medium-sized businesses in New Brunswick to obtain commercial credit. It is clear that these small and medium-sized businesses are responsible for the vast majority of jobs in the province. The *Caisses populaires acadiennes* alone held an investment portfolio of 633 million dollars in commercial loans in 2008.

Support for local business is enhanced when co-operatives provide opportunities for local producers. Co-operatives usually choose local suppliers. Co-op Atlantic has made this one of its priorities. Over 40% of the value of products sold in Co-op Atlantic's local co-ops are bought from businesses in the Atlantic provinces.

## V. CONCLUSION

The goal of this study was to outline the contributions of the co-operative movement to New Brunswick's economy. Some readers will find it exaggerated in its positive attitude when they are hoping for certain improvements in the economy. Co-operatives are often reproached for having boards of directors on which women and young people are under-represented. Co-operatives do indeed face the same problem in this regard as other democratic organizations. They are also criticized for reproducing the same management strategies as capitalist corporations. Aside from labour co-operatives, most co-operatives have not yet been entirely successful in integrating workers into the decision-making process. The labour movement maintains that it is just as difficult to form bargaining units in co-operatives as it is in other types of companies. The right to belong to a union is a fundamental right, but that does not in any way guarantee that workers in co-operatives are any more inclined to exercise that right than others.

Readers should remember that the first objective of this article is to bring to light a number of aspects which tend to be neglected when assessing the overall effects of the co-operative movement on society. Members of co-operatives would admit that no organizational model for work or production is perfect. As a business subjected to the fortunes and misfortunes of a market economy, a co-operative often has to make difficult decisions. These decisions may work to the detriment of some people, whether or not they are members of the organization.

Despite the weaknesses mentioned, co-operatives offer an useful alternative to those interested in the democratization of the economy, collective ownership of the means of production, land use rooted in the local community, collaboration among organizations and different methods of distributing the dividends generated by economic activity.

Many governments have recognized the qualities of this model of development and have established specific programs to support it. The government of New Brunswick would be well served to look at the extraordinary successes elsewhere that have come from targeted

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government support for programs providing a greater access to capital. This is even more relevant if it wants communities to take an active role in building a prosperous province.