

member benefits

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**The CUMA
Farm Machinery Co-operatives**

ANDREA HARRIS
MURRAY FULTON

September 2000

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participation



UNIVERSITY OF
SASKATCHEWAN

Centre for the Study
of Co-operatives

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University of Saskatchewan

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Foreword

FARM MACHINERY IS BECOMING MORE EXPENSIVE to purchase and own. The high cost of farm machinery is making it difficult for smaller farm operations to remain economically viable, to replace major machinery, and to access new farming technologies that require large investments in machinery and equipment. The combination of increasing machinery costs and the need for continued technological innovation has motivated many farmers to examine new arrangements to share equipment in order to reduce machinery costs and release limited capital for other uses. One such arrangement that has been used successfully is the development of machinery co-operatives.

Farm machinery co-operatives not only lower machinery costs per farm member but also enable farms to operate more efficiently, since larger equipment can be purchased. Because of the larger equipment, the number of hours needed to farm the land is also reduced, allowing the farmers involved to have more time either to earn additional income or for leisure activities.

This is one of a series of three booklets that document the results of a study examining the applicability of different types of farm machinery co-operatives to Saskatchewan agriculture. This booklet describes the structure, growth, and development of a type of farm machinery co-operative known as the CUMA. The information presented is based on extensive interviews with CUMA members and others involved in the development of CUMAs in Québec and Ontario.

A second booklet, *Farm Machinery Co-operatives in Saskatchewan and Québec*, describes the structure and organization of Saskatchewan farm machinery co-operatives and compares this structure with the CUMAs found

in Québec. It also presents some guidelines and considerations in forming successful farm machinery co-operatives.

A third booklet, *Farm Machinery Co-operatives: An Idea Worth Sharing*, documents the results of a simple financial model developed to compare the costs of owning machinery as an individual to the costs of owning machinery as a member of a co-operative. The model is based on a mixed grain farm in Saskatchewan.

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Introduction

THE MECHANIZATION OF AGRICULTURE, while allowing for gains in productivity, has also contributed to a large economic drain on some farmers. In response, an increasing number of farmers have looked to sharing farm machinery as an alternative to individual ownership and the associated capital burden. Farm machinery co-operatives are one example of a farm machinery sharing arrangement being considered by an increasing number of Canadian farmers.

Québec farmers in particular have adopted the co-operative structure as a way of reducing the costs associated with operating and financing farm machinery and equipment. The type of machinery co-op being adopted in Québec is known as the CUMA—Coopérative d'Utilisation de Matériel Agricole—loosely translated as “co-operative for the use of farm implements,” and is based on similar co-operatives operating in France.

Unlike other types of farm machinery co-operatives in which entire machinery sets are pooled among all members, CUMAs are structured to allow the sharing of individual machines among sub-sets of members. The sharing of individual machines is facilitated through the use of activity branches and member contracts.

Since the incorporation of the first CUMA in Québec in 1991, more than one thousand farm operations have become members of the more than forty-seven CUMAs established in the region.¹ An additional three CUMAs are projected to incorporate by the end of the year 2000. The successful implementation of CUMAs in Québec has also encouraged farmers in Ontario to do the same, with 1997 marking the formation of the first CUMA in Ontario.

That same year in France, statistics gathered by the Fédération

Nationale des CUMA identified some 13,400 machinery co-ops, employing 4,550 people, and with an annual turnover of FF 2.6 billion. The main business of these co-operatives is harvesting, though many are also active in irrigation, forestry, and drainage.*

While the majority of the CUMAs in Canada have been formed by dairy producers interested in lowering machinery costs, the idea has inspired interest in co-operatively addressing other problems, such as the shortage of skilled farm labour. Producers involved in the hog, poultry, beef, and vegetable sectors are also beginning to form CUMAs. The idea has sparked interest in other industries as well, including forestry.

Direct economic advantages to producers who are part of a CUMA include cost savings and access to newer, more efficient equipment. According to GREPA (an economic and agricultural research group), equipment costs on Québec dairy farms comprise about 20–25 percent of their total expenses. Joining a CUMA can help decrease these expenses, as well as overall production costs. Some estimates indicate that equipment and machinery costs can be lowered by nearly 70 percent for CUMA members.² Using shared machinery also allows for the purchase of the most up-to-date equipment, which is larger and more efficient than what an individual producer could purchase alone. On-farm efficiency is therefore improved.³

This booklet begins with a description of the CUMA administrative and organizational structure. This is followed by an overview of the CUMA development process, including the steps in forming a CUMA and an outline of who is involved in this process. The booklet ends with discussion of the evolution of the CUMA movement in Québec and how CUMAs have generated interest in other forms of co-operative arrangements, in particular the sharing of farm labour.

* “Extracts from the Report of the Conseil Supérieur de la Coopération for 1999,” *IRU Courier* 1 (April 2000): 17.

The CUMA Structure

LIKE ALL CO-OPERATIVES, CUMAs are groups of people who have come together to satisfy common economic and social needs. The main objective behind forming a CUMA is to provide the producer members with an organization from which they can obtain services, primarily the renting of agricultural machines and equipment. This allows each individual producer to lower his or her capital investment, increase efficiency, and reduce production costs.

CUMAs are incorporated associations of at least five members who must be agricultural producers. The incorporation of the CUMA means that it is considered an autonomous entity under the law. It also means that the liability of the members is limited to the amount invested in the association.

The CUMA is the sole proprietor of all equipment and machinery and functions according to strict guidelines. The co-operative's internal rules and legally binding contracts with members clearly spell out the rights and obligations of both the CUMA and its members.

Unlike other types of farm machinery co-operatives in which entire machinery sets are pooled among all members, CUMAs are structured to allow the sharing of individual machines among sub-sets of members. The sharing of individual machines is facilitated through two key features of the CUMA's organizational structure: the existence of activity branches and the use of member subscription contracts.

Activity Branches and Member Contracts

To obtain the right to use the equipment and machinery owned by the CUMA, participating members must join an activity branch. Each

For example, consider a producer (member A) who joins the CUMA illustrated in Figure 1 in order to share the costs associated with a hay baler. The producer forms an activity branch with three other producers in the area who are also interested in sharing a hay baler. Each member signs a subscription contract that specifies how much he/she intends to use the baler over the next five years (the number of years for which the baler will be financed). The CUMA then purchases a hay baler that will meet the combined needs of all of the branch members.

Financing

CUMAs are financed through three sources of capital:

- members' investment shares;
- traditional sources of debt financing; and
- members' fees.

To join an activity branch, each member must purchase a certain number of investment shares, which provides the CUMA with the equity capital needed to purchase the machine. Member investment shares do not receive interest and are typically used to finance 20 to 30 percent of the purchase cost of the equipment.

In most cases, member investment shares are divided equally among all branch users. For example, in the CUMA illustrated in Figure 1, the four members who commit to using the hay baler must each purchase shares equal to 5 percent of the cost of purchasing the baler (20 percent divided among the four members). Since the machinery cost associated with the harvester is spread among six members, each member must purchase investment shares that equal 3.3 percent of the harvester's purchase price. In a few cases, investment shares are divided among members according to their use of the machine, as specified in the subscription contract.

The remaining 70 to 80 percent of an activity branch's capital costs are covered through loans with financial institutions, such as credit unions or banks. In general, CUMAs finance their machines over a three-to-five-year period, and in rare cases over a seven-year period. The period over which a machine is financed corresponds to the length of the subscription contract

signed by each branch member. Financing periods are purposefully kept short in order to ensure a relatively quick turnover in the equipment and machinery used by a CUMA's activity branches. Quick turnover rates allow members to take advantage of technological advances. High turnover also implies lower maintenance and repair costs and a higher resale value when the activity branch is terminated (i.e., members' subscription contracts expire).

In addition to paying their share of the 20 to 30 percent of the purchase cost of the equipment, members must also pay member fees on a regular basis—typically four times a year or season. Member fees are used to cover the annual rent of the equipment, which includes:

- the real cost of financing (capital and interest) the equipment; and
- the inherent costs of using the equipment, including insurance, repair and maintenance costs, and storage costs.

A member's share of the annual rent is determined in proportion to the member's use of the equipment in the given year and the amount of use committed to in the subscription contract.

The annual rent is typically fixed for the year, based on projected costs. At the end of the year, the rent is subject to adjustment in order to take into account the real costs of use. Although the CUMA tries to run its operations on a service at cost basis, a surplus can arise. Surpluses may be retained by the CUMA in reserve or returned to the members in proportion to their machinery and equipment use. If surpluses are returned, members can expect to be charged a lower member fee on their final bill for the year.

In the case that a member is unable to use the equipment as much as committed to in the subscription contract, the member is still bound to respect the financial agreement set forth in the contract. That member will therefore still be billed for the same amount that was originally specified in the contract.

Governance

There are four types of players involved in the administration and governance of a CUMA:

- the general assembly (or membership);
- the board of directors;
- the branch manager; and
- the equipment manager.

In the example illustrated in Figure 1, six members are recruited and make up the general assembly. The board of directors is composed of members elected by the general assembly. The board oversees all the co-op's business, including all activity branches.

Each member is entitled to one vote in electing directors and in making other decisions regarding the co-operative, regardless of the number of activity branches to which they belong or the amount of money they have invested in the co-op. Voting by proxy is not allowed.

The board, based on the recommendation of the branch members, designates someone to be in charge of each activity branch. The branch manager organizes the use of the equipment or machine, including administering schedules. The manager also ensures that contractual agreements are kept, that is, that members adhere to their subscription contract. In some cases a member is also chosen to be responsible for equipment care, although the tasks of branch manager and equipment manager are often combined. The equipment manager is in charge of the upkeep, delivery, and repair of the equipment.

Both branch and equipment managers report to the board. Before each annual general meeting, branch managers of each activity branch hold a meeting of their members in order to evaluate the season just ended. Any concerns are then taken to the board at the annual general meeting.

Administration and Scheduling

The order in which the members of an activity branch use the machines and equipment is determined through a draw held in the first year of operation, or by some other means deemed acceptable by the majority of the branch members. For example, machinery use can be allocated according to soil types or types of seed being planted.

The user of the equipment is not bound to return it to the branch

manager. However, the branch manager must be advised when the member is finished using it, so the next person in line can take their turn.

A log book accompanies each piece of equipment and machinery owned by the CUMA. Each member is obligated to enter into the log book:

- how much the equipment was used (e.g., in bales, hours, or acres);
- the date and time of any breakdowns or noted anomalies; and
- the date, time, and nature of any repairs or maintenance performed.

Members must also inform the branch manager of any breakdowns, anomalies, repairs, or maintenance.

In the case of a breakdown, the branch and equipment manager, together with the branch members if necessary, determine the nature and cause of the breakdown by using certain criteria, such as work overload, faulty maintenance, driver error, etc. If a breakdown is not of an accidental nature, the member at fault must assume the repair costs. In cases that require litigation, the board of directors decides on the action to be taken.

Repairs can be done by a third-party mechanic, the equipment manager, or any other member of the co-op. No-fault repairs are reimbursed by the co-op at market rates and paid for collectively by the branch members.

CUMA—Key Features

- A CUMA rents out equipment to its members at the lowest possible cost.
- An activity branch consists of three or more members who sign a subscription contract agreeing to use the equipment for the entire period of financing.
- The subscription contract specifies the members' annual volume of work and the order of priority to be used in the case of conflicting schedules.
- One individual is appointed per activity branch to ensure that the branch is run effectively and that the contract terms are respected.
- A member who does not meet his or her contracted work volume will be billed on the same basis as other members.

Reference: "Agricultural Equipment Co-operatives," a presentation by Denis Richard to the Agricultural Co-operatives Symposium, Ottawa, 24 February 1998.

If a major no-fault breakdown occurs during the year and the co-operative does not have enough funds in reserve (collected from the members of that activity branch) to carry out the repair, an additional rent will be billed to the members of the branch.

Modification or Termination of an Activity Branch

If at some point during an existing contract the majority of participating branch members want to change their particular piece of machinery, it may be sold. However, since the equipment belongs to the whole co-operative, only the board can decide whether or not to sell. Money from the sale of the equipment can be used to decrease the member fees or be put towards the purchase of the next piece of machinery. The existing subscription contracts have to be cancelled and new ones drawn up and signed by the participating branch members.

As the subscription contracts of a particular activity branch expire (i.e., when financing of the machine is complete), the participating members can choose to end the activity branch if they wish. Again, board approval is required before the associated machine or piece of equipment can be sold. Any profits made on the sale of the machinery are added to the co-operative's reserves. The original members of the activity branch may be entitled to a reimbursement for their share, depending on the financial particularities regarding the machine or equipment.

The CUMA Development Process

Forming a CUMA

THE PROCESS OF FORMING A CUMA is much the same as that involved in other kinds of co-operative business. A guide created to assist producers interested in CUMA development describes it as a three-stage process:⁴

Stage 1: Consultation

The first stage involves getting potentially interested producers together to discuss the idea of a CUMA. This stage is guided by the leadership of one or two producers who find and recruit others by presenting their ideas on sharing farm machinery and by explaining the co-operative model. Several meetings may take place before the co-op concept is well grasped by all involved. The consultation stage is completed with the election of a steering committee, whose members will form the basis of the new co-operative.

Stage 2: Organization

In this stage, the participating producers identify their machinery and equipment needs, determining specifics such as model, type, and costs.

Stage 3: Formation

The final stage is the formation of the new CUMA. A general assembly must be called within sixty days of the signing of the incorporation documents. Once the co-operative is formed and the activity branches are created, the co-op can begin to function. Those selected to the board of directors can start purchasing the equipment and machinery.

During this stage, the incorporation documents are also developed and forwarded to the Co-operative Directorate within the Ministry of Industry,

Commerce, Science and Technology (MICST) for approval. Required documents include a set of bylaws outlining the purpose of the co-operative, its capital structure, how and when meetings will be held, and the rights and responsibilities of membership, and of the board and officers of the co-operative. A sample set of bylaws is provided in Appendix B.

The Human Element

As with any form of collective action, the nature and commitment of the people involved are fundamental to the successful formation of a CUMA. The “human element” is what drives and ensures the continuity of such an association. This is why those involved with the formation of CUMAs in Québec feel that it is critical to undertake set-up procedures only with those producers who are totally ready and committed to the concept.

In a booklet about the CUMAs in Québec, Morneau (1996) describes the attributes necessary to ensure the success of a CUMA:

- *A commitment to helping one another*—not only by sharing machinery, but also through a willingness to plan and organize work and to make oneself available during peak periods;
- *Communication*—the ability to discuss issues and bring forth any behaviour or concerns that could cause ill-will within an environment of mutual respect and trust;
- *Discipline*—a respect of the rules to ensure the proper functioning of the organization;
- *Co-operative spirit*—helping members adjust to the co-operative method and to reinforce solidarity—strong individualism is a potential source of conflict;
- *Training*—sharing experiences and skills, especially with respect to new technologies;
- *Social interaction*—helping to carry out the full potential of the co-operative, while keeping it personable and of a manageable size;
- *Partnership*—supporting the growth and development of CUMAs, not isolating one from another, encouraging the expansion of inter-CUMA practices to avoid overcapitalization.

The Formation of a CUMA

The development of a new CUMA in the Ottawa region was described in an interview with Solange Blé, one of the founders:

“The first meeting was held on December 1. The purpose of the meeting was to determine whether there were others interested in forming a CUMA in the area. The agenda included three members from another CUMA in the area sharing their experiences and describing how their co-op works. Twenty-five people showed up (twenty-three were already part of the dairy management syndicate for the area). Only two people were not interested in joining (they already had their own equipment and therefore didn’t really see the need).

“By the end of the meeting it was decided to go ahead with the project. Six people were appointed to a steering committee, which was put in charge of incorporating the co-op, organizing future meetings, and facilitating the formation of activity branches.

“Two weeks later a second meeting was held. This time members from a CUMA in Trois Rivières were invited. The group had to cover the members’ travel costs and the costs of their replacement milkers. The MAPAQ (Québec Ministry of Agriculture, Fisheries and Food) regional office donated \$300 to offset the costs of bringing the members in and the group intends to recover the remaining costs through future membership fees.

“The first general meeting was scheduled for March 1. This is when members were asked to sign up and invest. Members were also asked to pay \$20 to join the CUMA and offset start-up costs.

“In the meantime the steering committee met at least four times to complete the incorporation documents for the co-op. The sample incorporation documents, available through the Ministry of Industry, Commerce, Science and Technology, were very useful in this regard. The group also benefited from hands-on assistance provided by the local MAPAQ representative and from being able to contact Camille Morneau (with MAPAQ in Rimouski) by phone and e-mail.

“Once the group receives the necessary government approval, they will be ready to start their CUMA, with one activity branch all set to go. It’s a seeding branch which will serve five members within 30 kms of each other. The CUMA will likely have other seeding branches to serve groups of members in different geographic areas, since the furthest distance between the members of the CUMA is 80 kms.”

Blé explains that if they could repeat the process they would probably have started earlier. But so far development has advanced very smoothly and the group feels fortunate with the support it has received to date.

Who Is Involved?

Although the central players in the development of a CUMA are undoubtedly the producer-members themselves, there are a number of key people and organizations involved in promoting and forming CUMAs in Québec. These people provide several different forms of assistance to producers interested in developing CUMA machinery co-operatives.

Provincial Government Ministries and Their Agents

The provincial government currently provides significant support. A key figure in this is Camille Morneau with the Québec Ministry of Agriculture, Fisheries and Food (MAPAQ) based in Rimouski.

In conjunction with the Québec Ministry of Industry, Commerce, Science and Technology, Morneau developed a guidebook for producers that outlines the steps in forming a CUMA, including sample incorporation documents. Through his position with MAPAQ, Morneau provides hands-on assistance to producers such as:

- help in bringing together like-minded people interested in forming a CUMA;
- assistance organizing/facilitating information meetings and membership drives;
- aid in identifying equipment needs and determining feasibility; and
- assistance in developing administrative and record-keeping systems.

Morneau has also been training and educating other ministry representatives so they can provide similar assistance to producers in their respective regions.

Assistance is not only available during the formation stages of a CUMA. An important service that Morneau increasingly provides is conflict resolution. Many of the CUMA members interviewed cited this as a critical service to their ongoing success, as it enables them to draw on the experiences of other CUMAs and realize that their difficulties can be resolved. Morneau has worked directly with producers, and with assistance from the provincial government, arranged conflict resolution workshops for CUMA members.

Agriculture and Agri-Food Canada

Recently, with the financial help of Agriculture Canada, the CUMA of Saint-Cyprien developed a software program to assist in the management of CUMAs. This program facilitates the complex CUMA accounting system, which includes equipment accounting and billing for each user member. This program was provided to each CUMA free of charge and is used by at least twelve co-ops.⁵

Financial Institutions

Caisses populaires (credit unions) have been active in providing financing to new CUMAs. Like the provincial government, the caisses populaires were reluctant at first to finance the new co-operatives. Once a few CUMAs were established, however, and the caisses' representatives better understood the model, financing became easier. The CUMA model is now accepted as a low-risk method of financing the machinery needs of farmers; a group of producers are less likely to default on their loan payments than a single farmer during a bad year.

Other Co-operatives

Coop Fédérée has published several articles about CUMAs in their magazine *Le coopérateur*. The magazine is widely distributed throughout rural Québec. Coop Fédérée also offers board training and other education programs to CUMAs at the same rate offered to their own members.

Keys to the Success of CUMAs in Québec

The popularity of the CUMA model in Québec, evidenced by its rapid adoption throughout the province, provides a clear indication that these co-operatives are meeting the needs of their members. Based on interviews with CUMA members, a number of hypotheses can be made for the success and popularity of the CUMA machinery co-ops in Québec:

- direct economic gains to individual producer-members;
- previous experience with co-operatives and other farm machinery arrangements;
- clearly defined organizational structure and limited personal liability;
- substantial support from various external organizations, including governments;
- community development gains and the "human factor."

Evolution of the CUMA Movement

Pre-CUMA Machinery Syndicates

QUÉBEC HAS A LONG HISTORY of equipment sharing. As a result, the idea of co-operating to reduce farm machinery costs was not a new concept for many Québec producers. Until 1990, the collective ownership of equipment was most commonly done through agricultural machinery syndicate pools, which had been in existence in the region since the early 1970s.

The syndicate approach to pooling property had both advantages and disadvantages. Syndicates could be set up with ease, since they had no legal status and therefore did not involve time lags associated with the incorporation process.

One of the main disadvantages was the difficulty in arriving at unanimous decisions, and hence the threat of having members break their agreements within the pool. Because the equipment did not belong to an enterprise, but was part of an agreement, the consent of all parties was required to modify the agreement. If a member left the pool, his/her share in the equipment at the time of departure had to be assessed, or sold outright, so as to be sure of its true market value.

A second, and increasingly serious, irritant with the machinery syndicate model was that each member had to personally sign for the pool's debts. For instance, if the pool bought equipment for which it took out a loan of \$100,000, each member would need to sign a personal guarantee for the full amount of the loan.⁶

The CUMAs operate in a similar fashion to the machinery syndicates

already familiar to many Québec producers. However, the CUMA structure is better able to address the two shortcomings described above. First, the machinery is owned by the CUMA and members are committed to using the equipment through legally binding contracts, thereby eliminating the difficulty of having members break the informal syndicate agreements. Second, the liability of members of a CUMA is limited to their initial share investment; personal guarantees are not required.

The CUMA Movement at a Glance

- 48 CUMAs—47 in Québec and 1 in Ontario
- Close to 1,000 farms participating in over 230 branches of activity
- Average of 18 members per CUMA
- Have raised in total over \$3 million dollars
- 60 different types of machines and equipment
- Predominantly young producers involved (average age in 1997 was 37)

Reference: Camille Morneau, “Coopérative utilisation matériel agricole, un défi à partager.”

Introduction of CUMAs to Québec

As mentioned previously, a key figure in the development of CUMAs in Québec is Camille Morneau of MAPAQ. Morneau first read about the CUMAs in France as part of his master’s thesis at the University of Québec. The French CUMAs have their roots in de Gaulle’s first postwar cabinet, which supported the creation of co-operatives to encourage the collective purchase and use of scarce farm equipment in the years immediately following the Second World War.⁷ Although the rationing of tractors and other farm equipment has long ended, there are still more than thirteen thousand CUMAs in France, representing approximately four hundred thousand members.⁸

In 1991, after studying the model and visiting CUMAs in France, Morneau decided to try to apply the model to Québec, and spearheaded the formation of the first CUMA in Canada, the Saint-Fabien CUMA. Morneau

describes the development as a very delicate process. He knew that the success of the first CUMA would be watched closely, with many outside producers and government bureaucrats believing that such an arrangement would never work.

Once the first few CUMAs were up and running, however, other producers quickly became interested in the idea, and the Québec government began to support their development. As a result, Morneau's position with the Ministry of Agriculture has evolved to enable him to provide assistance on a full-time basis to producer groups involved in forming a CUMA.

Growth of CUMAs

Since its incorporation, the Saint-Fabien CUMA has become an example to producers in other regions. Indeed, only nine years later, the number of CUMAs has grown to forty-seven across the province, grouping together close to one thousand producers.⁹ An additional three CUMAs are projected to incorporate by the end of the year 2000.

While the majority (approximately 80 percent) of CUMAs are involved in the dairy sector, a growing number are being formed in other industries, including hog, beef, poultry, and vegetable production. Although no CUMAs have yet to be incorporated outside of agriculture, people involved in other resource-based industries, such as fisheries and forestry, are beginning to consider the CUMA model as a method of machinery and equipment sharing.

CUMAs have not only grown in number, but also in size. Table 1 outlines a study prepared by Morneau documenting the evolution of CUMAs in eastern Québec from 1991 to 1996. Morneau notes that in 1991 the fixed assets per CUMA were \$30,900, compared with \$57,454 in 1996. During this same period, membership increased nearly tenfold, with the average number of members rising from ten to seventeen. As a result of the increase, fixed assets per member have remained fairly constant over the same five-year period—in 1991, fixed assets per member were \$3,196 compared to \$3,392 in 1996.

Table 1: Evolution of CUMAs in Eastern Québec, 1991–1996

| Year | 1991 | 1996 |
|-----------------------------|--------|---------|
| Number of CUMAs | 3 | 15 |
| Number of Members | 29 | 254 |
| Number of Activity Branches | 10 | 86 |
| Assets—Purchase Price (\$) | 92,704 | 861,815 |

Source: C. Morneau, “CUMA un défi a partager,” 1996.

The Leclercville CUMA is a typical example of CUMA growth. It was officially founded in July of 1994, and at its inception had five members and no assets. One year later, it owned \$35,000 worth of machinery organized into two branches, and the number of members had climbed to twelve. By 1998, the Leclercville CUMA had twenty-two members and sixteen machinery branches, with \$150,000 worth of equipment. The co-operative also has a personnel branch that hires out replacement employees to CUMA members wishing to be temporarily absent from their operation. (This type of arrangement is discussed in further detail at the end of this section.)

Economic Impact

The CUMAs have provided farmers with substantial economic benefits. Morneau (1996) feels that the CUMA model of sharing farm machinery:

- improves the financial health of participating farms by sharing the financial risks and minimizing individual investments;
- ensures the most efficient use of invested capital and reduces operational costs;
- allows for the purchase of more efficient and powerful machinery;
- favours more rapid equipment turnover in order to obtain a higher resale value;
- stimulates member interest in joining the co-op by requiring a rela-

tively low financial commitment (4 to 7 percent of the machine's purchase cost) and the lowest possible user fees;

- reduces labour demands since larger, more efficient machinery is used and members help one another;
- allows producers to use machinery that is specifically suited to meeting the needs and conditions for expansion;
- encourages producers to manage time and labour by planning, organizing, and working efficiently;
- frees up usually scarce funds that would be better applied to other areas, such as increasing herd size or production quota; and
- eliminates some of the unproductive capital assets on members' farms.

To provide an example of the direct economic advantages of CUMA membership, Morneau documented the 1994 machinery costs of a CUMA member. The producer owns and operates a ninety-cow dairy farm and is self-sufficient in grain and alfalfa production. Table 2 (overleaf) illustrates the type of machinery pooled by the member through the CUMA, the purchase price of the machinery, as well as the total cost to the member of using this machinery for the year. The total cost per machine reflects the member fees based on the units of machinery used and billed to the member by the CUMA. The member fees include the cost of financing the machinery, insurance, storage, and maintenance.

Taking the seeder as an example, the producer uses the machine to seed 70.4 acres. He is charged \$6.53 per acre by the CUMA to cover the associated financing, insurance, storage, and maintenance costs. The total cost of using the seeder is therefore \$460 for the year.

Table 3 (overleaf) lists the machinery costs associated with the machinery set illustrated in Table 2 (with a total purchase price of \$93,200) assuming individual ownership. Under this scenario, the individual operator would be paying \$15,094 per year to cover the financing, insurance, storage, and maintenance costs. When compared with the CUMA member's annual fees for the same machinery set, it can be seen that the member is spending 70 percent less on equipment than the farmer who owns the same equipment independently.

Table 2. Machinery Costs for CUMA Member—1994

| Machine/Equipment | Purchase Price (\$) | Yearly Member Fee for Use (\$) |
|------------------------|---------------------|--------------------------------|
| Seeder | 9,300 | 460 |
| Rake | 7,000 | 340 |
| Rock Picker | 14,500 | 560 |
| Forage Harvester | 24,000 | 1160 |
| Chemical Sprayer | 8,500 | 140 |
| Liquid Manure Spreader | 14,500 | 360 |
| Solid Manure Spreader | 10,000 | 670 |
| Pressure Washer | 2,300 | 70 |
| Wood Saw | 1,400 | 30 |
| Grader | 1,700 | 110 |
| Total | \$93,200 | \$4,340 |

Source: C. Morneau, "CUMA un défi a partager," 1996.

Table 3: Comparative Costs for Individual Farmer—1994

| | |
|-------------------------------|----------|
| Financing Cost (10-Year Loan) | 13,920 |
| Insurance | 374 |
| Storage | 500 |
| Maintenance | 300 |
| Total | \$15,094 |

Source: C. Morneau, "CUMA un défi a partager," 1996.

Social Impact

Although the economic benefits of becoming involved in a CUMA are undoubtedly an important factor to the co-operatives' success, CUMAs have also had an important social impact on the agricultural community. Many of the CUMA members interviewed as part of this study noted that

the noneconomic benefits are also key. Camille Morneau reiterates this sentiment:

The social aspect of a co-operative is an integral part of its overall success, and in this way differs from other types of machinery sharing syndicates. Co-ops are much more than just an efficient way of purchasing machinery...they allow people to meet one another, to work together, to share one's experiences and skills. It helps re-validate the agricultural producer. Although members of a co-operative initially join up for economic reasons, they also want to re-instill basic rural values with their neighbours, such as co-operation and helping one another.¹⁰

Given the strong sense of community that accompanies the CUMAs, it is not surprising to note the high level of participation. According to Morneau, there is approximately an 85 percent member turnout at all CUMA general assemblies. At the recent general assembly of the Saint-Fabien co-op, for example, twenty-nine of the thirty-three members were present.

Assembly of CUMAs

Accompanying the development of an ever greater number of CUMAs has been the formation of a loose association of CUMAs. The primary purpose of the association is an annual assembly of CUMA members from across Québec and Ontario. The annual meetings serve to:

- develop bonds between the various CUMAs and their members;
- share experiences of CUMA development;
- discuss common interests such as taxes, financing, accounting methods, and conflict resolution; and
- bring forth ideas to aid in the development of new and existing CUMAs.

Sharing Farm Labour

Substantial investment in farm machinery is not the only challenge facing farmers in rural Québec or, for that matter, in the rest of Canada. It has become increasingly difficult for many farmers to hire addi-

tional seasonal labour during busy periods, to complete specific projects, or to deal with unplanned family events. In many regions of Québec, trying to persuade skilled people to help out just “once in a while” is nearly impossible.

Inspired by the CUMA model of sharing farm machinery, Québec producers have recently come up with a couple of different ways to deal with a shortage of skilled, certified agricultural labour.

Farm Labour Activity Branches

In addition to sharing farm machinery and equipment, many of the CUMAs have evolved to share and pay employees communally through the addition of farm labour activity branches. In particular, many of the CUMAs involved in the dairy sector have milking and cow herding services as an activity branch. These activity branches operate along the same principles as the machinery branches.

Members who are interested in having a hired hand help out on their farm, but who do not have enough work to justify hiring a full-time labourer, get together and develop an activity branch. To join the branch, members must commit to hiring the labourer for a specific number of weeks per year. Depending on how much farm labour is required by all of the members in the branch, the CUMA then hires one or more labourers to meet the needs of the activity branch members.

For example, a CUMA hires a labourer every year to meet the needs of seven members belonging to their farm labour activity branch. The members of the branch meet every three months to discuss their labour needs and to develop a schedule. The schedule is submitted to the board of directors and the hired labourer then goes from farm to farm, in much the same way as any other activity branch would function.

For the members, sharing labour through their CUMA allows for greater access to a stable supply of skilled labour. It has also enabled many producers to comfortably leave their farm for certain periods (to take holidays for example)—something which few were able to do before joining the CUMA. The CUMA also undertakes all the hiring and administrative duties. For the farm worker, the CUMA provides stability as the labour re-

quirements are spread among a number of producers and employment is guaranteed through a legally binding contract.

CUMOs—Farm Labour Co-operatives

Inspired by the CUMA's already in place in the region and in response to chronic agricultural labour shortages, producers in Québec have started to form farm labour co-operatives—or CUMOs. These co-operatives hire agricultural labourers who then offer their services to the members of the co-operative. They are developed by producers who all have recurrent labour needs, but never on a full-time basis.

To join a CUMO, members must purchase a membership share, as well as pay an annual fee. Members must also promise to utilize the co-operative's labour supply for a minimum amount of time per year.

Once every three months, the members get together to establish a calendar and schedule of work needs. Members then book the days they need according to a predetermined selection order (e.g., first choice in round one picks last in round two). These meetings require that each producer plan labour needs very carefully in order to take full advantage of the labour set aside for their use.

The CUMO is in charge of paying the labourers and undertaking associated administrative duties, including providing technical support and training the labourers.

Much like the farm labour activity branches of the CUMAs, the CUMOs provide farm workers with stable employment because the labour requirements are spread among all the producer members and fixed in a legal contract. They also offer farm labourers variety and the opportunity to learn new skills, since they work on several different types of farms in a given season.

For the producer-members, CUMOs provide greater access to a stable supply of skilled labour. They also free producer-members from being as preoccupied with labour matters, since all the administrative duties, including hiring and paying wages, are taken care of by the co-op. This freedom can allow members to focus more effort on pursuing other activities, professional or personal.

La Mosaïque Farm Labour Co-operative

In the spring of 1996, several producers from the Lotbinière region in Québec started up “La Mosaïque,” a farm labour co-operative. Inspired by the CUMAs already in place in the region, the co-operative was developed by producers who had intermittent labour needs.

La Mosaïque was organized with the help of various organizations and contributors. The group received \$26,000 from the Labour Development Society of Québec, which has a mandate to support projects that help maintain and stabilize the agricultural workforce. Municipalities, caisses populaires, and other co-ops gave various support, including lending facilities to the co-op and providing expertise in the hiring of agricultural labourers. The CUMA of Lotbinière contributed by offering its expertise in co-operative development, based on five years of operation.

La Mosaïque now has eleven producer members. To become a member, one has to agree to purchase a membership share of \$100, as well as pay an annual fee of \$150. Members must also promise to utilize the co-operative’s labour supply for a minimum of eighty hours per year. For those who cannot meet the eighty-hour annual labour demands, the annual fee goes down to \$50 per year with an agreement to use eighty labour hours per every two years.

The co-op is in charge of paying the labourers and performing associated administrative duties, including providing technical support and training. It is also in charge of developing a pool of labour and hiring young workers for the seasonal summer work. The co-op’s labour pool is capable of meeting a diverse range of labour needs, including fruit and vegetable picking, haying, milking, and pig-farm work.

Adapted from Colette Lebel, “Une mosaïque de services agricoles dans Lotbinière,” *Le coopérateur*, February 1997.

Appendix A: Sample Subscription Contract

Subscription Contract

Activity Branch: *name of activity branch*

Between

(hereafter referred to as “the member”)

and

name of CUMA, based in *town and province*,
represented here by

and

who are duly authorized to sign on behalf of the co-operative.

Preamble

Whereas the co-operative will provide equipment to the member under the best possible conditions;

Whereas the co-operative will provide assistance to the member in using the equipment;

- Whereas** the co-operative will give to the member some power of decision within the organization;
- Whereas** the co-operative will provide the member with the opportunity to exercise influence over the cost of the use of the equipment;
- Whereas** the member will learn and respect the rules and principles of the co-operative;
- Whereas** the member will maintain the equipment in good condition until this contract expires;
- Whereas** the member has already subscribed to the co-operative and paid for qualifying shares;
- Whereas** the member will respect the decisions of the assembly and of the board of directors; and
- Whereas** the member will attend general assemblies or justify his/her absence;

Both parties agree to the following:

1. The preamble forms an integral part of the present contract.

2. General goal

The general goal of this contract is to make available to the member the equipment itemized in article 3 of this contract, and for which the member will have to pay the co-operative his/her share of the payments, expenses, and costs related to this equipment; the co-operative having fully disclosed to the member user the inherent charges of the equipment, and without restraining this preceding generality, the cost of financing (capital and interest), insurance, costs of repair and maintenance, etc.

In addition, the member must pay each year, if the case arises, his/her share of any deficit that the co-op has generated relating to the equipment listed in article 3.

3. Description of the shared equipment

This contract concerns the right of use provided by the co-operative of the following equipment:

Name of equipment: _____

Brand/make: _____

Model: _____

Serial number: _____

Acquisition date: _____

The acquisition cost of this equipment is _____ dollars (\$), including all the inherent costs such as taxes, transport, and preparation.

4. Financial engagement by the member

4.1 The member agrees to subscribe and to pay cash at the time of the signing of this contract, his/her share of the twenty percent (20%) of the purchase cost of the equipment, this share being determined by the division of twenty percent (20%) of the purchase cost by the number of members of the activity branch that uses the equipment listed in article 3.

4.2 The member agrees to pay each year his/her share of the annual rent fixed for the first year at \$ _____, this share of the rent being determined in proportion to the number of _____ for the year in question.

The annual rent is calculated from the following costs:

- i) the real cost of financing (capital and interest) the equipment, which will be financed at eighty percent (80%) of the purchase cost and amortized over a period of _____ years; and
- ii) the inherent costs of the equipment, including notably, but not exclusively, insurance, costs of repairs, costs of maintenance, costs of storage, and all the costs associated with property rights.

The annual rent is subject to adjustment at the end of each year in order to take into account the real costs of use and the real number of _____ done.

In addition, the annual rent is fixed each year in order to take into account variations in the costs of items which the rent comprises.

4.3 An additional rent will be billed to the members if a major breakdown occurs during the year and the co-operative does not have enough funds in reserve, collected from the members of this activity branch, to carry out the repair.

4.4 The annual rent is payable in one or several instalments, according to the decision of the co-operative. The co-operative will thus send out one or several bills to the member depending on this decision, which must be paid within 30 days of receipt.

5. Use of equipment

5.1 The member enters into this contract to use the _____ for a minimum number of _____. Each year, the member intends to use the equipment for the following minimum number of _____:

| | |
|--------------|-----------------------------|
| Year 1 _____ | Year 5 _____ |
| Year 2 _____ | Year 6 _____ (if necessary) |
| Year 3 _____ | Year 7 _____ (if necessary) |
| Year 4 _____ | |

5.2 The member may withdraw from the activity branch at the end of the contract. He/she must inform the secretary of the board of directors of the intention to withdraw, in writing, three (3) months before the date of expiry of the contract; the other members of this activity branch (article 3) have the right of priority to buy the qualifying shares of the member who withdraws.

- 5.3 In the case that the member is unable to do as many _____ as he/she has set forth in this contract, he/she is still bound to respect the financial agreement set forth in this contract.

6. Organization of work

- 6.1 The co-operative's board of directors must name a member responsible for the equipment. This person must see to the maintenance, storage, and repair of the equipment, and is referred to as the equipment manager.
- 6.2 The members of this activity branch must name a person responsible for the branch. This person will define the turn each member will take in the use of the equipment, and may be the same person named by the board of directors. This person is referred to as the branch leader.
- 6.3 A logbook that will serve in accounting for the number of _____ done will always accompany the equipment. Each member has the obligation to enter into the log the real number of _____ done.
- 6.4 The last user of the equipment is not bound to return it to the equipment manager, but must advise the manager that he/she has finished using it.
- 6.5 Any noted anomalies that occur during or after use, as well as any breakdowns, repairs, or maintenance performed, must be recorded in the logbook, as well as the date and time that they occurred, and the manager must be notified.
- 6.6 In the case of a breakdown, be it intentional or by negligence, the equipment manager, together with the branch members if necessary, will determine the nature and cause of the breakdown by using certain criteria: work overload, faulty maintenance, fault in driving, etc.
- Any breakdown, if not of an accidental nature, will be attributed to the member at fault. In this case, the member must assume the costs of repair.
- In cases that require litigation, the board of directors will decide on the action to be taken.
- 6.7 The members are not entitled to claim compensation from the co-operative if the work using the equipment has been delayed due to poor weather or to breakdown of the equipment.
- 6.8 The board of directors may decide to halt use of the equipment if the work to be done is deemed to be damaging to the equipment.

7. Use turn

The turns of use will be determined by random drawing, type of soil, type of seeding, or another appropriate method.

The list of members of this activity branch and their use turns will be appended to each subscription contract of this activity branch.

8. Exclusivity

The _____ (article 3) is for the exclusive use of members of this activity branch. It is forbidden to lend or rent the equipment.

I confirm that I have read all clauses of this contract, and agree to respect them.

In testimony whereof, I sign at _____, this _____ day of the month of _____, 20____.

Member _____

Name of CUMA _____

Appendix B: Sample By-Laws

By-Laws For the *Name of CUMA*

CHAPTER I: DEFINITIONS

1.1 Definitions

In the present by-laws, the following expressions mean:

- a) The Co-operative: Name of CUMA
- b) The Law: Name of Act
- c) The Board: The co-operative board of directors
- d) The By-Laws: The co-operative internal governing by-laws
- e) The Member: A person or an agricultural producer company who joins an activity branch of the co-operative
- f) The Associate Member: A person or company who has an interest as a co-operative service user and who belongs to an activity branch of the co-operative
- g) The Auxiliary Member: A person or company who has an interest as a co-operative service user and who is waiting to join an activity branch
- h) The Activity Branch: A common usage unit for materials or services for which the member signs an agreement contract with the co-operative

CHAPTER II: CAPITAL

(Reference: article _____ of the law)

2.1 Qualifying Share

To become a member, a person must subscribe one qualifying share for the price of ten dollars (\$10) each.

2.2 Terms of Payment

The qualifying share is payable by cash or cheque when admitted as a member.

2.3 Common Shares Transfer

The common shares can only be transferred with the approval of the board following written request by the assignor.

The transfer of common shares is simply done by registering in the logbook or in the member's file.

2.4 Reimbursements of Common Shares

Subject to restrictions mentioned under article 38 of the law, the reimbursement of common shares is done according to the following priorities:

- a) death of the member;
- b) resignation;
- c) exclusions;
- d) reimbursement of common shares other than qualifying shares.

The reimbursement will be done according to the chronological order of the requests within each priority mentioned above.

CHAPTER III: THE MEMBERS

(Reference: article _____ of the law)

3.1 Entrance Requirement as a Member

To become a member of the co-operative, a person or company must:

- a) Buy the minimum number of shares as stipulated under article 2.1 of the regulation and pay in accordance with article 2.2.
- b) Be in conformity with the dispositions of article 200 of the law and sign an agreement contract for each branch of activity he/she joins.

3.2 Entrance Requirements for an Associated Member

To become an associated member of the co-operative, a person or company must:

- a) Buy the minimum number of shares as stipulated under article 2.1 of the regulation and pay in accordance with article 2.2.
- b) Be in conformity with the dispositions of article 211.1 of the law and sign an agreement contract for each branch of activity he/she joins.

3.3 The Rights of the Associated Member

The associated member is eligible for the position of director, is entitled to the patronage dividend, and has the right to vote in the proportion as stipulated under article 211.4 of the law.

3.4 Entrance Requirements for an Auxiliary Member

To become an auxiliary member of the co-operative, a person or company must:

- a) Buy the minimum number of shares as stipulated under article 2.1 of the regulation and pay in accordance with article 2.2.
- b) Be in conformity with the dispositions of article ____ of the law, excluding the first paragraph.

3.5 The Rights of the Auxiliary Member

- a) The auxiliary member is invited to attend the co-operative assemblies and has the right to assist and to speak out.
- b) The auxiliary member is not entitled to the patronage dividend.
- c) The status of the auxiliary member can be lost through resignation, through admission as a member or associated member, or through exclusion by the council for the motives, and according to the procedure, stipulated under articles 57 and 58 of the law.

CHAPTER IV: GENERAL ASSEMBLY

(Reference: article _____ of the law)

4.1 General Assembly

All general assemblies are held at the location, date, and time established by the board subject to article ____ of the law.

4.2 Quorum

The quorum of a general meeting is reached when three (3) board members and three (3) nonboard members are present.

4.3 Notice of Meeting

The notice of an annual general meeting is given by mail at least seven (7) days before the date of the meeting.

The decisions taken during a general assembly cannot be canceled under the pretext that members did not receive or read the notice of meeting.

4.4 Vote

The vote is taken from the floor unless it has been decided otherwise by the assembly after the request of at least one of the members present.

CHAPTER V: BOARD OF DIRECTORS

(Reference: article _____ of the law)

5.1 Composition

The board is composed of five (5) directors.

5.2 Duration of the Term

The duration of the term of the directors is three (3) years.

5.2.1 Mode of Rotation of the Directors

- a) However, for the first three (3) years of the co-operative foundation, the duration of the directors' mandate is as follows:
one (1) seat will be up for election after the first year, two (2) seats after the second year, and the other two (2) seats after the third year;
- b) There will be a random draw to determine the seats up for election after the first and second year.
- c) The directors elected will then have a mandate of three (3) years.

5.3 Board Meeting

The board of directors meets as often as required by the interests of the co-operative.

The convocation is given by phone at least three (3) days before the meeting date.

For an emergency meeting, the convocation delay is, by exception, reduced to three (3) hours.

All acts passed or any resolution adopted at any board assembly are considered regular and valid even though it is discovered later that the nomination of a director is irregular or that one administrator is no longer able to sit.

The majority of the directors must be present to constitute a valid meeting.

5.4 Eligibility

To be eligible to the position of director, a member must be a fully-paid-up member.

5.5 Nomination and Election Procedures for the Directors

The president and the secretary of the co-operative are chairperson and election secretary unless they are themselves trying to get elected.

• THE CUMA FARM MACHINERY CO-OPERATIVES

- a) The assembly nominates two election scrutineers and, if applicable, a chairperson and an election secretary.
By accepting this position, these persons also agree not to be candidates.
- b) The election chair reads the names of the directors whose mandates are over.
- c) He/she then informs the assembly of the following points:
 - i. The directors whose mandates are finished are eligible for re-election.
 - ii. The members can submit as many candidates as they want.
 - iii. The nomination of candidates is closed upon proposition duly supported and uncontested.
 - iv. The president ensures the acceptance of each candidate upon the candidate's nomination. Any refusal automatically eliminates the candidate.
 - v. After this elimination, if there are more candidates than seats, there is an election. If the number of candidates is equal to the number of seats, the candidates are elected by acclamation.
 - vi. If there is an election, it is done by secret ballot. Each member receives a ballot and writes the name of the candidate of his choice. The number of names on the ballot must correspond to the number of seats available.
 - vii. The scrutineers count the votes obtained for each candidate and report the results to the election chair.
 - viii. The chairperson announces the candidate elected for each seat without revealing the number of votes obtained for each candidate.
 - ix. In case of a tie for the last seat, there is another vote only between the candidates who tied.
 - x. If after a second vote there is still a tie, the candidate is chosen by random draw.
 - xi. There is a recount if at least a third of the members present request one. In this case, the candidates involved are present during the recount.
 - xii. The ballots are destroyed by the election secretary immediately after the election is concluded.
 - xiii. Any decision by the chair regarding the procedure has to be followed unless the assembly votes by a majority to reverse the decision.

CHAPTER VI: OFFICERS OF THE CO-OPERATIVE

(Reference: article _____ of the law)

6.1 Role of the President

- a) The president is responsible for presiding over the general assemblies and the board meetings.
- b) He/she makes sure the regulations are followed.
- c) He/she supervises the execution of the decisions taken at the general assembly and at the board of directors meeting.
- d) He/she represents the co-operative during relations with outside resources.

6.2 Role of the Vice-President

- a) The vice-president replaces the president in case he/she is absent or incapacitated by using the president's powers and assuming his/her obligations.
- b) In the absence of both the president and the vice-president, the assembly chooses a president among the directors who are present at the assembly.

6.3 Role of the Secretary

- a) The secretary is responsible for the writing of the general assembly minutes and the board meetings minutes.
- b) He/she is responsible for keeping the logbook and the archives of the co-operative.
- c) He/she writes the notices of meeting for the general assemblies and the board meetings.
- d) He/she is nominated secretary of the board and passes on to various organizations whatever is required by law.
- e) He/she carries on any duties inherent to the secretary's position.

6.4 Role of the Treasurer

- a) The treasurer is responsible for the financial business of the co-op.
- b) He/she organizes the bookkeeping work and makes sure that the tasks are carried out.
- c) He/she is in charge of the portfolio, the funds, and the book of account.
- d) He/she ensures that all shares and any other amount is paid according to the rules and other agreements from the members and auxiliary members.
- e) In the three months following the end of each fiscal year, the treasurer must see to the preparation of the annual report as stated under article 32 of the law, collaborating with the auditor and submitting the annual report to the council for approval.
- f) The treasurer must produce, when requested, a financial report to the council.

CHAPTER VII: ACTIVITIES

(Reference: article _____ of the law)

7.1 Fiscal Year

The fiscal year starts on January 1 of each year and ends on December 31.

7.2 Effective Date

The present regulation becomes effective on *month, day, year*.

Date

Secretary of the Co-operative

Notes

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2. Colette Lebel (1995), "Les CUMA, quatre ans plus tard," in *Le coopérateur*, October.
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4. Gouvernement du Québec, 1994.
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7. Philip M. Raup (1975), "French Experience with Group Farming: The GAEC," in *Cooperative and Commune: Group Farming in the Economic Development of Agriculture*, ed. Peter Dorner. The University of Wisconsin Press, Madison.
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10. Lebel, 1995.

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