THE IMPACTS OF RETAIL CO-OP AMALGAMATIONS

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* Thanks to FCL and participating co-ops for their assistance and interest in the project

Outline

Context

- The Co-operative Retailing System (CRS)
- Amalgamations in CRS
- Current Situation
- Literature
- Our Study

Findings

- Motivations/Concerns
- Impacts on Association
- Impacts on Operations
- Impacts on Management
- Impacts on Relations
- Summary and Considerations

What is the CRS?

Context

- The Co-operative Retailing System (CRS)
- History of Amalgamations in CRS
- Current Situation
- Literature
- Our Study

Retail Co-ops in Western Canada

Rural Areas

Urban Areas

Goods and Services:

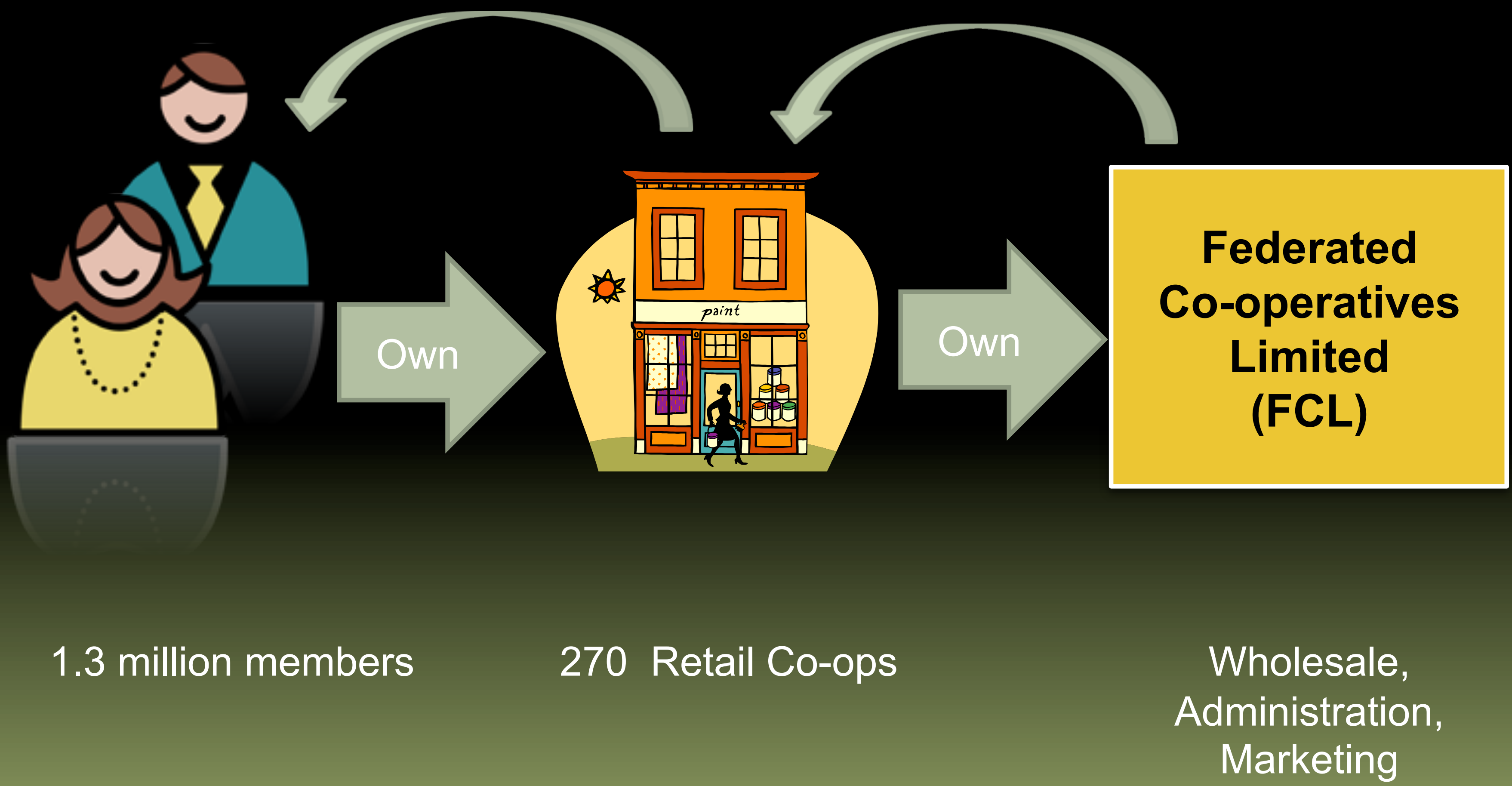
Petroleum

Farm Supplies

Food

Other

Co-operative Retailing System (CRS) in Western Canada



FCL Figures for 2008

Sales

- $8.4 billion
  - Record

Net Savings

- $755 million
  - Record

Pat Refund

- $533.7 million

Amalgamations in CRS

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Amalgamations in CRS

- Many important amalgamations throughout its history
- FCL itself was created through amalgamations of provincial wholesales
- Earliest amalgamation among selected co-ops in case studies occurred in early 1950's

Amalgamations: CRS Comes to Fork in the Road

- Approximately 500 retails in 1960s
- Is this too many?

The big question was at that time: Decentralization or Centralization?

Managers' Advisory Committee: 1965

- Recommended "Regionalization" as compromise between de/centralization
- Envisioned 500 retails reduced to 140 large regional co-ops in five years (by mid 70's)

Number of independent retail co-ops*

Year	Number of Co-ops
1977	427
1987	339
1997	307
2007	276

* Numbers also include acquisitions and dissolutions

Last Five Years*

Year	Number of Co-ops
2004	288
2005	286
2006	283
2007	276
2008	270

* Numbers also include acquisitions and dissolutions

Key point?

Amalgamations have been occurring at a relatively slow pace

(compared to advisory committee's targets)

Why?

1. Bottom up process?
   - Voluntary - Retails are left to make their own decisions
   - FCL – Supports but does not push
   - No “target” number for CRS

2. Advantage vs. Necessity?

3. Reluctance to surrender autonomy?

Current Situation

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Terminology – Multi-branch Co-ops

- FCL list – Central location plus “other locations”
- Co-ops were independent
- Some kind of merger - amalgamation / acquisition

Statistics

From this criteria there are

63

multi-branch co-ops in CRS

Size (Number of Locations)