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**BEYOND ECONOMIC RATIONALISM IN RURAL AUSTRALIA:
SOCIOECONOMIC CHANGE IN THE COLEAMBALLY IRRIGATION AREA**

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The Coleambally community (including the township and surrounding irrigation area), like many of Australia's rural regions, is facing serious threats to its future social and economic well-being. Apart from the usual pressures facing rural communities is a particular challenge resulting from recent NSW legislation permitting the trade in irrigation water rights. The fear amongst Coleambally's leaders is that other irrigation areas could bid more for water than could the CIA, that water rights would tend to be traded out of the area, and that the Coleambally community would shrink and ultimately die. One of those leaders, Mark Bramston, Chief Executive of the Coleambally Irrigation Cooperative Ltd (CICL) had seen the writing on the wall two years ago and had begun an attempt to raise the consciousness of the Coleambally community and to bring about change. According to Mark, the only hope for long-term survival and prosperity was a concerted effort by the community to embrace socio-economic change. However, irrigated rice had been good to the community in the past, and many did not see the need for change, indeed resisted change. By his own estimation, only 5 percent of the community were with him. The realization that his efforts were not working led him to call on John Spriggs who formed the research team to take a fresh look at the question of socio-economic change in the Coleambally community.

The research team began the exercise in early 2001 with a set of 20 preliminary interviews with a cross-section of people from the Coleambally community. These interviews were intended to help inform the research team of the major issues, get a sense of the attitudes prevailing in the community and to validate or otherwise the earlier views expressed by Mark.

The preliminary interviews were confirmatory of what we had earlier heard and the research team attempted to address the problem of how to develop a world's best practice for bringing about socio-economic change in this rural community. By best practice we mean:

- (a) respecting the role of all stakeholders in owning and directing the change;
- (b) recognizing the role of outside knowledge about institutional development in helping the stakeholders to make informed choices. (See Kenny, 1999 and Ife, 1999);

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- (c) building a *civil society*, that is one that improves social capital. Key words here are trust building, partnership, collaboration and new social contracts.
- (d) recognising the role of *sustainable capitalism* (or triple bottom line) as crucial to the long-term economic, social and environmental well-being.

The project was an interdisciplinary study that brought together a community-based *process* model of socio-economic change based on ***Critical Action Research*** which adopted the perspective of ***New Institutional Economics***. Let us discuss briefly these two concepts.

Critical Action Research challenges the notion that facilitation has to be purely passive (as in traditional action research or ethnography). This social research paradigm has developed over the past 15 years especially by the Centre For Applied Research in Education (CARE), University of East Anglia (e.g. see Schostak, 1997, Elliott, 1991). In this paradigm, the reality of an individual, group or community is regarded as subjective and internally experienced. Human beings are assumed to create their reality and the social world they live in, through interactions that are subject to social constraints (i.e. institutions). This view of reality is at odds with the traditional (positivistic) approach to research that assumes reality can be known objectively. Action research involves a cyclic process of planning-action-reflection/research-planning where a facilitator helps the participants work through the various elements of the cycle (Carr and Kemmis, 1983; Kemmis and McTaggart, 1988). At the “reflection/research” phase both process and outcomes of the preceding “action” are evaluated. Critical Action Research is a modification to action research that allows for the facilitator to be an active participant in the process with his/her own social change perspective based on critical theory (Hollingsworth and Sockett, 1994; Grundy, 1995; Hope, Humphries and Dunn, 1997). Such facilitators encourage participants to “think outside the box.” The participants still own the process and are in charge of the social decision-making that occurs, but facilitators are no longer just passive observers of the process. Thus far, the social change perspective of critical theory has been social equity (e.g. Dunn et al, 1996; Elliott, 1991; Fisher, 1996). However, in our study, this perspective was not as relevant as sustainable socio-economic development based on collaboration and partnership. This fitted with the perceived need of the CIA to develop economically, yet in a way that is socially and environmentally sustainable. For this reason, the facilitator’s social perspective was based on New Institutional Economics.

New Institutional Economics challenges the notion that neoclassical economics (and economic rationalism) is the appropriate economic paradigm for determining what socio-economic change is most desirable. According to Spriggs (1987, 1991), the way to achieve economic development is through developing the institutional arrangements governing economic behaviour. Institutions are defined in the economics literature as “a set of constraints, which governs the behavioural relations among individuals or groups.”(Nabli and Nugent, 1989: 1335). Thus, when a primary producer belongs to a strategic alliance and agrees to be bound by the code of conduct of that alliance, that code of conduct is an institutional arrangement. When the government institutes a law governing water allocations, this is also an institutional arrangement. And when

Coleambally Irrigation changed its structure to become a cooperative that also involved a change in institutional arrangements.

In our study, we focussed on collaborative institutional arrangements as coordinating mechanisms to reduce transaction costs, information costs and the costs of collective action. This follows Hayami and Ruttan (1984) and, with respect to the agriproducts sector, writers such as Sauvee (1994, 1995), Hobbs (1996) and Royer and Rogers (1999). These writers emphasise coordination along the agrifood supply chain (from producer to consumer) including both horizontal coordination (i.e. among different producers) and vertical coordination (i.e. between primary producers and other participants of the supply chain such as input suppliers, processors, distributors and retailers).

While it was difficult, if not impossible, to frame the project in terms of a hypothesis, there were nevertheless emergent research questions relevant to the Coleambally Community that were addressed within our methodology. These were:

1. What factors are important for the long-term survival and prosperity of the community?
2. What do the various stakeholders in the community see as the major barriers to change?
3. What do the various stakeholders see as the major forces for change?
4. What do the various stakeholders see as the major opportunities for improvement?
5. Can the Creative Problem-Solving Methodology (a methodology of Critical Action Research) be used to facilitate community-based socio-economic change?
6. Are there new collaborative institutional arrangements that can address the threats and opportunities and which have positive socio-economic outcomes?

The CICL acted as industry partner of the research team. The research was conducted during 2001 and including a series of interventions in the community, designed to conscientize the community to the need for socio-economic change and to assist the community to bring about that change adhering to our principles of world's best practice.

We followed up the preliminary interviews with a mailout survey to all people 18 years and over in the Coleambally community. Among other things, the survey attempted to get answers from the community concerning questions 1 to 4 above. The response rate was over 40 percent, which is exceptionally good for a mailout survey. We played back the results of the survey to the Coleambally community in the form of four information sessions each followed by a question and answer session. One of the leaders of the Coleambally community recently commented the survey was pivotal in the socio-economic change process as it showed people that there was overwhelming support in the community for moving into value-adding and that the fear of change was not as high as previously thought.

(INSERT GRAPH 1: SELECTED ISSUES)
(INSERT GRAPH 2: BARRIERS TO DEVELOPMENT)

While the survey may have been pivotal, it was imbedded in a follow-up process that permitted the Coleambally community to explore their thoughts and feelings about socio-economic change more deeply and fully.

To delve deeper into the results of the survey we held a series of focus groups (one in each of the Coleambally irrigation regions and one in the town). The focus group sessions were recorded and transcribed. The research team studied the transcripts and came up with six tentative themes it saw emerging from the data:

- value adding
- communication
- health
- education
- water
- employment

It put these six tentative themes to a workshop in which all members of the Coleambally community were invited. The workshop was presented with these themes in the form of a table to encourage discussion across a number of dimensions.

(INSERT GRAPH OF 'FOCUS GROUP THEMES')

The workshop was facilitated using the Creative Problem-Solving Methodology and at the end two issues emerged as being of critical importance, one of which was on our tentative list and one which wasn't.

- value adding
- leadership

In a second workshop, we decided to focus on value adding. This was something the Coleambally community had decided was critically important in the survey, the focus groups and the workshop. It was also something that Mark Bramston had decided was critically important and had been working on behind the scenes with a value-adding committee made up of irrigators in the area.

At this second workshop, facilitated by Barbara Chambers there were two speakers: John Spriggs and Mark Bramston. Mark discussed the activities that had been on-going in the value adding committee and discussed a specific value adding proposal for Coleambally. He stressed his desire that any value adding initiative would be community-based (involving townspeople as well as irrigators). John discussed the idea of setting up a New Generation Cooperative, also often referred to as value-adding cooperatives. They have become popular in parts of North America as collaborative institutional arrangements for farmers who want to add value to their commodities by processing (and, in some cases, distribution). The typical model involves a closed membership cooperative, where members have the right and the obligation to deliver to the cooperative and where a large share of the capital required for the processing facility is raised from the cooperative members.

The outcome of the workshop was enthusiastic support for the value adding initiative that Mark had spearheaded. In fact, Mark received a spontaneous round of applause at the workshop for his efforts. The idea of a New Generation Cooperative was also supported but one that would include townspeople as well as farmers as members. The townspeople would be invited to contribute share capital though it was recognised they would not be able to deliver commodity to the processing facility.

What was being suggested by the workshop was a totally new idea – a community-based New Generation Cooperative. Following the workshop, John drew up a plan for such a cooperative (see Appendix A) and presented it to the Value Adding Committee for discussion along with an Action Plan for implementation (see Appendix B).

And on November 16, the CICAL had its Annual General Meeting at which the idea of a community-based Coleambally Foods Cooperative was put to the Coleambally irrigators. The proposal was accepted in principle by a margin of 134 to 6.

There is still a lot of work to do in refining this new institutional arrangement for Coleambally. However, we believe this has been a successful example of community-based socio-economic change. Two years ago, only 5 percent were in favour of the sort of change Mark Bramston was promoting. Today only 5 percent appear to be against.

There have been a number of factors that have been critical to this development. In particular, there has been the leadership of Mark Bramston, a dreamer, thinker, reader and visionary. He was backed up by the Value-Adding Committee chaired by Warren Muirhead; a planner, a strategist who knew how to harness community networks and embed ideas. But, in addition we believe we have played a useful role in providing a process to facilitate the community-based change as well as providing what we think is a useful perspective (based on New Institutional Economics).

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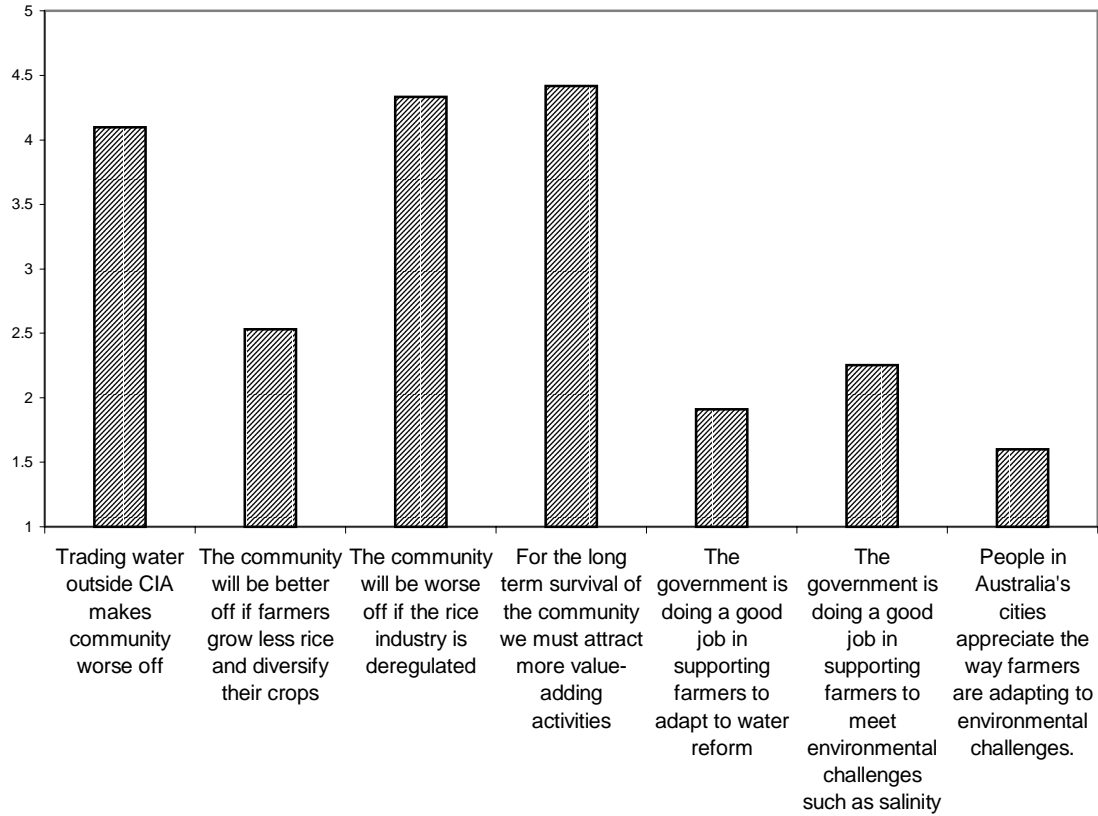
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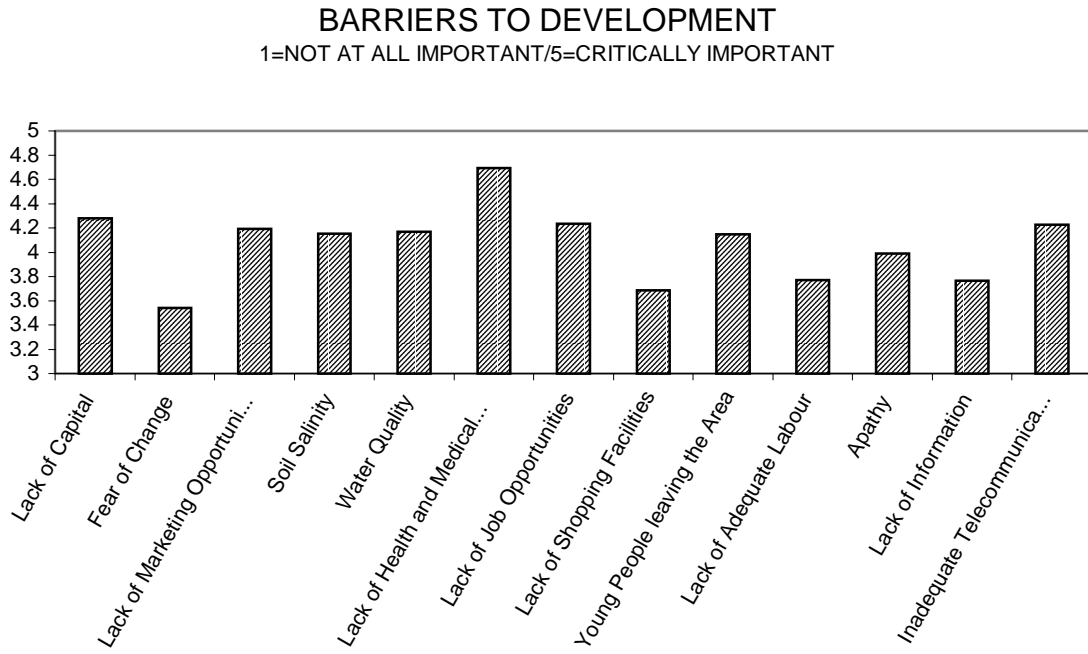
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GRAPH 1:

SELECTED ISSUES
(1=STRONGLY DISAGREE/5=STRONGLY AGREE)



GRAPH 2:



Appendix A: Proposal for a Community-based New Generation Cooperative

1. Memberships in CFC may only be purchased by:
 - existing members of CICL
 - businesses currently operating in Coleambally township
 - residents in the Coleambally township
 - rural residents in the CIA
2. With regard to capital raising, the objective is to raise 50 percent through the sale of *equity shares* to CFC members. The initial price of equity shares is \$1,000 and the number of shares issued will be determined by the capital requirements (plant costs plus working capital for the first year). Thus, if total capital requirements are \$10 million, the objective is to raise \$5 million from member equity, which translates into the sale of 5,000 shares. The maximum holding of equity shares by any member is 10 percent of the total number of equity shares issued by the Cooperative.
3. With regard to delivery rights/obligations, it is proposed that the CFC enter into *long-term delivery contracts* with members for a specific commodity and according to certain specifications on quality and quantity. Thus, for example, 1 wheat contract might be for 10 metric tons of wheat that meets certain quality standards stipulated by the Cooperative. [If the total annual requirement is 50,000 metric tons this will involve 5,000 such contracts.] Payment on deliveries would be according to a predetermined benchmark formula (e.g. for a wheat contract this might be set at the AWB price for similar quality plus a 10 percent premium).
4. If a member holding a delivery contract is unable to fulfil the contract in a given marketing period, (s)he must purchase the required amount elsewhere for delivery to the CFC. In such a situation, the member is exposed to the risk that the price (s)he must pay may be greater than the price paid to the member by the CFC. If the member fails to deliver on the contract (either from own-grown or purchased commodity) the CFC will purchase on the grower's behalf and charge any costs incurred in doing so to the member's account (including the transactions cost and any price differentials between the price actually paid and the price that would have been paid by the CFC for own-grown commodity).
5. The *equity shares* and *delivery contracts* may be traded between members, subject to approval of the CFC Board of Directors. The CFC will act as the clearinghouse for such trades. Prices of the equity shares and delivery contracts will be determined by private treaty between potential buyers and sellers.
6. To be a voting member of CFC, the individual or business is required to purchase one membership share at a cost of \$100 and must own at least 1 equity share or at least 1 delivery contract.
7. The Board of Directors will consist of 6 members of which:
 - 2 will be representatives of grower members holding at least one delivery contract
 - 1 will be a representative of grower members holding at least one equity share
 - 1 will be a representative of non-grower members holding at least one equity share
 - 2 will be external (non-government) directors with expertise in finance and/or food

8. Voting for the Board of Directors will be on the basis of one-member-one-vote where grower members holding delivery contracts vote for their representatives, grower members with equity shares vote for their representative and non-grower members vote for their representative. Members who leave the Coleambally region (township or irrigation area) who wish to retain their membership will be treated as non-grower members for voting purposes.
9. On the windup of CFC, all assets will be liquidated and after paying employee entitlements and creditors any residual will go to the owners of equity shares on a pro rata basis. Delivery contracts will be terminated without obligation.

Other Considerations

10. Capital raising from member equity should be at least 40 percent – in this proposal I have used 50 percent. [Note: The 10 percent deposit idea in the Coleambally Irrigation newsletter is questionable. There needs to be a show of commitment early on by the members to demonstrate member commitment to potential lenders, potential employees (incl. CEO) and customers.]
11. The business plan should indicate at least 15 percent return on investment
12. Equity shareholders should receive at least 65 percent of net earnings at the end of each year.

Appendix B: Action Plan

What?	When?
1. Formation committee <ul style="list-style-type: none"> • initiate seed money drive • initiate sale of memberships • initiate business plan • approach govt. (local, state, federal) for financial assistance 	November 2001
2. seed money drive, sell memberships 3. preparation of business plan (including external independent review) and disclosure statement	November 2001 – April 2002
4. obtain approval of Registrar of Coops 5. mail documentation to members	April 2002
4. Obtain approval of Registrar of Coops	
4. Equity drive	
5. Disband formation committee and elect board of directors from members	