



# Farmer Co-operation & SAOS

James Graham, Chief Executive  
October 2011

# Top SAOS Members

<b>First Milk</b>	<b>£581m</b>	<b>Ringlink</b>	<b>£30m</b>
<b>Milk Link</b>	<b>£547m</b>	<b>East of Scot Farmers</b>	<b>£12m</b>
<b>Openfield</b>	<b>£502m</b>	<b>East of Scot Growers</b>	<b>£9m</b>
<b>ANM Group</b>	<b>£232m</b>	<b>ScotShellfish Mktng Grp</b>	<b>£8m</b>
<b>GrainCo</b>	<b>£140m</b>	<b>Aberdeen Grain</b>	<b>£8m</b>
<b>ACT</b>	<b>£107m</b>	<b>Tayforth MR</b>	<b>£8m</b>
<b>United Farmers</b>	<b>£70m</b>	<b>Farmstock Scotland</b>	<b>£7m</b>
<b>United Oilseeds</b>	<b>£66m</b>	<b>Highland Grain</b>	<b>£7m</b>
<b>Scotlean Pigs</b>	<b>£52m</b>	<b>Grampian Growers</b>	<b>£7m</b>
<b>Scottish Pig Prods</b>	<b>£46m</b>	<b>Borders MR</b>	<b>£5m</b>
<b>Tarff Valley</b>	<b>£38m</b>		



## Aberdeen Grain Ltd FACT SHEET



Established in 1984, Aberdeen Grain currently has around 180 members and an annual throughput of 70,000 tonnes of malting and feed barley, wheat, oilseed rape and oats.

## What does co-operation mean to Aberdeen Grain?

*“Using our resources to allow members to allocate more time to other things and benefit from cost efficiencies we can provide. With grain markets becoming increasingly more volatile, we offer greater marketing flexibility and return, while reducing marketing risk. In turn, consumers benefit from a consistent and high quality supply of product.”*



## ANM Group Ltd FACT SHEET



With 7500 members and an annual throughput of £230 million, ANM Group is one of the UK's largest and most progressive farmer-owned businesses.

## What does co-operation mean to ANM?

*“Being able to offer members and customers a unique ‘whole of market’ approach from farm to fork, and guarantee the provenance of the product.”*



## Scottish Pig Producers Ltd FACT SHEET



SCOTTISH PIG PRODUCERS LTD

*Quality comes first*

Scottish Pig Producers is a co-operative that markets pigs for its 130 dedicated farmer members, and forms an essential part of the supply chain to Scotland's pig processors and UK retailers. Established in 1979, turnover is £48-£53 million.

## What does co-operation mean to Scottish Pig Producers?

*“Fostering strong producer relationships throughout the industry to achieve long-term stability and security.”*



## Ringlink (Scotland) Ltd FACT SHEET



Ringlink is a machinery ring and labour co-op of 2550 members, with a turnover of £33 million. The ring matches up those who can supply machinery and labour, with those who have a demand for these. In addition, Ringlink supplies members with commodities such as fuels, lime, seed, fertiliser and fencing materials.

## What does co-operation mean to Ringlink?

*“Co-operation provides the mechanism for a low cost, transparent, effective and mutually beneficial platform for members.”*

# Farmer Co-operation in Scotland

**65% farms of 100Ha+ co-operate**

**70% dairy farms co-operate**

**68% general cropping farms co-operate**

**59% mention machinery rings**

**71% cost saving as main benefit**

**85% same or more co-operation in next 5 years**

**More co-operation for labour sharing, cost saving**

**Less co-operation due to retirement**

# Potential/Actual Advantages of Co-operation

Total (n=410)	<u>100Ha- (193)</u>	<u>100Ha+ (213)</u>
Lower fixed or variable costs	60%	83%
Better input prices	56%	74%
Better output prices	45%	69%
Increased profits	51%	67%
Fairer share of end price	40%	61%
Opportunity to supply new mkts	44%	58%
Opportunity to add value	37%	55%
Better risk management	36%	47%

# The Value of Co-operation 1

**Gross Value Add = Output – Intermediate costs**

**Factors that contribute to GVA:**

- Increased output values
- Increased output volumes
- Lower input costs
- Increase production efficiencies / productivity

**Co-operation delivers all these**

# The Value of Co-operation 2

- **Safeguarding independence of family farms**
- **Shared risk and capital enables innovation**
- **Maintaining essential facilities & services**
- **Investment & employment in rural areas**
- **Competitiveness of Scottish food/drink industry**
- **Increased efficiencies = carbon benefit**

# Many Issues and Questions

- **Why choose a co-op constitution?**
- **Why is capital such a tough issue for co-ops?**
- **What are the governance challenges?**
- **How do co-ops communicate member value?**
- **Why don't we have co-ops on the scale of Arla or Fonterra?**
- **Why are our co-ops not producing more consumer ready products?**
- **Co-ops future potential?**

# Key Success Factors

## Effective Governance + Competent Management

- Roles and responsibilities
- Accountability & member participation
- Checks and balances
- Succession

# The Role of the Board

- Establish Purpose, Vision & Values
- Set Strategy and Structure
- Delegate to Management
- Exercise Accountability

**Requires preparation for the role = training as well as experience**



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Effective service enabling any Director to have access to  
 practice. There is a Foundation Course for Directors and Man-  
 agers of Co-operatives, and the long established Annual Conference for  
 Co-ops. SAOS provides access to world-wide knowledge and  
 experience for all our SAOS members.



### 1. Promoting Farmer Co-operation

### 2. Specialist Co-op Advice and Support

### 3. Innovation In Co-operation

### 4. Co-op Governance

### 5. Farmers' Markets and Local Food



Raising awareness of cost savings, marketing gains and risk management that can only be achieved collectively.

Developing and delivering strategies drawing on deep knowledge of farmer co-operation worldwide.

Providing access to new opportunities through research and new co-operative solutions.

Knowledge, tools and advice for effective co-operative governance and success.

Strategic and hands-on support to grow the local foods movement.



## CULTIVATING COLLABORATION



### 6. Food Industry Collaboration

### 7. ScotEID

### 8. Monitor Farms

### 9. Rural Development

### 10. Member Services



Generating supply chain collaboration, scale advantages and innovation, contributing to industry growth targets.

Practical and workable solutions to meet statutory traceability requirements.

Working with groups of farmers to share best practice and learning.

Advice for groups and communities on co-operation and joint enterprise.

Specialist services tailored for co-ops and not available from others.

**SAOS**

Developing co-operation in farming,  
food and rural Scotland

*Family farmers - together we grow*

Find out more on [www.saos.coop](http://www.saos.coop)

# What SAOS Members Say

*“The SAOS strategy workshop with our board and managers really focussed us. They bring a real understanding of co-op business, and how we can develop Ringlink to make the most of being a co-op.”*

**Graham Bruce, Managing Director, Ringlink (Scotland) Ltd**

*“SAOS ensures that we do a really thorough job in determining our goals and strategy. They always impress the need to face up to tough challenges and be innovative.”*

**Mark Clark, Managing Director, Grampian Growers Ltd**

*“As a board, we ask SAOS to help us undertake a strategy review every three years. No one else knows as much about making co-ops work in our industry.”*

**Sandy Howie, Chairman, Scottish Pig Producers Ltd**

# And others

*“I really value checking with SAOS on all issues related to governance and Rules because of their wide experience across agricultural co-op businesses and because they have a constructive interface with the FSA and Co-operatives UK.”*

**Angus Waugh, Company Secretary, First Milk**

*“There is no doubt that the work SAOS does to develop agricultural co-ops and their connections with the market is absolutely essential, and will be more necessary than ever in the future.”*

**James Withers, Chief Executive, NFU Scotland**

*“SAOS’ contributions to our discussions with HM Treasury and the Financial Services Authority have been absolutely essential, helping us take into account the distinct needs of agricultural co-ops as we work to update legislation.”*

**Helen Barber, Secretary and Head of Legal Services, Co-operatives UK**

# SAOS Income Analysis 2010

	£	%
Scot Govnmt	383k	16
Consultancy	1899k	81
Member Aff Fees	44k	2
Miscellaneous	<u>26k</u>	<u>1</u>
<b>Total</b>	<b>2352k</b>	<b>100</b>

# Why Co-ops Need Specialist Support

**The purpose is different**

**The legislative framework is different**

**Capitalisation & returns are different**

**Form of participation is different**

**Governance is different**

**Board responsibilities are different**

**2012**

International  
Year of

# Cooperatives



**COOPERATIVE ENTERPRISES BUILD A BETTER WORLD**

