

Future Forms of British Co-operation

AGRICULTURAL CO-OPERATION

by

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It is stating the obvious to say that agricultural co-operation depends on agriculture, but the two are inextricably bound in an industry that is affected by climate, disease and other external factors, and agricultural co-operation cannot be considered in isolation from agriculture. The two main facets of agricultural co-operation - supply of requisites and marketing of produce - are a link that should bind the producer to his co-operative, and on which the co-operative must depend for its existence. In common with other industries, however, agriculture has changed in the last 40 years: the following table shows the extent of that change.

Output from 100 acres: now and pre-war

<u>Crop Production</u>	1970-72		Pre-war Average	
	Acres	Tons	Acres	Tons
Arable land				
Wheat	5.8	9.7	3.8	3.3
Barley	11.9	17.7	1.9	1.6
Oats and other grain	2.0	3.3	5.3	4.2
Potatoes	1.3	14.9	1.5	10.0
Sugar	1.0	2.1	.7	.9
Other tillage crops, including horticultural	3.6		5.4	
Temporary grass	<u>12.0</u>		<u>8.3</u>	

	1970-72	Pre-war Average
	Acres	Acres
Total arable	37.6	26.9
Permanent grass	26.0	38.9
Rough razings	<u>36.4</u>	<u>34.2</u>
	<u>100.0</u>	<u>100.0</u>

Livestock Products

Milk	6,045 gallons	3,220 gallons
Eggs	264 dozen	120 dozen
Beef	41 Cwt.	24 Cwt.
Mutton and lamb	9.5 Cwt.	8 Cwt.
Pigmeat	39.0 Cwt.	18 Cwt.
Poultry meat	27.0 Cwt.	3 Cwt.
Wool	220 lb.	158 lb.

Imported Feed

per 100 acres	12 tons	18 tons
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Figures rounded

Source: We Plough the Fields (British Farming Today)
by Tristram Beresford (Penguin Books 1975).

The background to these figures is a population increase of about 20%, and a heavy decrease in the number of people employed: from 882000 in 1951 to 375000 in 1976. In addition there has been a steady loss of land from agriculture to urban industrial and recreational use, which has risen to about 70000 acres per year in the last five years. Amalgamation of small farms has been a feature of agricultural development for 30 years and more, but even so 179000 of the 270000 full-time farms provided work for just over two workers, and only 39500 farms provided work for more than 4/5 workers.*

*Annual Review of Agriculture 1977, Ministry of Agriculture, Fisheries and Food.

The needs of the industry are for inputs - seed, fertiliser, veterinary medicines, pesticides, herbicides, animal feeding stuffs, and machinery of all kinds. The other side of the industry needs markets, information and specialised services for its outputs - fruit, vegetables, cereal grains, brewing grains, livestock and livestock products. Of these outputs only part of the fruit and vegetables reaches the consumer without passing through the food processing industry, which is largely dominated by a few large companies.

This is just a glimpse of an industry that varies from 100 acre dairy farms of the South-West, to the hill sheep farms of Wales, to 2000 acre arable farms of East Anglia, and to small fruit and vegetable farms of the Vale of Evesham: an industry that contributed £2,355 million (2.5%) in 1975/76 to the gross domestic product.

Food Processing and Distribution

Agriculture has also been affected by the changes in the distribution system. The number of food retailing establishments decreased from 138,000 in 1950 to 104,000 in 1966, but the change in shopping patterns and the concentration of food retailing into large multiples is illustrated by the increase of 22% in weekly average sales of all food retailers between 1966 and 1970. In this general average, however, multiple organisations with 10 branches or more rose by 40% while independent retailers rose by 16% and co-operatives by 9%. It was further estimated that although multiples and co-operatives represented 18% of all shops in 1969, they accounted for 56% of the grocery sales.

Further developments in butchery and vegetable retailing have been hastened by increasing ownership of domestic deep freeze cabinets which can maintain food in a fresh condition for three or more months. Households with

deep freeze cabinets may buy whole lamb carcasses prepared and jointed to requirements, and other meat in large quantities at a lower price than normal supermarket prices. Vegetables and fruit from the garden or bought in quantity can be similarly preserved.

These changes have affected food processing and marketing: pre-packing and weighing of food has been removed from the shop to warehousing and processing centres in rural areas. In some foods such as vegetables and fruit, the pre-packing has been pushed back a further stage to the agricultural marketing organisation. The large supermarkets, most of which are part of national chains, have a high throughput which is partly due to advertising and the self-service system, partly to the generally higher real incomes that have created a demand for a greater variety of foods and partly because there are fewer shops. Supermarkets therefore require fixed quantities of specific grades of produce, as was noted as long ago as 1964, in the following extract:-

"Thirdly, they are accustomed to buying by telephone, on sample, and to precise specification. They are impatient with suppliers who take the short view and the quick profit at their expense and they are impatient with the clutter and confusion and congestion of the wholesale markets. They will press for more reliable and finer grading and for long-term contracts with individual large growers or associations of growers, which will enable them to arrange economical large-scale transport of loads direct to their own stores or central premises."*

Agricultural Co-operation: With the exception of compound feed milling, and processing of vegetables (potato chips and vegetable freezing) in a small way, agricultural

* "The Distribution Viewpoint" by W. G. McClelland and L. Nicolson. Agriculture - January 1964.

co-operatives have not ventured into vertical integration. The role of agricultural co-operatives has been to provide supply services for the inputs and marketing services for the outputs. Despite the narrow objective of agriculture - to produce food - the services needed cover a wide front.

Agricultural Co-operatives in the United Kingdom 1975-76*

	No. of Co-operatives	Turnover £ millions
Supply of Requirements		
Marketing	117	479.8
Dairy Produce		35.7
Eggs and Poultry		54.3
Horticulture		92.0
Meat and Livestock		159.9
Wool		8.3
Grain		27.5
Miscellaneous	—	<u>35.4</u>
Total Marketing	431	413.1
Services (including Insurance)	<u>36</u>	<u>58.2</u>
	<u>584</u>	<u>951.1</u>

Note: (a) The turnover of the trading marketing boards of £1154 millions is not included.

(b) Fisheries Co-operatives are included for Scotland and Northern Ireland.

Requisites Co-operatives: The requisites or supply co-operatives have developed a wide range of services. Many have large compound feed mills and supply seeds,

*Adapted from Agricultural Co-operatives in the United Kingdom - Summary of Statistics 1975/76 (Plunkett Foundation).

fuel oils, fertilisers, veterinary medicines, machinery and other goods. They also provide services such as seed drilling, which have an accompanying technical advisory service. The compound feed mills need cereals and the co-operatives may buy these (mainly barley) from members and non-members. The cereals thus bought may also be sold direct to other manufacturers: malting barley to distillers, for example, and wheat to flour millers. Some of the larger co-operatives may have subsidiaries which complement their supply services: examples are poultry, egg packing and abattoirs. £78 million of the turnover of these co-operatives represented marketing services in 1975/76.

Marketing Co-operatives: In the last ten years or so there has been an increase in marketing co-operatives: there are now 416 co-operatives whereas in 1968/69 there were 293. A process of rationalisation, amalgamation and development has been achieved largely through the work of the Central Council for Agricultural and Horticultural Co-operation and the Central Co-operative Organisations of England, Northern Ireland, Scotland and Wales. Marketing of agricultural produce is a difficult discipline, and many of the co-operatives are small in membership, and demand 100% commitment from their members. Examples of success stories are not difficult to find and the following illustrate avenues of marketing development:-

Fruit Marketing: A co-operative in Kent, which is a federal structure of seven other co-operatives, markets over 30% of the apples and pears in England. The co-operative uses central storage facilities and those of its members, and grades and markets fruit under its own label.

Livestock Marketing: Five small livestock marketing co-operatives formed a separate federal co-operative in 1976 especially to export calves and breeding cattle to Europe.

Marketing of Lambs in Wales: In the early 1960's small marketing co-operatives were started in Wales to sell Welsh lambs for slaughter in England. The confidence created between the co-operatives and their customers led to consistent grades and weights, and the outcome was the purchase of the co-operatives' own abattoir in 1976. Capital is being collected to buy a second abattoir, which will cope with cattle and pigs in addition to lambs, and will be up to full E.E.C. standards. Lamb carcasses from Welsh co-operatives are now being marketed under their own mark of the Welsh Dragon.

Pig Production and Marketing: The rearing and marketing of pigs is a factory process, which is often divided into two processes: those producers who keep sows and rear young pigs (weaners) sell to other producers (fatteners) who rear them to slaughter weight (for bacon or pork). Anglesey in Wales is a place of small farms, where dealers had a monopoly of buying weaner pigs, and it was decided to exploit this situation, by forming a co-operative fattening unit which would provide a market for all the weaner pigs, fatten them, and market them for slaughter. The scheme was also sited near to a Milk Marketing Board Creamery, so that the skim milk could be piped direct to the pig production unit. The scheme has proved successful and has provided higher and more stable prices for a better quality product, improved breeding stock, and advice on husbandry techniques and the design of buildings.

Vegetable Marketing: There has been a rapid growth of co-operative processing and packaging plants for vegetables in Scotland, of which a significant feature has been the assistance of the West of Scotland Agricultural College and the co-ordination of the National Farmers Union with the Scottish Agricultural Organisation

Society. In the packing, grading and marketing of tomatoes, one co-operative handles one-third of the output in the Clyde Valley area. Two vegetable processing co-operatives are handling most of the freezing peas in Scotland and have added beans to the other vegetables handled. There are also similar developments in England.

Grain Marketing: Cereal marketing co-operatives have increased in numbers and importance and it is estimated that they handle about 20% of the grain trading in the U.K., against 6% in 1967/68. A recent development early this year is an information unit in East Anglia that provides daily information of prices, tonnage and varieties of grain dealing.

Central Services and Representation: Most industries need central services of research, information and statistics; the trade associations in existence are ample evidence of such a need. Agricultural co-operatives have an equal - some assert a more pressing need - for such services. There are central co-operative associations in England, Wales, Scotland and Northern Ireland, and an apex organisation for the U.K.¹ The members of F.A.C. are the central organisations, the Milk Marketing Boards, Potato Marketing Board, Woolgrowers Federation Ltd., Fisheries Organization Society and the Plunkett Foundation.²

¹ Federation of Agricultural Co-operatives (U.K.) Ltd.

² The Marketing Board, the Woolgrowers Federation and the Fisheries Organization Society have been members since 1973, when F.A.C. became the U.K. representative body to COGECA (General Committee of Agricultural Co-operation in the European Economic Communities).

Need for Strong Central Body?

Yet there is a basic imbalance in the structure that has inhibited the growth of a strong central body for the U.K.

Agricultural Co-operatives in the U.K.¹ (excluding Marketing Boards)

	Number of Co-operatives	Membership 000's	Turnover £ millions
England	350	211	653
Northern Ireland	53	22	45
Scotland	95	49	152
Wales	86	53	44
Totals (Excludes Insurance)	584	355	894

The first difficulty is implicit in the figures above: England would have to contribute a major share to the budget of a central organisation, which indeed it does. Yet while the central organisations of the other countries are representative of all the agricultural co-operatives, the English association (ACMS)² has only about one-third of the co-operatives in membership.

The second difficulty is that in England the eight largest requisite co-operatives shared turnover in excess of £240 millions: indeed the turnover of the largest was almost £90 million (1975/76 figures). Thus there is a wide disparity between the largest and the smallest, but a small marketing co-operative in Lincolnshire exports bulbs to Holland!

¹ Adapted from Agricultural Co-operatives in the United Kingdom Summary of Statistics 1975/76 (The Plunkett Foundation).

² Agricultural Co-operation and Marketing Services Ltd.

The third difficulty is the farmers' suspicion of co-operatives because of the association of the consumer movement with politics. This is exemplified by the remarks of Sir Roger Falk when he retired as first Chairman of the Central Council for Agricultural and Horticultural Co-operation:-

"When the Council was formed in 1967, co-operation was a dirty and suspect word. A great deal of misunderstanding, misinterpretation and indeed misgiving was attached to both agricultural and horticultural co-operation. At the end of nearly a decade there is now recognition that in many cases there is a strong case for working together in co-operatives. They are not a crutch for the inefficient."*

The fourth difficulty was the failure of the Agricultural Wholesale Society in 1924. Combined with the depressed state of agriculture, which continued until the 1930's, this left many co-operatives fighting for existence. These experiences left feelings of independence and distrust of central services that are still reflected in attitudes today.

The fifth difficulty has been the attitude of Government; not until the formation of C.C.A.H.C. in 1967 has any U.K. Government adopted a positive attitude towards the development of agricultural co-operation.

Thus a strong central body for U.K. co-operatives has never been created: collectively agricultural co-operatives are weakly represented. Wholesale trading and manufacturing enterprises except in a limited field,

* Farmers Weekly 25th July 1975

have not been created: there is only one co-operative fertiliser factory in Scotland and, although there is considerable compound feed manufacturing capacity, no national mark or national marketing scheme has been developed. At the annual meeting of the Welsh Agricultural Organisation Society in April last, Mr. Einydd Thomas, Managing Director of Eastern Counties Farmers Ltd., said "After 100 years, agricultural co-operatives handle only 20% of the agricultural market. Together the 500 U.K. agricultural co-operatives handle £900 million worth of business, which is very small beer. The Co-operative Movement is fragmented. There are areas where the battle between co-operatives is more intense than between co-operatives and the rest of the trade. We need a national plan as it is ridiculous to have 500 co-operatives."*

Mr. Thomas was speaking mainly for the supply side of the equation, the marketing side is more diverse in its organisation not only of the co-operative sector but also of the market system itself. Grain, for example, is sold by sample and description, and there is a futures market. Livestock may be sold by auction, by contract to abattoirs or by private arrangements: there are also intermediate markets, such as calves for breeding or weaner pigs for fattening to other farmers. On the other hand there is only one market for milk - the Marketing Board. If co-operative marketing services are to be of real benefit to the producer it is essential that members be fully committed to their co-operative: indeed in the single commodity marketing co-operatives formed in the last 10 years, 100% loyalty is a prerequisite to membership. This in itself makes the development of large single commodity marketing co-operatives difficult, since there must be absolute trust and confidence between members, and their Board of Directors and the Managers.

* Farmers Weekly 22nd April 1977.

Equally a large throughput is essential to allow the employment of a good manager: one misjudgement can cost a co-operative the year's salary of its manager, and in agriculture people tend to specialise closely in their own field - be it livestock, cereals, vegetables or other produce. As noted previously, some supply societies also have marketing departments, usually to support another facet of their business, but there is normally no commitment by members. A.C.M.S. has met the real difficulty of providing services to such a diverse membership by dividing its functions into two divisions - a supplies and a marketing division, each with its own Director and Board of Directors.

Central Council for Agricultural and Horticultural Co-operation

The functions of the C.C.A.H.C. are clear:-

- (a) Organise, promote and encourage, develop and co-ordinate co-operation.
- (b) Advise the Minister on all matters relating to co-operation in agriculture and horticulture.
- (c) Administer a scheme of grants chiefly designed to aid co-operative activities in production and marketing.

There is no doubt that the Central Council has played a valuable role in developing marketing co-operatives (it has no mandate to aid supply co-operatives except for projects connected with marketing). It has sponsored research projects, statistics and information services. Statistics of agricultural co-operatives are published annually and a quarterly information bulletin, "Farming Business", is published. More than 25 research projects have been completed in the last two years or are under way

and there has been a surge of interest in co-operative development in University departments.

The C.C.A.H.C. has a difficult role in that its remit overlaps part of the functions of the central co-operative organisations. There is, however, a constant dialogue between the C.C.A.H.C. and F.A.C., and the C.C.A.H.C. implements part of the programme of development by using the central organisations as channels for funding agreed development projects.

Other Developments

Other developments have been the formation of the British Agricultural Council and the partial integration of the Plunkett Foundation with F.A.C., in 1975. The British Agricultural Council is a body representative of wider aspects of the agricultural industry, and includes co-operatives, marketing boards, country landowners associations, farmers unions and the British Farm Produce Council. It has a consultative and co-ordinating role for general agricultural policy and is an important channel of communication that was previously dependent on individual effort.

The work and reputation of the Plunkett Foundation is well known, and it was agreed that there was a need for the Foundation to be more closely identified with agricultural co-operation in the U.K. With the help of grant aid from C.C.A.H.C. a full-time Statistics Officer and a Research Officer were appointed in 1976. A full-time qualified librarian was also appointed. Close links have been established with F.A.C. and the Foundation is being established as the Research, Statistics and Information centre for agricultural co-operatives.

Everyone concerned is cognizant of the problems involved in creating strong central representational and service institutions for agricultural co-operatives. Everyone concerned is aware of the need for such services, and much time and thought has been given to evolving suitable structures. The design of the final structure has not yet been drawn, but there is no doubt of the intentions of the industry.

The general development of agricultural co-operation has also been fully supported by the National Farmers Union. Sir Henry Plumb (President of the N.F.U.) said "Marketing, like productivity and co-operation, is a word which has lost something due to misuse. So let me leave no doubt in anyone's mind as to what it means in our Action Programme. We are concerned with the organisations which are financed by farmers, which are controlled by farmers co-operatively, and which produce, process or sell the output of our farms. So far as marketing boards are concerned, our action this year is likely to be defensive, and doggedly defensive at that. On behalf of the co-operative societies and producer groups, I believe our action now has to be more aggressive."*

* Farming Business - Spring 1977