Newsletter *By Peter Clarke*

If 1987 was the year when capitalism returned to the real world with a sharp bump (what goes up must indeed come down, and even share prices cannot defy the most basic law of gravity for ever), it may be remembered more in Co-operative circles as the year when the established retail Movement started heading towards a respectable level of profitability.

I have had this "cautious optimism", in February 1988, from the Information Services Dept. of the Co-operative Union who add the following notes on the retrospect of 1987 and some prospects for 1988.

Progress for the Retail Movement

The definitive statistics will not be published until later this year, of course, but it is clear from the provisional figures coming from the Economic & Research Services Office in the Co-operative Union (Holyoake House, Hanover Street, Manchester M60 0AS) that the overall trading picture is much improved, and that for Co-operative retailers at least, 1987 got better as it went along. The year had certainly started badly enough, with cold weather keeping many away from the January sales, but a gradual recovery through the spring and summer culminated in a cracker of a Christmas.

It was certainly a more satisfactory year for retail Co-operatives than for many in what we quaintly call the private trade. The best of those retailers continued to prosper, it is true. Others, however, who had become too dangerously dependent on the South-east's new-found super wealth, found the going tougher and began to make embarassed excuses for their falling profit expectations. Whether they have really caught a cold, or are merely choking on the exhaust fumes of all those Porsches being returned to their corporate owners by yuppies who have lost their jobs in the latest City purges, remains to be seen.

Pehaps "less bad" remains a truer description than "good" of the Movement's overall performance. But if retail Co-ops have indeed returned to a level of 2 per cent profitability, and if the decline in market share is really beginning to level out, as is now suggested, then there is a genuine chance that the best societies can look forward to an exciting future - and no one would have dared to predict that just a few years ago.

Sustaining the Success in 1988

For success to be achieved and sustained, a few basic lessons in Co-operation would not go amiss - at least, according to the President of the National Association of Co-operative Officials, David Brickhill. He pointed out in a hard-hitting message to his membership that managers were behaving like a flock of sheep attacked by wolves, "not caring who else gets destroyed as long as you are safe." He put a lot of the blame for the Movement's ills on the dissipation of its buying power, a policy which would lead to everyone losing their jobs sooner rather than later. The Co-op must establish a single, clear, non-profiteering buying point for each commodity to serve all societies, he concluded.

Readers familiar with the CWS may be forgiven for thinking that this sounds like re-inventing the wheel, and it will be interesting to hear what Jim Mason, CWS Chairman and President of this May's Congress in Brighton, has to say on the subject. Mr Mason was described in the Financial Times not so long ago as a natural entrepreneur with the ability to amass a fortune for himself, had he not chosen to devote his energies to other people's causes instead. This is the first time for a number of years a CWS figurehead has held the centre stage at Congress . . . Brighton could be very bracing!

A Return to Dividend?

Nourished by these "tender leaves of hope" from the Union, I turn to "the divi" which is still the most widely known achievement of the consumer Co-op, even though it has been so widely phased out. Legend has it that dividend payments became cumbersome to administer at a time when trading stamps offered a more attractive alternative. Computerised check-out tills at supermarkets have removed that burden. With the demise of the trading stamps and the return of Co-operative profitability, it is logical that societies should be considering member benefit schemes.

Central Midlands Co-op have introduced an imaginative dividend scheme, as a pilot, at their Ashbourne Pricefighter store. In March 1988 it is extending the pilot to four stores in the Shirley and Shadon areas of Birmingham. In essence, the dividend begins at 1% on aggregate purchases over the year up to £500 and goes up in stages to 3% on over £2,000. Certain times of the week and promotional periods attract double bonus and a varying range of products attract a special bonus. Central Midlands estimate that an average family spending £60 per week on food shopping would earn £68 in shareholder dividend during the year.

For further information: Central Midlands Co-operative Society, Central House, Hermes Road, Lichfield, Staffordshire, WS13 6RH.

ICOF Share Offer Fully Subscribed

Industrial Common Ownership Finance Ltd (ICOF) achieved its full target of £500,000 of Co-operative shares sold by 31 December (Journal 59). Surpassing all expectations, the issue attracted nearly 500 investors during the seven month offer period, and this is despite the clear warning in ICOF's prospectus that the shares were not designed to be investments "for personal gain or profit" and that dividends were likely to be only modest.

The share issue was devised as a means for Co-operative sympathisers to lend financial support to the development of workers' Co-operatives in the UK, because ICOF is prevented by its non-bank status from taking ordinary deposits from the public.

Considerable support came from within the Co-operative movement itself. There was also strong support from members of the Society of Friends (the Quakers), who have pioneered practical forms of social investment and have favoured common ownership.

Nigel Mason, of ICOF, comments "Maybe the time is right for the Co-operative movement to seize this opportunity and develop new financial products to tap this demand. How about a form of unit trust in Co-operative securities? Or an ethical bank account whose funds are earmarked to local economic development in each branch's neighbourhood? The Co-operative movement has the resources, the institutions and most importantly the pedigree to put a truly Co-operative financial philosophy into practice."

Further information from: Industrial Common Ownership Finance Ltd, 4 St Giles Street, Northampton NN1 1AA Tel: 0604 37563.

Goldenlay - Lays Golden Eggs?

Goldenlay Eggs, an agricultural Co-operative registered under the Industrial and Provident Societies Acts, has been sold to Dalgety, the animal feeds and commodities company, for £2.75 a share.

Goldenlay distributed eggs for egg producers under contract. It began in 1934 and has over 11,000 members. Last year it marketed 40,000 cases of eggs turning over more than £40m. The Co-operative's Board of Directors recommended the deal which was approved by the members. Goldenlay will now be converted into a company so that the takeover can proceed.

This is the third such conversion/takeover of an agricultural Co-operative in as many years. North Devon Meat went in 1986; South Western Farmers converted in January 1987. Hillsdown Holdings, in one form or another, were the predators in those cases.

There are fears in the agricultural Co-op world that Goldenlay won't be the last takeover of a Co-operative by a company. The high asset value of Co-ops' and their low profitability make them vulnerable. Better service is often all that a Co-op can offer and when that slips members will think twice about the low return on that capital investment. As a result, the notion that agricultural Co-ops are immune from takeovers has been destroyed.

Indeed the Plunkett Foundation offers this warning:-

"As the pressure on farm incomes intensifies, more farmers may be tempted to sell their investments in Co-operatives. This would be an example of "eating the seed corn" for in many cases the existence of the Co-operative force in the market place has had a significant effect upon prevailing prices both for inputs and produce.

It can be readily conceived that multi-national companies would jump at the opportunity of purchasing their Co-operative competitors at what would be a bargain price when compared to the increased profit possibilities. It is essential that the leadership within the farming community recognises the dangers in the current situation, and they take steps to ensure that the advantages of Co-operation in agriculture are not lost for ever.

In the other eleven EEC nations Co-operatives play an important part in agriculture and in the economy of those countries. The present relative strength of the British agricultural system could be undermined, and we may soon find the more effectively organised farmers in the rest of Europe could take an even greater share of the British market."

Rewi Alley and Co-operation in China

We note, with great sadness, the death of Rewi Alley a prime mover in the formation of the Chinese Co-operative Movement. A New Zealander by birth, he went to Shanghai during the 1920's and became a factory inspector. The conditions he saw inspired him to give the rest of his life to helping build a China where peasants and coolies would attain freedom from want, poverty, disease and exploitation. His method was Co-operation.

What more fitting tribute to Rewi Alley than that history is repeating itself in modern China. The Gung Ho International Committee for the promotion of Chinese industrial Co-operatives which Rewi Alley helped to form in 1938, has been revived. Bert Oram and Nora Stettner, in their enchanting book *Changes in China,* describe the Co-operative renaissance. Guang-mein Lu reports that the "Gung Ho International Committee during the war resistance greatly helped the organisation of hundreds and thousands of industrial Co-operatives in China, mobilising refugees and coastal workers in productive relief and produced large quantities of industrial goods and also small arms to meet the demands of war.

Now China is undergoing an important stage of new developments to build up a socialist country, Chinese style. Co-operative organisations will play a very important role in her new economic structure and she needs international co-operation and support just as much as in the war years."

For further information: Gung Ho International Committee for the promotion of Chinese industrial Co-operatives, 111 Nan He Yan St, Beijing, Peoples Republic of China.

Changes in China by Nora Stettner and Bert Oram. Holyoake books. £5.95 paperback.

Worker Co-ops for the USSR?

The Soviet News Agency TASS is busy preparing a detailed memorandum on worker Co-ops for the Economic Research Institute in Moscow. They have quite a job on their hands since no information has been collected since 1975. Worker takeovers were the last thing on Comrade Brezhnev's mind, so they switched off when they heard about Triumph Meriden.

Glasnost has brought renewed interest and the Soviets are finding the ICOM model of small worker Co-ops more to their liking. "Comrade Gorbachev has spoken of liberalising the economy and worker Co-ops are the only way to liberalise the socialist economic system", an informed source told me.

I wonder how disappointed they are going to be when they find that the likes of Norman Tebbit, Kenneth Clarke, Lord Young and David Trippier have all spoken in praise of Co-ops! Maybe Mr Gorbachev could ask Mrs Thatcher when they next meet for tea.

The Author

Dr PETER CLARKE is Research Officer of the Co-operative Party. He is a Tottenham Councillor and a member of the committee of Co-ops for Labour. He is an authority on closer relations between the Co-operative sectors and on the Co-operative Movement's relationship with Government. His published work includes studies of the development of new Co-operatives and Land Settlement Schemes for the unemployed in the 1930's.