A Foreword

The question of shortage of capital asserts itself early and powerfully in any attempt to analyse the efforts of consumer Co-operatives to match the competition of Sainsbury's, Tesco, etc. These competitors, it is argued, have the necessary capital resources for large scale retail developments, either in the shape of accumulated reserves or through their ability to raise equity capital at an interest/dividend rate which is comparatively low but which anticipates rising profits and dividend distributions in the future. The Co-operatives say that often in practice they can often raise adequate capital for new development only by borrowing in the open market at interest rates which may even be somewhat higher than those paid by some other traders.

Interest on Share Capital?

Whether or not this is accepted as a prime reason for poor performance - and there are obviously other reasons - the position of Co-operatives has worsened substantially in recent years as far as share capital is concerned. Retail societies collectively held in 1986 some £150 millions of share capital. This level of share-holding was broadly unchanged throughout the 1970's and early 1980's but there is now evidence that it is beginning to fall significantly - at an annual rate of about 7% between 1984 and 1986. A factor in this is clearly the failure in the recent past to pay a rate of interest which will serve to attract and retain capital. Until 1950 interest paid on Co-operative share capital was roughly in line with building society interest and well above bank deposit account rates. Since the early 1970's it has consistently fallen well below them and, of course, many societies have not been in a position to respond in order to correct this trend.

Co-operative Union's Working Party

Following recent discussion and suggestions on these problems the Co-operative Union at the end of 1986 set up a Working Party whose original terms of reference were later extended so that in general it may consider Co-operative trading performance and developments and the related needs for capital from members and from other sources.

In helping to prepare an informed reception for the outcome of the Working Party, the Journal has already included some relevant material - most recently the article by John Gallacher in Number 59 "Interest and Appreciation on Capital". It now continues that service: an article by G.L. Fyfe illustrating the general challenge and the response through the experience of Leicestershire Society; and one by F.E. Creed, who shared particularly in the discussions leading to the Working Party, on a scheme to stimulate not only investment by the members but also their custom and participation in their societies.

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