Agricultural Co-operation in the U.K.

THE CENTRAL COUNCIL AND NEW CO-OPERATIVES

by

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Since its formation in 1967 the Central Council for Agricultural and Horticultural Co-operation has acted as a specialist Government agency for the promotion and development of Co-operatives in both the agricultural and horticultural sectors of the farming industry. In recent years the work of the Council has encompassed special emphasis on improving the marketing of agricultural and horticultural produce, and as an integral part of this role considerable efforts have been made to simulate Co-operative marketing organisations.

To achieve its objectives the Council actively promotes the concept of Co-operation by use of all appropriate media and by the employment of ten Regional Officers who are located throughout the United Kingdom. These officers are backed up by a team of specialist advisers who can provide advice on legal and constitutional matters, finance and marketing strategy. The Council also offers a comprehensive scheme of grant aid which is designed to assist new groups of producers to examine the feasibility of new Co-operative enterprises and if appropriate to proceed with the subsequent formation and development of Co-operative organisations. The existence of a grant scheme complements the general promotional activities of the Council and is in itself a valuable promotional tool which injects financial assistance in the early stages of development of new groups when financial aid may be most needed.

The Grant Aid Available

The grant aid is administered as a discretionary scheme so that the Council can provide appropriate financial aid up to known maximum limits which have been approved by Government. The following table illustrates the main purposes for which grant is available and the varying amount of grant which can be awarded up to the approved maximum. These maxima have, in the main, been above those available to individual producers under the Ministry's Capital Grant Schemes.

	Maximum Rate
Feasibility Studies	75%
Formation costs	75%
Selection and training of management or key staff	75%
Key staff salaries	33⅓%
Agricultural and horticultural equipment building sited off farm	33⅓%
Horticultural equipment	15%
Potato harvesting equipment	20%
Storage and preparation for market equipment	25%

The need for financial aid is in part necessary to overcome the producers' understandable reluctance to embark on Co-operative ventures which may arise from a number of factors. Many producers fear the loss of their traditional independence and are reluctant to engage in Co-operative ventures which may entail a financial commitment and activities outside the boundaries of their own farms. There may also be the fear of being involved in a scale of Co-operative activity far beyond the range and scope of their own farming businesses.

Furthermore, the older generation of farmers may still regard their main competitors as the neighbour down the road rather than producers across the English Channel. It is these entrenched attitudes which may sometimes make it difficult to persuade farmers to make the necessary adjustment for the successful formation of new Co-operatives, and the 'carrot' of grant aid is therefore a very essential factor to supplement other promotional methods.

Service from the Regional Staff

The task of the Council's regional staff is to help overcome the producers' natural reticence to form new Co-operatives by acquainting potential Co-operatives with the successful results achieved by established Co-operatives and to demonstrate Co-operative solutions as viable enterprises capable of overcoming some of the economic difficulties which face producers in the 1980's. In attempting to persuade groups of producers to adopt the Co-operative approach it is essential to actively involve them in the assessment of their needs and to examine the possible solution of their problem by joint activity. The formalised approach of a feasibility study is therefore an essential discipline which may in part be carried out by the producers themselves and bringing in outside consultants or advice as appropriate. The employment of a consultant also requires a disciplined approach for the necessary briefing to ensure that the producers' needs are fully appreciated by those who will advise on a suitable course of action.

The Feasibility Study

The terms of reference for feasibility studies will cover many factors relevant to the proposed venture. Such topics will include an examir ion of the individual farming businesses of the potential Co-operatives and the scope for the future development of the Co-operative venture after initial establishment. The objectives of the study must be clearly set out, and a plan of action prepared which will embrace an assessment of the marketing needs and potential to supply the type and quantities of produce required by the modern day market outlets. Having established a marketing plan it may then be necessary to examine the need for investment in new facilities for say, the storage, grading, packing and improved presentation of produce to the chosen market outlets. Once these needs have been determined the study can move on to examine their cost and financial contribution required from members.

A management structure has also to be devised which will be capable of maintaining and developing a viable and efficient operation for the movement of produce from the farms of the members, through the storage, grading and packing procedures and finally to be sold according to the agreed marketing plan. The management structure may include the employment of key staff to carry out all or some of these operations, or alternatively, the needs of the members may be better met by the appointment of a management/marketing agent who can bring 'ready made' expertise to meet the Co-operative's needs. If the Co-operative decides to employ it's own staff, the temptation must be avoided to save costs by recruiting staff at lower salaries than the level of skill demands.

Involvement of Potential Members

Throughout the course of the study potential members must be involved in the work of assessment and planning, and their continued involvement in the proposed Co-operative must be ensured by firm commitment of both produce and finance. These two forms of commitment are complementary, for a producer is far more likely to adhere to his produce commitment if he has also made a financial contribution commensurate with his anticipated usage of the new Co-operative facilities. In this respect the Council recommend that the members' financial contribution is made in the form of repayable loans rather than share capital. The latter should be merely regarded as the nominal entrance fee to join the new Co-operative. Having made the basic financial decisions outlined above, a detailed financial plan of action involving the raising of bank loan facilities and preparation of budgets, can then be made.

Contracts between Member and Co-operative

Following completion of the feasibility study, the potential Co-operative must then consider the best Co-operative structure through which to achieve this objective. In nearly all cases this will take the form of a registered society democratically controlled by the members to provide a framework in which the essential ingredients of loyalty, commitment and equal right to use the Co-operative can be achieved. The formal registration will also provide the protection of limited liability and exemption from the Restrictive Trade Practices Act. Exemption from the Act is essential to maintain valid contracts between the member and Co-operative. This contract serves as a document setting out the obligation of the member to his Co-operative in respect of the commitment of produce and finance and other obligations necessary for the effective operation of the Co-operatives' day to day activities.

In turn the contract will also set out the obligations of the Co-operative to the member in respect of the method of trading, ownership of produce and arrangements for the payment of members following the sale of his produce. The wording of the contract calls for a degree of precision demanded by a legal document. Whilst the formal signing of the document is often regarded as being subsidiary to the members moral obligation to his Co-operative, it is nevertheless a document which must stand in law.

It can be seen from the foregoing that the setting up of a new Co-operative venture entails many facets which demand careful consideration by those who will become members of the Co-operative and who hope to obtain benefit from it, and by those who have the difficult task of advising on a course of action which may operate in a future in which economic circumstances may change for better or worse.

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