

Agricultural Co-operatives in the U.K.TOWARDS TRADING LINKS WITH RETAIL CO-OPERATIVESA PATHWAY*

by

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Trading will be the key to closer relations between agricultural and retail Co-operatives and the federal organisations in the sectors provide the gateway. As such organisations are well developed, sophisticated and firmly established it is surprising that the closest possible trading links do not already exist. Yet the potential remains. Consumer Co-operatives could provide retail outlets for the high quality produce available from agricultural marketing Co-operatives. Indeed, marketing Co-operatives with the Land Settlement Association in the vanguard, have led the way within the agricultural industry on prepacking consistently high quality fresh fruit and vegetables. Such contacts could augment the retail movement's existing arrangements and in many areas would complement the CWS's direct farming operations.

* based on Section 13 - "Why not include agricultural and fishery Co-operatives? - of his essay, "Towards a united Co-operative movement" published by the Co-operative Union on behalf of the Co-operative Party. 158 Buckingham Palace Road, London SW1. Price 75p and postage.

Lack of Progress

The wisdom of such links has been apparent for many years. As early as 1924 the Linlithgow Committee** (an official committee set up by the Ministry of Agriculture "to enquire into the methods and costs of selling and distributing agricultural, horticultural and dairy produce in Great Britain, and to consider whether, and if so, by what means, the disparity between the price received by the producer and that paid by the consumer can be diminished.") recommended such arrangement as a rational and efficient system of distributing agricultural produce. But why was that suggestion never taken up? It could have revolutionised the food distribution industry and might well have given the Movement a much needed edge over its competitors in the post-war period. More to the point, why is it that even today there is so little discussion about this proposition within the retail Co-op. movement let alone serious study from a purely commercial point of view?

The retail Movement already plays a role in the field of agricultural requisites, the CWS Agricultural Department having a not inconsiderable trade with agricultural requisite societies. But is this related to the fact that the CWS is the largest farmer in Britain or is it simply a hangover from the early years of the twentieth century when the CWS set up an agricultural department to rival the Agricultural Wholesale Society?

** UK Ministry of Agriculture & Fisheries 1924: Departmental Committee on Distribution and Prices of Agricultural Produce. Cmd 2008.

History seems to suggest that though these may now be still waters they do run very deep. Motivated by a belief that closer relations between the different sectors of the Co-operative movement can bring commercial benefits, let us examine that proposition in more detail in relation to the agricultural and retail Co-operative movements. In making that examination, let us still be aware of the presence of history and step forward gingerly.

The Role of Federal Organisations

Federal organisations of agricultural Co-operatives exist in England, Scotland, Wales and Northern Ireland: respectively, Agricultural Co-operation and Marketing Services Limited (ACMS) the Scottish Agricultural Organisation Society, the Welsh Agricultural Organisation Society and the Ulster Agricultural Organisation Society. A Fisheries Organisation Society still exists, albeit under the wing of the main fishery producers' organisation but the Scottish Federation of Fisheries Co-operatives remains independent. In addition the Central Council for Agricultural and Horticultural Co-operation, a statutory body established in 1967, has a wide brief aimed at promoting agricultural Co-operatives. The Federation of Agricultural Co-operatives (UK) Limited brings together, in a loose federation, all the national agricultural and fisheries federal organisations as well as the Milk and Potatoe Marketing Boards, the UK Wool Growers Federation and the British Farm Produce Council. The Plunkett Foundation for Co-operative Studies is also a member.

Different Interpretations of Co-operation

Despite this degree of organisation the pursuit of closer trade links via federals is

not going to be straightforward. F.C. Helm* points out that in contrast to retail societies the agricultural Co-operative Movement is based largely on a strict economic interpretation of Co-operation, thus the establishment of trade links is going to depend upon the extent of cohesion within the agricultural Co-operative Movement. A number of agricultural marketing Co-operatives are becoming more important particularly in the field of grain, livestock and vegetables but there is considerable scope for development especially as they do not seem to have worked together as a body in exploiting their market power. Furthermore most agricultural Co-operatives only reluctantly support federal action. As in the case of the Industrial Common Ownership Movement, societies are obliged to join the national federals if they wish to obtain assistance in their formation from them but when they are properly established some regard the membership fee as an unnecessary financial liability and, indeed, often have a negative interest in the formation of yet other societies, an aim to which they are subscribing by their continued payment of their membership of the federal.

Other Difficulties

This strict economic interpretation of Co-operation leads to other difficulties. Margaret Digby, in 1928** analysing the grounds for hostility between agricultural and retail Co-operatives, commented,

* F.C. Helm 1968: *The Economics of Co-operative Enterprise*. London. 246 pp.

** Margaret Digby: *1928 Producers and Consumers. A study in co-operative relations*. Plunkett Foundation. 203 pp

"The industrial (retail) movement is a working-class movement, associated with increased wages and similar developments which the farmer considers to be directed against himself.

The industrial (retail) movement is associated with the Labour movement, and the farmer is generally a Conservative.

..... (these) are mainly matters of opinion or sentiment, as neither point is likely to affect the business policy of the CWS."

She therefore dismissed them as grounds for impeding a relationship.

This view is not only valid today but also holds true from the point of view of the retail Co-operative Movement. Links should be established on the basis that they confer mutual economic benefits to the respective Movements. No-one is under any illusions that economic strength provides the retail Movement with a means of pursuing our wider ideals and if we are serious about being Co-operators then these sort of links have to be established if the change is to come at all, and if it is to come peacefully (and Co-operation is a means of peaceful change within society).

Perhaps instead of working via the Federals one to one links might work between individual retail and agricultural co-operatives of similar size but the likelihood of widespread trade on this basis seems remote.

A Way Forward?

The only way forward seems to be, firstly to agree that serious examination of this proposition

is desirable. Then, if we agree that mutual economic benefit can be achieved by such relations what we must do at this stage is to build what bridges we can. Once these bridges have been developed and strengthened, it will be necessary for agricultural and retail Co-operatives to resolve the inherent conflict of interest between the consumer and the producer.

Agricultural Co-operatives are set up by farmers in order to get the best possible price for their produce whilst the consumer societies aim to obtain the lowest possible price for their members and customers. However most of the agricultural production and marketing societies set up in recent years have strong links with multiple retailers like Marks and Spencer, Tesco and Sainsbury's, whose motivation is to obtain profits for their shareholders whilst remaining competitively priced in the market place. If such mutually beneficial trading links can be established, then linkages between agricultural marketing Co-operatives and consumer Co-operatives should be feasible.

Indeed in view of the fact that the excellent record of the multiple retailers, notably Marks and Spencer, on the sale of fresh foods is largely based upon the good work of the agricultural co-operatives, it may even be foolish for the retail movement to ignore such links.

The Potential of the Plunkett Foundation

One possibility for starting the dialogue is to examine the potential for creating closer links which the Plunkett Foundation for Co-operative Studies offers. It was set up in

1919 by Sir Horace Plunkett to study and further the principles and practice of co-operation. It has high standing within the agricultural Co-operative movement and ready access and acceptability to the various parts of the Co-operative Movement. Its membership of the Federation of Agricultural Co-operatives (UK) Ltd. and the Co-operative Union strengthens this case. Once some contacts are developed we might be able to see how to translate the theory into practice and to release the potential for mutual benefit.

It will not be easy, it will take time, but this, surely, is all the more reason for making a start on tackling the matter without delay, especially if we want to ensure that the retail movement's commitment to the establishment of a Co-operative Commonwealth is at least realised in terms of the unity that can be created within the Co-operative movement today as well as being held up as an ideal towards which we should always strive to attain. Trading links between agricultural and retail Co-operatives may seem an awful long way from that ideal but at least they would demonstrate than an application of the Co-operative principles can provide mutual aid and real commercial benefits.

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