

'What Future for Co-operatives in Food Retailing'

Panel debate, UKSCS Annual Conference, Cardiff, September 2006

Panellists

Alan Gill, Chief Executive, Leeds Co-operative Society
Adam York, founder member, Unicorn Grocery, Manchester
Professor Kevin Morgan, University of Wales, Cardiff
Jon Walker, General Manager and Development Director, Out of this World
Fr Hugh Bridge, Co-operative Group Area Committee Member
Chair: Paul Jones, Editor, Journal of Co-operative Studies

Alan Gill

First of all I should make clear that my comments are personal and that they are based on the traditional consumer co-operative sector.

The question for the traditional co-operative sector is "Have we got a future?" I think Out of this World, Eighth Day, Unicorn etc may have a great future, as have smaller consumer co-operatives. For the main consumer movement in the UK, I am rather pessimistic, but it depends on what you want from co-operative food retailing. Do you want to be a mass-market, sell everything to everyone retailer, or a small, local, member-focused health-food niche player?

I do not believe in one national consumer co-operative. I do firmly believe in co-operation and the fact that it took us until 2000 – 137 years after the CWS was formed - to all co-operate into one disciplined buying group through CRTG is a testament to our failures and that is why I am pessimistic, and a single food EPOS system is still some years away.

My point is that, as usual, we do too little, too late. Some societies say they are now trying to put the member at the heart of everything they do; they are introducing a member-only dividend card, promoting healthy food, promoting environmental issues, and promoting sustainability. The problem is, now, Marks and Spencer, Sainsbury's, and Tesco are doing it and actually doing it better than ourselves.

I heard on the radio yesterday that Tesco have introduced biodegradable carrier bags. Within 2 or 3 years, the country will have forgotten that the Co-op were there first. We are having our clothes stolen. Within a year or two, Marks and Spencer will be recognised by the mass as 'the' Fair Trade retailer in this country.

As Peter Marks – the Chief Executive of United Co-operatives – outlined recently, the consumer co-operative share of the UK food market has fallen over the last 30 years, from around 30% to below 5 and is still falling. I spent a day in Italy with a

Tuscan Co-operative. They have a 30% market share with 250 co-operatives, and they spend all their time debating whether they should have a new fascia and one society. I could have gone back 30 years. At below 5% it is difficult to see why that decline will not continue. In the next 30 years, societies will have merged. They will be fewer, they will be bigger, but our underlying size and the number of shops will undoubtedly reduce.

Other parts of the co-operative sector might survive and grow, and I'm encouraged. However, without the financial support of the consumer sector, it will be hard to see how organisations like Co-operatives^{UK}, the Co-operative Party, and even the UK Society for Co-operative Studies can survive.

One of the principle reasons for this situation is people like me – Chief Executives. If we asked our members whether they wanted the efficiencies or economies of scale from a disciplined national buying group, or one national warehousing and distribution system, or one common EPOS platform, they would have said "yes". If we asked them if they wanted strategies to focus on members in everything we do, to encourage staff to understand and promote the 'Co-operative Difference', to promote healthy foods, environmental issues, sustainability, Fair Trade, animal welfare, local communities, our members would say, would have said years ago, "yes", "yes", "yes".

For years, Chief Executives have argued that their responsibility was only to their own society and they could buy, warehouse, and distribute the goods better and cheaper on their own, rather than collectively; in other words, it was better not to co-operate. They've argued that promoting the 'Co-operative Difference', healthy eating, Fair Trade, the environment, sustainability etc was an expense and was a distraction from the main task of competing with ASDA, Tesco and Sainsbury's; and what they mean by competing is copying. Well they are now starting to follow this agenda and beginning to co-operate in these areas and I hear these people who opposed Fair Trade now saying how

wonderful it is and how their societies are involved. They are not doing it because they believe it is right, or because their members want to do it, they are doing it because the competition is doing it and because of economic necessity.

I would argue, in many societies, it is a long time since members actually decided on the strategy as distinct from rubber-stamping the strategy of the Chief Executive. I am afraid for the future, unless the traditional co-operative movement can put members on top, but even I worry about whether we can do it in Leeds. As we have not done it for the last 50 years, why are we going to do it going forward?

I think the traditional consumer co-operative movement has a relatively short and unhappy future, but I am sure that is not true of the other co-operative food sectors, so I hope they're going to cheer me up.

Adam York

I'm from Unicorn Grocery in Manchester which a few people will have heard of for its loan-stock issue, and maybe for being a fairly innovative food retailer. I have not really come along to argue that our model is the way forward, although that is an interesting discussion.

I can firstly agree with some of Alan's bleak analysis, and I want to talk about the mechanics of what you need to do to have successful shops. But firstly, and fundamentally, why bother if the sector's doomed, why not let it quietly fade away? Lots of people in the wider co-operative movement probably believe that. You have lots of educated, relatively wealthy people involved in the movement who never shop in the stores, and do not want to. You cannot force people, they are voting with their feet. Why bother? Well, basically because if you don't have the food stores, the rest of the movement has a problem because they're paying for most of it. Like it or not, it has to be sorted out, we cannot let it slip away, or a lot of other stuff will slip away too.

I would also make the point that food is a fundamental thing. Our particular model is based on the Roger Sawtell material from 20 years ago, from Daily Bread in Northampton, that food is fundamental and that, if you believe in a co-operative outlook, you want to get hold of the resources that underpin us all.

What do we do, how do we stop it slipping away? Our store is in Manchester, at the heart of the movement, so I've watched it slip away around me. I've only been there a decade and a half and without ever seeing the market share figures particularly closely, you can watch it slipping before

your eyes. It was a fundamental decision to abandon large stores and switch to convenience stores because the theory was we were better able to do convenience. There was a belief that the forces of darkness would not arrive, and we should stay in small stores and stay away from serious competition with the big stores. But of course, sure enough, they have arrived and are busy wiping out small co-op stores all over the place. Don't sell any more sites, don't sell any more big stores, and don't sell anything to other food retailers. If you have to sell it because you are going bankrupt, then sell it to somebody who will not use it to build a store to speed up your bankruptcy; it is obvious really!

What is wrong with the Co-op offer? Well, the product range is dreadful. There are innovative things going on - Fair Trade, biodegradable carrier bags - and you obviously keep on doing all those things, but get onto basics. It strikes me that many of the buyers and the people working for CRTG are from another age. There just doesn't seem to be a 'foodie culture' within CRTG. It is possible to hire people who cook, for instance. Why hire people to buy food who just eat convenience food? The buyers are critical people. They are sourcing and working with suppliers and supposed to be innovating. At Unicorn, even we do that more than, seemingly, CRTG and we are just a single shop society. You have got to have products on the shelves that people want to buy, that the middle classes aspire to, you could say cynically.

Most of these convenience stores have captive markets and societies just pile cigs and booze high and try and survive off that. Well, maybe if you have to, but it is not a very morally sound approach. What about all the people you need to pull in and the new markets you need to attract? Trying to wipe out the Tesco that's arrived before it wipes you out requires a decent product range. Apply this test yourself: if you go into the Co-op store, is it the stuff you want to buy? Has it got the things you and your neighbours aspire to?

The fresh offer in most stores is still awful. Fresh is where its been at in grocery for 10 or 15 years - flowers, breads, bakery, ready to eat. Open a fruit and veg training school. Even the bigger multiples are just about catching up with that, but they're still not great at it. Within the Co-op, any of the societies, as I travel round the UK, I rarely go anywhere where the fresh offer jumps out at you. The best one I've seen was on the Isle of Skye, but generally you don't see it.

I am sure we are aware that employing people on minimum wages is ethically unsound, but in business terms, people who feel unrewarded and

not respected, will steal from you at worst and they are not very productive. In the worker co-operative movement, our levels of motivation are good. If you are in a dull industry like food, with low respect in the UK, motivation is important. Managers should be seen behind the till. It is policy with us, if you are site manager, you are still down on the till, working on the floor. It can do a great deal, and is a simple thing to enact.

There is competition to be **the** ethical store, but we are already way ahead. The co-operative movement is owned by the customers, none of the others can say that - outside shareholders versus a mutually owned organisation, there's no competition. This is a marketing dream isn't it? You've got this incredible advantage; you have just got to say so. Don't market bees, cartoons and stuffed sheep; it is very frustrating when you have such an obvious offer.

If you've got the first bio-degradable carrier bags, how is it that Tesco manages to get acres of publicity two weeks ago about something the Co-op did ages ago? Just say so. Say it is a 'left field' organisation, that we're not just right wing capitalists, we're not Tesco.

[An article by Adam York can be read at <http://www.co-opstudies.org>].

Kevin Morgan

I work in Cardiff University with a group of people looking at the re-localisation of the food system. We are focusing on the public canteen as a way of driving more local and sustainable food chains, particularly on the school food service in Italy, in the UK and in North America. Some of today's conclusions may be that there the outlook is not good for the Co-op but there is a bright prospect ahead for 'co-operative working' in provisioning ecological, sustainable or local food systems and for 'farm to fork'.

Right through the food chain, there are very good prospects for co-operative food systems, particularly when we understand the key things that are driving the fastest growing parts of the food system in advanced, capitalist countries. The buzz words, whether we are in the UK, on continental Europe, or North America are new qualities. By new qualities we mean safe, nutritious, wholesome, sustainable, tasty food and fresh above all else, along with other attributes, like price, size and availability.

The second big issue is provenance. Increasingly, people want to know how and where food is produced. Our work on school meals proves categorically, that this issue is not confined to middle class 'foodies'. Some of the poorest

communities in the UK care about the provenance of the meat that their kids are eating in schools just as much as anyone who shops in a 'slow foods' endorsed wholefood establishment.

The third issue is better information, telling the story behind the product and labelling. The Co-op had another first here: *The Lie of the Label* is a fantastic report exposing the mis-information of the multiples through the years. Why isn't the Co-op getting the credit for being the first off the stocks once again?

Fair Trade is one of the biggest buzz words of all as we know, but our work would suggest that it is a myth and a lost opportunity to think of this simply in terms of a global division of labour. It is important that Fair Trade is seen as part of a global system, but it is also necessary in the UK. We have the most unequal food chain in the whole of Europe. British primary producers are uniquely penalised because they form part of the most fragmented production system in Europe facing the most concentrated retailing system – David against Goliath. Regulatory intervention needs to be made to equalise the supply chain power relationships and there is lots of scope there for co-operative activity.

It seems clear that the public sector is one of a number of new avenues for getting local, fresh, nutritious food to consumers; all classes of consumers. We are familiar with Farmers' Markets and box schemes, we have seen the multiples fall over themselves to prove their 'green' credentials in supplying 'fresh', 'nutritious', 'organic'. Even Wal-Mart has now discovered organics (many organic farmers are not celebrating at that news, for obvious reasons).

Public procurement spends £2 billion per annum on food – the biggest single market in food in the UK today. There are 17 million meals per year wasted in the NHS. Once you have factored in the economics of waste, then better, more nutritious food becomes much more cost-justifiable. We should be pushing for 'whole life costing' of food, not cheap up-front costs.

So my conclusion is this, there are enormous opportunities out there if we have the wit, the imagination, and the organisational skills to capitalise on big new trends in the food sector. The question I ask myself as an outsider, coming in to your conference today, is what, if anything, can the Co-op do to promote local food co-operative action at the local level?

Jon Walker

When Out of This World started in 1995, we were described in the *Daily Telegraph* of all places as

“the most exciting development is retailing in 100 years”, which was great for us. We were set up by Richard Adams who had previously set up Traidcraft and done a lot of work with a magazine called *New Consumer*.

The vision was extremely ambitious: to have 20 shops within five years which has proved to be impractical. The idea was to encourage people to consume consciously. It was, basically, a political ideal, saying to people “don’t complain about your helplessness, don’t feel that you’re a victim, you can change the world by the way that you consume”. The vision evolved out of that and came down to a buying policy which consisted of Fair Trade products, environmental products, organic food, local food, low energy light bulbs, and we started with this incredibly inspired vision which was all Richard’s, and he deserves credit for that.

We opened three shops in the first year, went hugely into debt, and started to lose enormous amounts of money. We had raised about £1.5 million from the general public and lost almost all of it in two years, and then started this long slog in order to make the organisation viable. Richard left after the first three years and since I took over as General Manager four years ago I can happily announce that we have been in profit. The organisation now looks financially stable and we have, I think, a very good future.

Out of this World will continue with the basic vision – we are offering a range of products that say to people “this is how you shop for a better world”. We have to be exciting and inspirational, we have to say “we’re something different”, and get people’s involvement. Part of that is our consumer co-operate structure, we involve, we invite members to come to the AGM, to have a say, we have a Members’ Council which gives anyone who shops in our shops, who can become a member, a voice.

Hard work on this is key to our future over the next five years, because at the moment it is fairly weedy and pathetic. People can get involved and have a bit of a say but most people do not get involved, and do not have a say. We are looking at various internet possibilities such as discussion groups, so Out of this World members and consumers would be able to get involved, have debates and influence policy. That sort of democracy, participation, involvement is critical to our future, it is not just a nice thing to do, because we think it is a good thing to do - it is fundamental to the bottom line on the balance sheet.

The shop managers have far more autonomy than they would anywhere else in the system. I

had discussions with various other [corporate] members of the Co-operative Group in a meeting in Manchester and there was one manager who was complaining that in his village there was a pie factory, which is one of the major employers, and it was rapidly going out of business. The local Co-op didn’t stock their pies because everything had to come through CRTG. There is a balance between local autonomy and the synergy of central buying and distribution, and it is a crucial issue.

We need to be pioneering, different, exciting, participative, involve the members, involve the staff. We are working on training projects and we hope to get staff much more involved. One of the keys as far as I am concerned is that when you go into one of our shops, everybody understands what it is about, they all know the products, they all put the vision, the excitement to the people who come in.

While we’re having digs at the Co-op, I went into my local Co-op about a month ago and said “Could I have a membership form please, I want to become a member” and the woman who had been serving me for about five years said “do you mean the video club, love?” and I said “no, I want to become a member of the co-operative”. She had no idea, absolutely no idea, and I think its fundamental that when you go into a shop and ask those sorts of questions you get “Oh yes, really great to be part of ...”.

The other thing that from our point of view is crucial, is that you have to be squeaky clean. We are continuously reviewing the politics of decisions we make. It has taken us 10 years to build a reputation for being pure and straightforward in what we say and do and we would lose it in weeks if we slipped.

We have to look at our co-operativeness as one of the pillars of our future strategy. If we just say “we’re a great shop, we’re into organics and Fair Trade” we’re probably doomed because the supermarkets are getting into it rapidly and we are going to be out-performed.

Hugh Bridge

We are, in 2006, in the middle of the next seismic change in consumer food operation. The food retail market will not be the same in 15 years time. Last time, in the 1950s and 1960s and the move to supermarkets, the Co-op took the lead and then fell behind, and maybe for the best of reasons, preferring to serve its traditional customer base in its local communities where it existed.

The majors have all tended to overbuild. Look at Sainsbury’s Savacentres – they’re a millstone round their profitability, they are far too big, they have to put all sorts of other things in them and the

trolley miles are excessive. Many of the larger Tesco stores have been halved and the other half serves as a depot for Tesco.com. They have discovered that the best sizes are around 20,000 sq ft. Tesco generation 4 stores are being targeted at 25,000 sq ft, and the biggest stores they are now looking at are about 35,000 sq ft maximum, which is about half of the kind of thing they were thinking of 10 or 15 years ago.

The shift from frozen to chilled, which has been a very significant shift in the market recently, should have favoured the Co-op because we have, on the whole, more local stores and the potential to deliver local fresh produce. But we have not even begun to take this market seriously except a few independent societies.

Eight weeks ago, ASDA made a policy change to introduce organic, locally produced food in their six major Kent stores. Within six weeks it was being delivered by a network of farm stores, being run by a former CWS employee. ASDA is the greenest supermarket in Kent, they label the farm it comes from on every pack. Normally within about 10 or 15 miles of the store. We just have not got our skates on!

The Co-operative Group, in particular, decided to stick to convenience store operations. That is what they said, but the Co-op has never been a convenience store operator! The range in a Co-op store is way above the convenience store limit. Round our way, the Co-ops ended up about 7,000 items, some convenience stores are down at 500. It was a myth that we were concentrating on a really separate market of convenience stores. In fact the Co-op has community food stores, just like Somerfield now claims to. Tesco designate Co-op type stores as 'Co-op type stores', if anyone else is operating a store like we operate, they are called a 'Co-op type store' in their competitor designation, but it has done us a lot of harm.

As soon as we said we were going for convenience stores, we shunned intermediate stores of between 5,000 and 15,000 sq ft which are now seen by Sainsbury's and ASDA as key to the future, and we have sold them all, or leased them for 99 years to a competitor – that is not very clever either. There are many sites where the larger store was always the correct local answer to a particular community's needs. The independent societies - and this is Tesco's research - have actually been better at getting the store size right for the local needs. Don't independent societies that have adjusted local store sizes to local circumstances seem to be the ones who have been the ones who are really clued up with an

active membership?

The continental hard discounters are slowly changing to English brands because the brand owners can no longer afford to ignore them. In the next four years, they are going to double their market penetration from 5% to 10%. They build stores between 6 and 12,000 sq ft and they're going to take this share from us and from the four majors.

The profit in grocery at present is in premium own-brands. The real profit is in *Tesco Finest, Taste the Difference*. The economy brands do not give much margin at all. Getting loyalty to your brand is the name of the game. The Co-op has *Truly Irresistible*, but it is seen as something they need to have rather than something that is going to drive profit. This is where the money is being made – in quality produce, organic etc.

All the majors, save for Morrisons, are involved in the internet in various ways and in various combinations. Experience shows that there are two kinds of internet shoppers: those that shop very occasionally for premium items, for example for parties; and those that put their regular grocery order through the internet. 95% of the items in the regular shoppers' basket are from a 'hot-list' of 1,000. You do not need a well-stocked store with 10,000 lines to serve an internet market. Community grocery stores in villages, stocking 2,000 to 3,000 lines, could fulfil 99% of an internet order. The Co-op has not been able to think of capitalising on its unique opportunity, because it has kept community stores in many areas, and it certainly has not thought strategically about getting it back in places like Welshpool where they have just shut down the only store within 15 miles

The money being spent on the new brand will either work or will not work, but there is available on the market at the moment, a very respectable brand – Fortnum and Mason which would make a far better alternative brand in places where there are some of our biggest stores, like Edenbridge and Cranfield. 85% of our customers voted Tory at the last election, they are decidedly upmarket in their tastes and choices and they are forever complaining about the Co-op being the only food store in town.

Fortnum and Mason were actually well ahead of us in being 100% organic, well ahead of us on being Fair Trade, in having works councils, in having staff meetings every week in each department in their store, and are a far more democratic organisation than the Co-op ever seems to be! Even in an ASDA store they call them 'colleagues'. They have a meeting every week for shop floor feedback and this kind of thing and at

Tesco, their senior management have to work 20 hours on the shop floor in the fortnight before Christmas. Last year Sir Terry Leahy himself went on the shop floor, on a till, and worked among the staff. I have never seen a Co-op manager, not even at intermediate level, operating a till.

Questions and debate

John Courtneidge – I think the problem is in the adjectives ‘consumer’ and ‘worker’. The opportunity for us, as co-operators, is to recognise our ‘common bond’. If the ‘consumer’ co-operative movement was to see itself as a co-operators’ co-operative, and, if a workers’ co-operative were to see itself as a co-operators’ co-operative, both of them endeavouring to make the co-operative commonweal an experienced reality, then the offer from both sides – and the management style really does not matter – becomes clear to the population at large.

When I have shown the *Statement on the Co-operative Identity* to people, they recognise that that is a world heritage document. That is why the original Pioneers had it on their wall in their format. If people knew the values and principles on which our movement is based, they would choose the co-operative option.

On the Seal Farm Estate in Hertford, we opened a new, convenience store. There are people who go there and buy some of their groceries as a political statement because they are co-operators; it is their store. Take that *Statement*, use it as an annual audit tool, and publicise the fact. Educate ourselves and educate the community at large and we will thrive; we will be the future.

Bob Cannell – Which model of food retailing can cope with the price of diesel at five times its present price?

Adam York – I am sure some large organisations would be very aware of fuel costs. At a domestic level, people have started to think about it and in food distribution, with rising costs, being global is not such a clever plan any more. There is a great film from America called the *End of Suburbia* giving a vision about the way things going.

Jon Walker – The work we’re doing on a regional organic network in Yorkshire as part of a programme with the Soil Association and Hull Business School was mentioned. The problem that’s obvious even at this early stage is the fragmentation of the producers and consumers and the shops. The only way I can see it working is for a co-operative approach to get everybody to work together, which is what we are trying to do.

Getting farmers in Yorkshire to co-operate by saying “look, the only chance we’ve all got of surviving is to start working together”.

The Co-op is the largest single owner of agricultural land in the UK and that is an extraordinary resource. We should say “Hey, this our land, the stuff comes from here to here”. I’ve heard stories of Tesco somewhere in the south getting cardboard cut-outs of a strawberry farmer saying “this is Billy so and so, and he grew these strawberries and he’s 3 miles away, and he brings them to our store”, and encouraging local managers in the stores to deal directly with some of the farmers. It is obvious that this is the way you go forward, but completely alien to the whole culture of centralised buying and quality control and auditing. The move to CRTG was absolutely necessary and fundamental, but you have to balance that with local store autonomy so they can make these connections with their local community.

The ranges that we get from the CRTG are extremely important to us. One of the most frustrating things is that we have an organic Co-op label product and do incredibly well with it, it becomes an important part of our offering and it disappears. You ask and they say “oh, sorry, it didn’t work”. And you go into stores where it would work and there is one facing on the bottom right of the shelf where nobody ever sees it. They’ll buy it from us, but they don’t buy it from the local Co-op, because it is just not in the right place.

There is enormous potential for Fair Trade and organic and you can see that an organisation the size of the co-op, if it had the imagination and courage and the vision, could go with it and do enormously well. It is the only supermarket that has the credibility through the history of ethical investments and Fair Trade ranges to do that. Nobody would trust the others like that. Lots of our customers say “Oh I have to go to Sainsbury’s occasionally, I just hate it”, “they’re all just the same”, “we know how they treat the farmers and the global problems”, and “we know how the food miles are doubling every few years because of these huge warehouses”. And they all hate them, but people use them, and I think the co-op is really poised to, could be incredibly successful if it took this on.

Alan Gill – Co-operating amongst co-operators. It is not that I don’t believe that the traditional consumer movement can get its act together, its just I’m pessimistic whether it will. Again I would emphasise that not everybody has lost their way. There are some societies doing some good thing and have been doing for some time. I wouldn’t put us at the top of the league, but we are very much

involved with Leeds City credit Union, and all our employees are encouraged to be involved in that. We are sponsors of the only community rugby club in the country. I'm a Director of the Supporters' Trust which is a co-operative for Elland Road, the football club. We are involved with Beano, the wholefood worker co-operative in Leeds. I agree with you that we are all one co-operative movement and there's lots of it. I think if the consumer co-operative Movement copied some of the worker co-operative movement in terms of what they're doing, then that is part of the way that they could improve. What's the answer? I emphasise the point about 'members on top' because, in reality, they're the ones that should be driving the business.

I do not think we could survive if there was a five fold increase in fuel costs because of the business model that we have at the moment.

Ruth Little – It was a very pessimistic start. I know where you're coming from – either innovate or die and it really depends which way you do this. Two speakers talked about one way of innovating - going toward niche markets - middle class, kind of 'high end' products, but that is excluding a massive customer base that could be part of the co-operative movement. Where do the low income people come into this when we are creating this niche to be successful?

Taking the other speaker's comments about localism, that is another avenue of innovation and the co-operative movement has the potential infrastructure which can help regional co-operatives of producers in getting going localised food systems. The problem is that we've evolved so far towards Wal-Mart, Morrisons and all the big four supermarkets and it is scary to hear the movement going on about one big co-operative rather than looking to innovate in different ways.

Alan Robb – I was horrified by the frankness of the stories that several of you had because, back home in New Zealand, 56% of the food market in New Zealand is in the hands of three co-operatives. Their managers are on the floor all the time. Their prices are the lowest in the country and the quality is excellent. Now, this is wonderful. It is not a consumers' co-operative, but these are co-operatives of the food store owners themselves and they co-operate but they work locally and this is brilliant because it ensures that they have a responsiveness to what people want. They are competitive in terms of pricing – they're up against world investor owned companies so they have to be sharp. There's no way that they have a protected market. They work together on bulk buying. It is a

wonderful example of how co-operatives work to get consumers the best price, even though the consumers themselves are not members.

Richard Bickle – The Co-operative Group owns 28,000 acres, but it actually farms well over 50,000 acres because it is also the country's largest contract farmer. There is an interesting discussion about how we see the future of that land ownership because I am pretty sure that that land was bought over 100 years ago for political reasons; because people wanted to get control of the supply chain, to get integrity, they wanted to take control away from the gentry and give it to the people.

The Co-operative Group has separated the ownership and management of the land within the Group's management structure. It has been hinted that land will be next on the sale block and they will just retain a huge contract farming business. Because they are the biggest farmer, they get the biggest single subsidy cheque each year. They argue that is equitable because they have the largest landholding, but it is going to become politically indefensible.

The question we've got to address in part of this is "How do we understand the relationship between people and land?" If you are a social historian like me, you see the same issues going round throughout the history of the co-operative movement these past 200 years and more. I think this is one that we are going to have to get to grips with pretty quick!

Adrian Burradell – We were asked a question today - "What can the Co-op do to promote local food, and therefore to promote co-operation?" I think the co-operative movement, and particularly co-operative societies have taken a bit of a bashing today, but I'd like to tell you today about how we at the Midcounties Society have been doing some good.

We have a scheme called 'Local Harvest' to put local food, from local growers and producers on the shelves of our supermarkets. It is something that has come directly from our members, their suggestion and we have had it for about three and a half or four years and it's been very successful.

The reason it works well is because of its scale and the way we've done it. We have tried not to run before we can walk. We have around 150 products from about 20 suppliers in only 20 stores, and that is the key to its success. We have almost been a victim of our own success. We are seen in our locations now as being an innovator in terms of local food, but it is in 20 stores and in terms of marketing and PR, we have to turn the volume down because people are going into our stores

saying "Well I've heard about you in the local newspapers, I've heard you on local radio, you're a local food company aren't you?" Yes, but you'll only find it in 20 stores. So we're actually out there and doing it, and it works fantastically well for those producers, and we have events in store where the farmers will come and talk and you'll meet the grower, taste the product, we have kids in working with the farmers, we have the local cook cooking their products and its an example of what we are talking about here; how do you turn it into a reality?

Kevin Morgan – Can I just respond to the Midcounties Society? It is the only part of the Co-op which is ever held out to us in the local food movement by the national NGOs that we work with as a beacon for the rest of the movement. We would be very happy to work with you to look at how to invent a new business model. All the business models of the multiples are now compromised by a combination of high energy and climate change and we are all groping toward creating a dynamic, innovative local food system which is based on intermediate, local scale.

Hugh Bridge – East of England Society are also involved in this area and have more lines than the more publicised 'Local Harvest'. Tesco and ASDA managers have far more flexibility than Co-op managers. They can buy locally now and we need to catch up and give our local store managers the same ability to be able to buy in from local sources.

Adam York – We have been growing vegetables within our own city area for the last five years and supply lines for sourcing locally is a long way from the hype. It is hard and it takes time and you need to build up a solid reputation.

UK buildings are probably over valued, but UK land is undervalued. That is why people from all over Europe are buying land, and now land prices are rising. Selling land that we own would be completely mad.

I would not be advocating niche marketing, our own store is selling to lots of low income people. It is about developing quality products that everybody wants to buy and not being patronising and selling food that stinks to low income families, that is not the way forward.

Alan Gill – I hope that my cynicism was short-lived and that the new Co-operative Group will in fact reinvigorate itself as a proper member-owned organisation, and join the likes of Oxford, Swindon and Gloucester and the rest who do well. I am just a little worried about it. The only other thing I would say is that I hear Peter Marks take lots of stick

about hiding his co-operative identity with 'Sunwin' and whatever. I was really pleased about what Jon said this morning. I would be very glad to bask in the glory of the co-operative Out of this World if it said 'Co-operative' and the same with Beano and the same with Unicorn. I'd love to see you telling everybody that you are co-operatives.

Jon Walker – Price and low income families is a major issue for us. We were interviewed by Radio 4 in our Beeston shop - this guy came out of the blue into the shop and started to interview our customers, and they were all absolutely spectacular; it was almost as if we'd hired actors to go round the store.

There was this one young woman pushing a pram and this guy said, "This all looks very nice in here, but you can't possibly afford to do this". "Look", she said "I'm a one parent family. I do all my shopping in here, and if I can afford to do it on benefits, so can everybody else!" If we had set it up it wouldn't have been anything like as good. So, I think the answer is that you don't necessarily have to spend a lot of money on these things if you buy the beans and the grains and the cook your own fresh vegetables. I know Unicorn is much better than us on the organic vegetables. I think their prices are spectacularly low and I don't know how they do it!

I really do feel that the future is very bright, for us and for the co-op movement in general. One of the things we've established over the last five years is that everybody is now interested in ethical issues. The fact that Fair Trade has boomed as well as it has in this country means that its not just the Guardian readers and the young professionals, everybody seems to know about Fair Trade. Lots of people in our shops, right the way across the board, are really keen to shop with us because of the ethics. This whole thing about the way that people only being motivated by greed and self-interest, and how much they spend, just isn't true. I think if the co-operative embraces that fact and has the courage and the vision to take it forward, then the future is rosy.

Paul Jones - Thanks to all the panel members for leading such a spectacular discussion. We have achieved in this session what the Society wants to achieve in all its sessions – a generation and sharing of ideas, and of innovative ways of thinking and so on and I'm sure lots of people are going to be leaving this room buzzing, thinking, and making connections with their own thought and ideas. So, thanks from us all to you.