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Annual Report 2009

SAOS 



Developing co-operation in farming, food and rural Scotland



**“The hard earned reserves we have built up over the years ensure the Group is fit to face the bruising conditions of the moment and that we have the funds to look to future opportunities.”**

Brian Pack OBE , announcing ANM Group results, April 2009.

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**“SAOS is committed to co-operation as a strategy to enhance wealth, employment, sustainability and local empowerment.”**



# INTRODUCTION TO SAOS

**SAOS is a specialist in the development of co-operation and joint venture amongst farmers, growers and rural businesses, and within food and drink supply chains. We are owned and governed by 70 member co-ops. All the resources we generate are applied to our work. SAOS has close working relationships with several public and private sector agencies where our objectives overlap. Our development and advisory services are part-funded by the Scottish Government.**

## Our Purpose

The purpose of SAOS is to strengthen the profitability, competitiveness and sustainability of Scotland's farming, food and drink, and related rural industries and communities through the development of co-operation and joint venture.

SAOS is a development organisation owned by its membership, which comprises businesses constituted in accordance with co-operative principles, or whose primary purpose is to benefit their owners or communities through their use of services or amenities, rather than as reward for funds invested.

SAOS provides information, advice and specialist consultancy services to farmers and food chain companies, and to rural businesses and communities that decide to work co-operatively or in joint venture to achieve their aims and objectives. SAOS also provides consultancy services to, and in conjunction with, a range of other businesses, industry organisations and Government agencies in projects and initiatives where our interests are complementary.

## Our Values

- SAOS is committed to co-operation as a strategy to enhance wealth, employment, sustainability and local empowerment, thereby strengthening Scotland's rural economy and community. The Principles of Co-operation established by the International Co-operative Alliance underpin our action.
- SAOS is a 'co-operator', recognising and valuing mutual benefits and interdependencies in all our relationships.
- SAOS pursues innovation as a source of advantage and motivation for rural businesses and communities.
- SAOS is an educator, committed to improving understanding and extending knowledge of the contribution and potential of co-operation, and is committed to assisting directors of co-ops to develop their skills and effectiveness in discharging their responsibilities.
- SAOS values people and is an Investor in People to enable all staff to attain their full potential and continuously improve their contribution to our work.
- SAOS rules do not permit the distribution of profits. All SAOS' resources are applied to delivering its purpose.



## CHAIRMAN'S STATEMENT



**GARETH BAIRD**  
CHAIRMAN



While our industry is accustomed to dealing with the vagaries of volatility in global commodity markets, none of us could have foreseen the extreme value swings of the last twelve months. Consequently (and confirmed by a review of my statements in the last two annual reports), managing volatility and risk has become a prevalent and constant feature in our industry. It's also more apparent than ever, that any uncertainty in the security of food supply impacts directly on consumer prices, and therefore on the economy as a whole.

The co-operative sector in particular, which takes a longer term perspective, is better positioned than most to help farmers, and society generally, to manage volatility and uncertainty, and it is proving resilient in the current recession. Recent discussions suggest that the banking sector seems to be more relaxed about the agricultural industry (although the experiences of our members is varied), viewing it as a safer prospect than some other industries.

Another feature of the last three years has been the swings within different sectors of rural production. There has been a welcome strengthening of the red meat sector, albeit accompanied by real concerns regarding numbers of breeding stock, whilst the arable sector has experienced massive volatility in output prices with savage increases in input costs. The dairy sector, in the face of increased costs is losing the gains it made over the last year or so, and is unquestionably suffering from the downturn and the retailers' drive to outdo each other in lowering checkout prices.

Decision-making is inevitably difficult in times of uncertainty. But I have found that in my own business, the risk management services provided through the purchasing and marketing power of the co-operatives of which I am a member, have been really invaluable. In the challenging autumn of 2008, the advice, support and assistance that they extended, allowed me to tackle the practical issues on the farm, totally confident that my best interests were being looked after in the market place. As you will see from the following reports, the scope of SAOS'

activity is huge and still increasing, ranging from national priorities down to local initiatives at community level. The demand for our services is such that we are again expanding the team in the appointment of an additional supply chain specialist to work in this key area alongside Scotland Food & Drink. Our work to develop more collaboration across the industry is of the utmost importance, particularly in addressing food security, market volatility, and future sustainability.

The role which SAOS fulfils in this demanding environment is essential, particularly in developing solutions to problems where innovative thinking, honest brokerage and examples of best practice can deliver 'can do' attitudes and real commercial results. In our own businesses, it can be very difficult to be forward thinking when faced with so many immediate, practical difficulties.

The older I get, the more certain I become that just about everything revolves around people; the sum of peoples' efforts, properly targeted and developed, can achieve so much more than individual, unco-ordinated activity. The sustainability and prosperity of Scotland's family farms, which are so fundamental to the social cohesion and viability of rural communities, is dependent to an ever-greater degree on co-operation.

**“The sustainability and prosperity of Scotland's family farms is dependent to an ever greater degree on co-operation.”**

Similarly, the support and shared thinking that we enjoy from the Scottish Government is of critical importance to SAOS' delivery, and in my experience, the dividends that are flowing from our close relationship with NFU Scotland and Quality Meat Scotland have never been greater. These relationships are exactly what SAOS is all about – bringing people together, tackling problems and developing initiatives and solutions.

The ongoing support that we receive from NFU Mutual for our annual conference affords us the opportunity to secure superb speakers, and to bring so many of our co-op directors together. We are extremely grateful for their support.

We are most fortunate in having a superb team to deliver on behalf of Scotland's rural businesses. The continuing development of this expanded team has significantly magnified SAOS' ability to deliver on behalf of our members, partners and clients alike.

Our Council's input is key in shaping SAOS' strategy, and in maintaining strong links to our member businesses and what is happening on the ground. Our ability to carry out director and governance development has been strengthened by Council members' input, and the Board is very appreciative of their contribution. The input and commitment from Directors

**"These relationships are exactly what SAOS is all about – bringing people together, tackling problems and developing initiatives and solutions."**

continues to drive SAOS forward, and I am extremely grateful for their support, and in particular to David Mitchell, our Vice Chairman, for his wise counsel and the benefit of his experience.

On a personal note, this is my last statement as Chairman and I would like to express my thanks for the massive amount of support I have had over the last three years and indeed in my earlier terms of office. It has been an absolute privilege to work with supportive Government, thriving member businesses, a superb Board, a fabulous team and an exceptional Chief Executive.

In conclusion, I relinquish the chairmanship of SAOS absolutely confident that it will be our co-op sector that will provide the answers, and the lead, in moving our industry and rural Scotland forward.



## CHIEF EXECUTIVE'S STATEMENT



**JAMES GRAHAM**  
CHIEF EXECUTIVE



The key drivers of change in the agri-food industry that we identify are (in no particular order) increased volatility and risk in markets, increased priority of food and drink in Scottish Government policy, the effects of credit squeeze and recession, and the continuously emerging consequences of climate change.

In total, these represent a very tough set of factors to which our co-operatives must respond. However, we witnessed some very significant developments in agricultural co-operation over the last year, demonstrating vitality, delivering growth, and proving that directors and co-ops are equal to their task. It would be unfair to select one or two for special mention here, so we have highlighted some headline announcements from SAOS members throughout this annual report.

Of vital importance in complementing effective farmer co-operation, is the development of more collaboration amongst companies in value chains. And, thanks in part to previous work by SAOS, Scotland's food and drink industry has adopted this goal as a strategic priority within Scotland Food & Drink. We have contributed fully to the development of this new organisation over the last year, and to the design of its ambitious collaboration initiative. Our own 3-year Cultivating Collaboration project, towards which we secured a grant of £1 million from the Scottish Government, will enable SAOS to make our substantial contribution to increasing collaboration.

Of course, it's our staff team that are right at the forefront of interpreting business pressures and change drivers, and in advising and assisting businesses in their planning. Last year was another record for SAOS, as demand for our specialist services increased again. This provides the clearest endorsement of our Investors in People personal development practice, our strong team dynamic, and the sense of personal responsibility that we all accept, within the boundaries set by the purpose and plans of the organisation.

Our success in developing collaborative projects and partnerships reflects a core competence of SAOS, and we were pleased to work during the year with, amongst others, the Scottish Government, Scotland Food & Drink, the Scottish Enterprise Network, Quality Meat Scotland, HGCA, NFU Scotland, SAC, Peter Cook Associates, Co-operative Development Scotland, Co-operatives UK, and The Plunkett Foundation. We attach immense value to the wide range of excellent working relationships we enjoy across public and private sectors, nationally and internationally.

The additional demand for our services enabled us to restore last year's deficit, and to generate a further contribution to our reserves. As the Board continues to pursue a strategy of growth for the organisation, it is important that we maintain an appropriate level of reserves. SAOS remains a not for profit organisation that exists for industry good.



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## KEY FACTS: FARMER INVOLVEMENT IN CO-OPERATION

- 85%** will co-operate same or more in next 5 years
- 72%** Borders farms co-operate
- 71%** identify cost saving as main advantage
- 70%** dairy farms co-operate
- 69%** Tayside farms co-operate
- 68%** general cropping farms co-operate
- 65%** farms of 100 ha and larger co-operate
- 59%** spontaneously mention machinery/rural business rings

Survey conducted by George Street Research Feb / Mar 09. Commissioned by SAOS.

## SCOTLAND'S RURAL BUSINESS RINGS

	Throughput £ million	Members
Borders Machinery Ring	£5	772
Caithness Machinery Ring	£0.12	147
HBS Ring	£6.1	820
Lothian Machinery Ring	£3.1	274
Orkney Business Ring	£1.6	259
Ringlink (Scotland)	£27.5	2280
Rural Services Scotland	£3.3	606
Southwest Machinery Ring	£1.0	238
Tayforth Machinery Ring	£7.5	833
Total	£55.22	6,229

## AGRICULTURAL CO-OPERATION - SAFEGUARDING THE INDEPENDENCE OF SCOTLAND'S FAMILY FARMS

Individual farms are small relative to other businesses in their value chains. Joining forces enables farmers to realise a wide range of economic and market advantages that are beyond the reach of individuals. The extra value generated through co-operation is essential in helping individual family farms to retain their independence.

We aim to increase farmers' and growers' participation in co-ops and joint venture enterprise by improving understanding of how co-operation contributes to market competitiveness, cost control, innovation and profitability, and by applying our expertise to developing co-operative business solutions and strategies with our members and others.



### Pigs

We led a 'pig sector strategy review' that was commissioned by **Quality Meat Scotland**, in response to the crisis of 2007/08 that resulted in further contraction of the Scottish industry. Working with an expert team, we identified that 45,000 sows were required to retain the critical mass necessary to sustain the Scottish cluster. Aspects of the industry all along the value chain were examined, and a series of recommendations for improvement were made. SAOS will be heavily engaged in developing and implementing some of the resulting action. The valuable role of marketing groups **Scottish Pig Producers** and **Scotlean Pigs** was clearly evident in the review, and the performance improvements pioneered by **Wholesome Pigs**. Strategy development projects were completed with both marketing groups in the course of the year.

### Cereals

We completed a survey of 700 farmers on behalf of **Aberdeen Grain / Grainfarmers** in Angus and East Perthshire regarding their on-farm storage and marketing facilities. We advised on the structures for the proposed new **Angus Cereals** co-op. We carried out development work that included business structure review, business strategy workshops, and strategy development for **GrainCo, Aberdeen Grain** and **United Oilseeds**. Our facilitation of the Angus arable monitor farm in partnership with **Peter Cook** on behalf of the **HGCA** identified that the production cost of malting barley in summer of 2008 was £177 / tonne, reflecting the increased cost of key inputs such as fuel and fertiliser.

### Dairy

We contributed to the discussion of proposals to change the capital structure of **First Milk**. This coincided with our representation of UK agricultural co-ops on the **Treasury Working Group** that is reviewing Industrial and Provident Societies' legislation. Change to the maximum individual member shareholdings permitted under IPS (expected later in 2009), along with a range of other updates of the Act, will enable First Milk to develop a balance sheet with a prudent mix of capital instruments within a clearly co-operative business structure, that best serves the long term interests of its members. We completed a further strategy project with **Scottish Organic Milk Producers**, which was principally concerned with the development of its relationships in the marketing chain.



## Key Sectoral Projects

### Livestock

We assisted **Shetland Livestock Marketing Group** to carry out a review of its strategic options in light of falling lamb production in the islands. As the future viability of the group was in question, consideration was given to a wide range of alternatives. The group was especially interested in the marketing opportunities that may lie with establishing and promoting carbon neutral status for lamb from Shetland. This would require further development funding, which the group was actively pursuing at the year end. Our assistance to new marketing group, **Caledonian Organics**, continued, and the group was awarded a grant towards the costs of its first manager.

### Rural Business Rings

With support from **Co-operative Development Scotland**, we completed a feasibility study on the formation of a national trading business that would be owned jointly by existing rural business rings. This would enable them to negotiate on a national scale on behalf of rings and their members, generating additional commercial benefit. Discussions with a range of suppliers from machinery and motor manufacturers, to mobile phones, suggested positive gains were attainable. The rings were considering the results at the year-end. We assisted **Borders Machinery Ring** to launch a comprehensive member survey, which was underway at the year end. We continued to assist the **Scottish Machinery Rings Association** through the year, particularly with submissions to the Gangmasters Licensing Authority to improve understanding of the role and operation of the rings.

**“The most successful business of its kind in the UK, Ringlink’s turnover was up 25% to £27m.”**

### Supplies

**Tarff Valley**, in south west Scotland, has bucked the trend of many farm supply co-ops in recent years, by steadily expanding its business. In 2008, Tarff posted a record set of results and opened a new country centre store on the outskirts of Dumfries. We carried out a survey of members and customers on behalf of Tarff Valley, which yielded some exceptional results from 660 respondents. 91% said they were “proud to be a member of the Tarff Valley co-operative”. 89% said they “trusted Tarff Valley always to work in their interests”. As the year ended we were assisting the Board in strategy development to build further on this member loyalty.

### Industry Projects

**EID Pilot** – we managed the pilot scheme of electronic identification in sheep, and electronic data transfer, on behalf of the **Scottish Government**. This involved recruiting 200 farms, 6 auction marts and 3 meat processors, supplying hardware and software, database development and data interpretation, as well as training for operatives at all levels. The pilot was continuing as the year ended.

**Monitor Farms** – in partnership with Peter Cook, we secured commissions to facilitate monitor farms in the **Cairngorms, Buchan** and **Angus**, and three advisory groups associated with the latter. This work assists us to promote understanding of the roles of co-operation and collaboration amongst farmers and in value chains.

**FWAG Scotland** – In our capacity as company secretary, we advised FWAG Scotland in a very difficult period in which its funding became constrained and uncertain. This led ultimately to a decision by its Board to wind up. Some of FWAG’s advisers were considering how they might continue to provide services to farmers as the year ended.

### TOP 10 SAOS MEMBERS

First Milk	£602m	Tarff Valley	£40m
Openfield (Grainfarmers)	£400m	Scotlean Pigs	£39m
ANM Group	£206m	Scottish Pig Producers	£31m
Agricultural Central Trading	£99m	Ringlink	£27m
GrainCo	£83m		
United Farmers	£63m	Total	£1,590m

## COLLABORATION IN VALUE CHAINS – STRENGTHENING AND GROWING SCOTLAND’S FOOD AND DRINK INDUSTRY

When businesses along the value chain don’t exchange information and share objectives, their response to new opportunities and their growth is delayed, their investment in innovation is higher risk, and their financial performance is compromised. But, collaboration requires an environment of trust and fairness amongst all the participants. For many in the food and drink industry, new knowledge, skills and processes are required to increase collaboration.

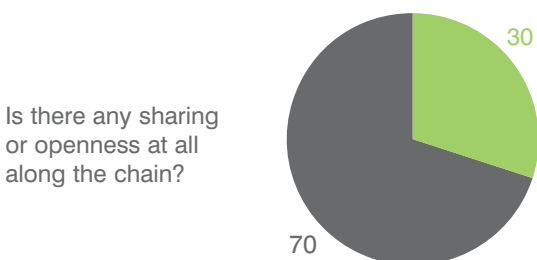
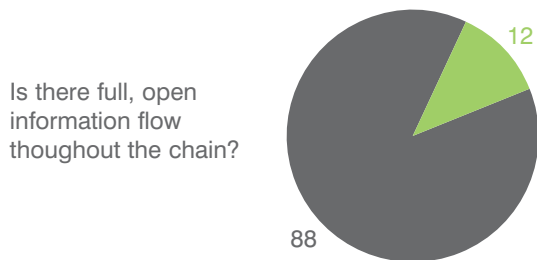
**We aim** to develop more collaboration in value chains amongst farmers, food processors and retailers, food service companies and the public sector. We will raise awareness of successful business collaboration, and provide know-how, tools and hands-on practical support to develop more collaborative practices across the links in value chains.

### Survey of Collaboration Amongst Food and Drink Companies

We carried out a survey to establish current levels of collaboration in Scotland’s food and drink industry. This generated 225 responses from businesses at all points in value chains. The survey confirmed the opportunity to increase collaboration, and demonstrated that many were aware of its potential to improve their business, but, for one reason or another, had not established collaboration in practice. We reported the survey findings to members of Scotland Food & Drink at its Annual General Meeting.

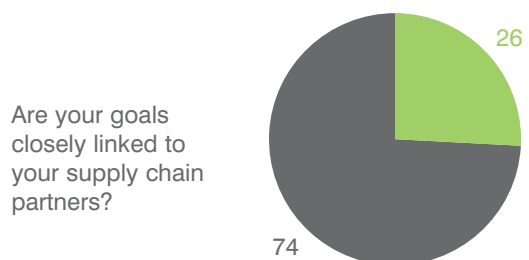
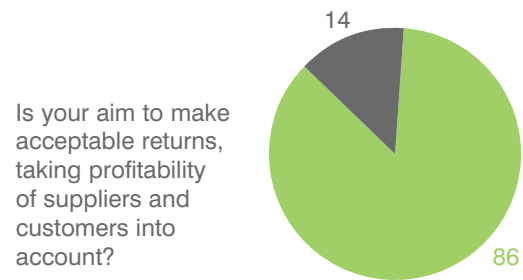
### COLLABORATION SURVEY - INFORMATION SHARING

■ Yes ■ No



### LONG TERM MUTUAL SUPPORT

■ Yes ■ No





## Key Projects

### Scotland Food & Drink

We were a founder member of Scotland Food & Drink in 2007. We participate in its **Executive Group**, and chair its **Collaboration Working Group**. Our staff contribute generously to various **sub groups**, and SAOS' Chairman is a director on its Board. We believe strongly that Scotland Food & Drink will generate additionality amongst the industry organisations represented on its Executive Group, by identifying and nurturing opportunities for synergy and joint working. We were pleased to contribute towards Scotland Food & Drink's achievements in the year, and through our partnership with Scotland Food & Drink we have aligned our work with the industry's strategic priorities.

### Scotland Food & Drink Collaboration Initiative

Through our leadership of the Collaboration Working Group, we were closely involved in designing a multi-faceted initiative to increase collaboration in Scotland's food and drink industry. This has four main components; an **Insights Information Service** for knowledge sharing and dissemination; a **Coaching Academy and Excellence Centre** to develop business tools and practices, provide consultancy, and deliver training to business managers; **Exemplar Projects** that demonstrate chain and business improvement through lean management; and, **New Industry Collaboration Initiatives** to raise awareness and deliver practical advice and consultancy to businesses. The Working Group is now pursuing implementation of all aspects of the plan.

# SCOTLAND

OF FOOD & DRINK



### C2 - Cultivating Collaboration

We conceived this project entitled C2 - Cultivating Collaboration to deliver a 3 year programme of work that is consistent with both our aims, and with the industry strategic priority to increase collaboration adopted by Scotland Food & Drink. We applied for, and were awarded, a grant under the Processing, Marketing and Co-operation Grant Scheme equivalent to 75% of the £1.3 million cost of implementing the project. We believe that the programme we have designed will produce substantive results, delivering direct commercial benefit to Scotland's food and drink industry, bringing about increased awareness and uptake of collaborative management practices. Evaluation of outcomes, to assess the impact of the project, is taking place alongside the project delivery.

## ACTIVITY REPORT

### COLLABORATION CASE STUDIES

We researched and produced a series of demonstration case studies of successful collaboration in value chains, with support from Scottish Enterprise. The case studies were selected and presented to demonstrate a variety of commercial outcomes resulting from collaboration including: enhanced eating quality; new business development; improved chain efficiencies; local sourcing; premium brand development; added value; premium food supply; and improved farm production. These will be used as support materials in the Scotland Food & Drink Collaboration Initiative.

### COLLABORATION CASE STUDIES

Enhanced eating quality (Scottish Pig Producers - Grampian Country Foods)
New business development (SOMP - Graham's Dairies - Waitrose)
Improved chain efficiencies (Farmers - Welsh Country Foods - Asda)
Local sourcing (Fruit Growers - Makays Jams)
Premium brand development (Farmers - North Highland Products - Sainsburys)
Added value (Fishermen – Coldwater – Marks and Spencer)
Premium food supply (P C Morris – Gleneagles Hotel)
Quality and efficiency gains (Highland Grain – Edrington Group)
Direct marketing and new market (Argyll Producers – live events)

#### Health Enhancing Foods

We managed the Scottish Food and Drink **Health Enhancing Foods programme** throughout the year on behalf of Scottish Enterprise. This programme brings together leading academics and Scottish food processors, and aims to increase the development and launch of health enhancing food products. We have established sector groups on oats, berries, red meat and omega 3. Good progress was made in the year and new products were successfully launched by participating companies. In addition, we facilitated a reception at the Scottish Parliament, held by the berry group. This succeeded in increasing awareness amongst MSPs of the Scottish berry industry.

#### Premium Food Service

We completed a project for Scottish Enterprise assisting food companies to improve logistics and cost effectiveness in the premium food service sector. The project was delivered via a series of interviews, followed by meetings, introducing premium food suppliers to prospective buyers of their products in the premium food service sector.

#### Northern Ireland Seafoods

We carried out further work implementing a collaboration initiative in Northern Ireland on behalf of Northern Ireland Seafoods.

## LOCAL FOODS – CONNECTING SCOTLAND’S PRODUCERS AND CONSUMERS IN THEIR PASSION FOR QUALITY FOOD AND SCOTLAND’S RURAL HERITAGE

Consumer interest in locally produced and artisan food has increased steadily over recent years, and the market is set to continue growing as the Scottish Government’s food policy reinforces the links between local food and health, education, environment and tourism objectives, as well as those for rural development. Many of the new opportunities lie outwith the multiple retailer chains, and require innovative and entrepreneurial solutions for marketing, distribution and to increase production.

**We aim** to promote and assist local and artisan food producers to grow, so that they can meet increasing consumer demand for their products, and satisfy consumers’ interest in the source, integrity and quality of food. We will adapt and innovate co-operative and collaborative solutions to address growth opportunities.

### Key Projects

#### Co-operative Development Scotland

Co-operative Development Scotland (CDS) is a subsidiary of Scottish Enterprise that aims to raise awareness of the co-operative business sector in Scotland, promote the co-operative business model, and provide specialist business support to sectors that do not already receive it from pre-existing organisations, such as SAOS. Whilst CDS does not have a remit to work in agriculture, our interests do coincide in the development of local food co-ops and groups. Following the appointment by CDS of a new Chief Executive in October, we acknowledged our shared interest in growing the local food sector through producer, community and employee-owned co-ops. We agreed a strategic partnership to jointly develop our activities. Together, we will increase and accelerate our development activity.

#### Farmers’ Markets

We commenced a feasibility study for the Scottish Association of Farmers’ Markets (SAFM), to assist individual markets to identify development and investment plans to generate further growth. The association envisages supporting applications by its members for grant support funds to assist new investment by the markets. 46 farmers’ markets are members of the association, and markets take place in urban conurbations, as well as in rural towns. We delivered development advice and secretarial assistance to the association throughout the year.

#### FARMA

FARMA joined SAOS in the course of the year. It is a member organisation of producer retailers, based in England, and provides a range of services that complement those provided by SAFM. We share the objective of achieving growth in local food markets, and held constructive discussions on the development of our strategies to deliver growth.

#### Farmers’ Market Co-operatives

We assisted Edinburgh Farmers’ Market to constitute as a co-op. Although many of the farmers’ markets are not constituted, and are managed by third party organisers, many have now chosen to register as producer co-operatives using rules provided by SAOS.

#### Country Markets Co-operative

We assisted a group in the north of Scotland to evaluate the formation of a co-operative that would operate within the Country Markets Ltd group. We will promote the formation of Country Markets producer groups in other areas of Scotland. Country Markets enables micro-producers (there are no minimum quantities required) to create a single marketing entity, which sells produce on their behalf, and provide related, co-operatively negotiated services, such as product and public liability insurance. Country Markets have established 65 regional markets in England, Wales and the Channel Islands.

#### Argyll Food Producers

We advised and assisted this group of 10 members to produce a feasibility study and business plan for the growth of their business, and for its constitution as a producer co-operative. This is one of the first groups to prepare and serve foods at major public events.



co-operative development **scotland**

## ACTIVITY REPORT

### Key Projects

#### Highland Business Services

We commenced work on a research and feasibility study to investigate the opportunity for Highland Business Services to develop a local food distribution hub, using its low cost, inter-business transaction model and the ring's established professional management. HIE supports this work, which has the potential to address an acknowledged distribution constraint.

#### West Lothian Food and Health Development Partnership

We held exploratory discussions with, and defined a development project with, the partnership, which co-ordinates the activities of 13 community food co-operatives in West Lothian. The partnership company centralises the buying function of the community co-ops, and assists with market operations, teaches cooking skills, and supplies fruit and vegetables to local schools. We will assist the group to increase the proportion of locally grown food, by forging close links with farmers. The project will be delivered in 2009.

#### Highlands and Islands Local Food Network

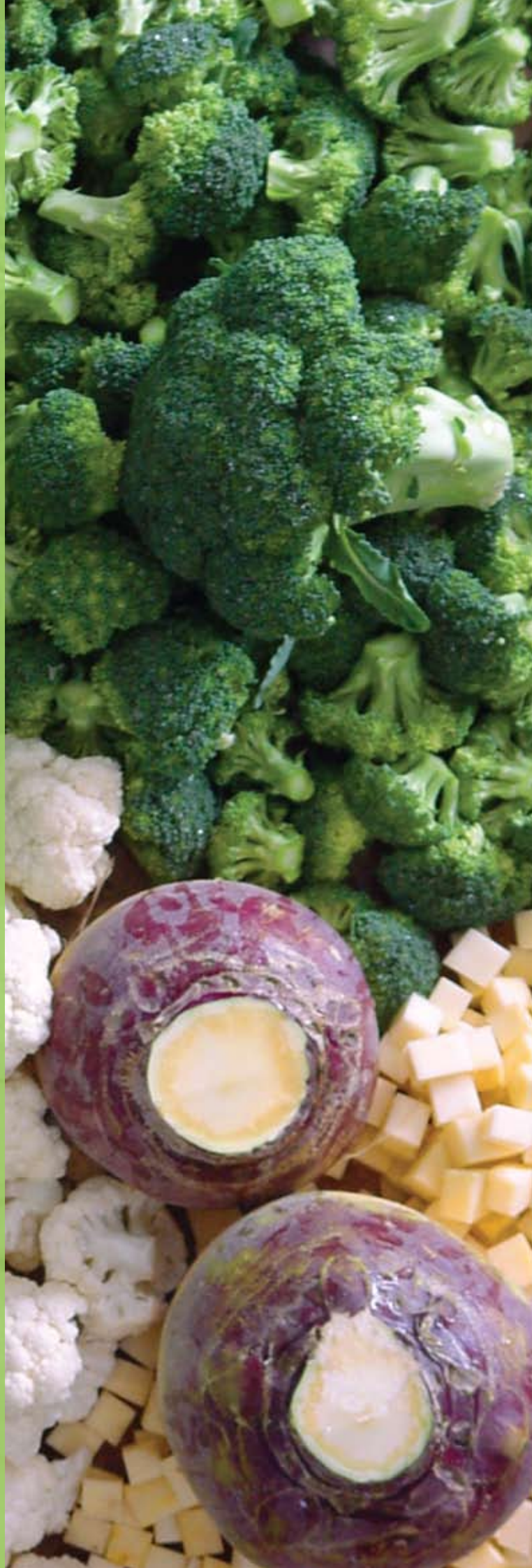
We carried out a business review for HILFN, including a survey of members. We made a series of recommendations to the group regarding its development plans, governance and constitution.

#### “Bringing Local Food to Life”

We designed a 3 year programme to support the development of local food community enterprise, in partnership with Forward Scotland and The Plunkett Foundation, and with support from Co-operative Development Scotland and Co-operatives UK. The project had the title 'Bringing Local Food to Life', and we intended to seek funding from Big Lottery Scotland to meet its costs. Despite an initially favourable response from BIG following a presentation and discussion, and acceptance of our preliminary application, BIG subsequently decided that the project did not sufficiently target “communities in greatest need” and so we did not proceed with a full bid. This was a considerable disappointment for all the partners, not least because The Plunkett Foundation and partners have secured substantial funds from the Lottery in England for an equivalent project. Bringing Local Food to Life would have enabled us to address several strands of the Scottish Government's Food & Drink Policy.

#### Regional Food Groups

We were invited to provide guidance and advice to several local food groups in the course of the year in the Scottish Borders, north east Scotland, Fife, Bute, Arran, and Lewis and Harris.



## ACTIVITY REPORT

# CLIMATE CHANGE AND CARBON MANAGEMENT – WORKING TOWARDS A SUSTAINABLE FUTURE FOR SCOTLAND’S FARMING, FOOD AND DRINK INDUSTRIES

Agriculture is a significant emitter of green house gases. Although scientific understanding of causes and effects is still evolving, it is agreed that farmers must take action to manage and reduce emissions, to help slow the rate of climate change, progressively adopting more sustainable production methods.

We aim to reduce carbon emissions from agriculture in Scotland by identifying and promoting practical business solutions that are commercially viable. We will concentrate in particular on utilising and further developing co-operation and collaboration as a means to achieve progress.

### Key Projects

#### Cairngorm National Park Authority

We completed a pilot project with Cairngorms National Park Authority in which we researched and produced an advisory booklet for farmers and local food producers. This provided information on practical actions that farmers and local food producers could take to reduce carbon emissions and, by so doing, improve financial performance. The advisory booklet was well received and widely distributed amongst farmers and other businesses in the national park. Consideration is being given to further development action.

#### BePRECISE

In 2007, we completed a network project involving five co-ops, supported by The Carbon Trust, which demonstrated that existing agricultural co-ops could be instrumental in promoting and enabling carbon efficiency. In 2008, with HGCA, we designed a follow-on project called BePRECISE to raise awareness and provide expert technical information that will enable farmers to reduce carbon emissions through adopting precision farming techniques. The project recognises current limitations with regard to knowledge and skills, and seeks to address these. Machinery rings, which can perform a critical role by helping to make the required equipment and expert operators widely available, are partners in delivering BePRECISE.

#### Mey Select – North Highland Products

Mey Select / North Highland Products was one of the groups that participated in our 2007 Carbon Trust network project. Following on from that project, in 2008 the group adopted a values statement in which it committed to using sustainable standards of farming, fishing and food production. It also joined a pilot of a Carbon Trust labelling standard (becoming the first Scottish SME to do so) that provides information to consumers on the greenhouse gas emissions of products and services.





**“Agriculture would not survive without co-ops. I see the evidence on my own door step at East of Scotland Farmers...”**

John Swinney, Cabinet Secretary for Finance and Sustainable Growth



## CLIMATE CHANGE AND CARBON MANAGEMENT

### Key Projects

#### Deeside Woodland Products

We advised Deeside Woodland Products (DWP) on its development of a wood chip supply pool, drawing on our experience from other sectors. DWP organises member commitment of timber into pooled drying stacks, which enable advance payments to members providing cash flow for harvesting and curing.

#### Scottish Woodfuels

We advised and assisted the formation of Scottish Woodfuels, in partnership with CDS. This new co-operative of woodfuel producers based in Ayrshire, aims to provide a reliable supply of cost effective, sustainably produced woodfuel.

#### South Lanarkshire Council

We advised South Lanarkshire Council on the suitability and benefits of new generation grower co-ops in relation to their plans for woodfuel supplies. We demonstrated the potential value to be gained by forestry owners through the added value which could be accessed by investing in the wood-fuel heat systems. The Council decided it had sufficient wood stocks on its own estates to meet its medium term supply requirements.

#### Angus Cereals

We advised the new group in relation to its business structures. In its original plans, the group identified significant environmental benefits resulting from its investment in a new grain store adjacent to a key customer. These included a reduction of up to 3 million haulage miles, and much improved efficiencies in energy used to dry, condition, and store grain.

#### Wingen

We advised Dr Maitland Mackie on business structures and the business start-up procedure that may be appropriate to the proposed, rurally owned, wind generating company. This ambitious vision was founded on securing for rural Scotland, a much larger proportion of the financial gains that result from investment in wind farms, than has been achieved to date by alternative business models. It was disappointing that the campaign to secure support was abandoned due to the credit crisis in the economy. However, we remain in discussion about the potential for more locally based wind generation initiatives.

#### Biodigestors

We responded to farmer groups in various areas of Scotland considering the potential for investment in jointly owned biodigestors. In each case it was apparent that digestors utilising only farm raw wastes would not be viable. External raw wastes would be required. This has the effect of limiting the range of locations where farm biodigestors might be constructed, and highlights the need for external partners. We anticipate further developments in the years ahead as waste disposal issues and costs increase.

## SERVICES FOR MEMBERS

Co-ops differ from conventional companies in many ways, and their directors and managers often need specialist advice, based on a deep understanding of co-op business.

**We aim** to deliver a range of business services, concentrating on those where SAOS has specialist expertise that is not readily available from other providers. Our range of services encompasses governance and director development, representation, access to information and networks on co-operative enterprise and innovation, and where appropriate, company secretarial and financial management services.

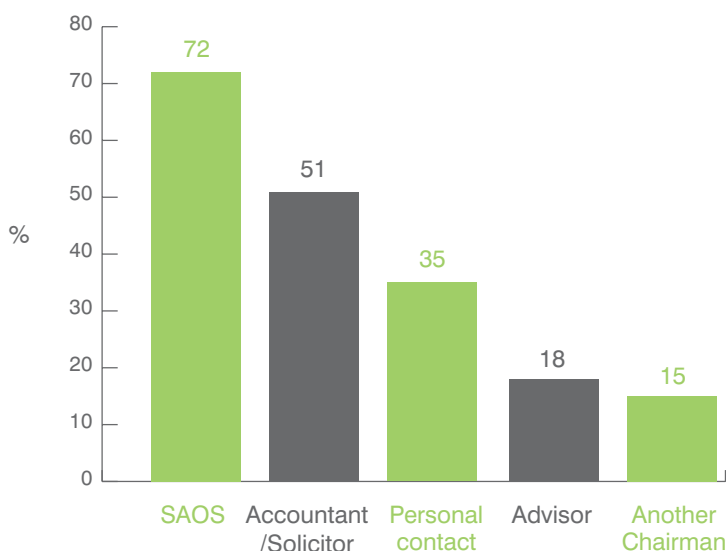
- We delivered business services throughout the year to United Farmers Ltd, Scottish Machinery Rings' Association, Scottish Association of Farmers' Markets, Scottish Shellfish Marketing Group Ltd, Scottish Agronomy Ltd, Girvan Early Growers Ltd and Scottish Pig Producers.
- SAOS staff, office holders and member appointees represented member co-ops in the following national forums:
  - **HM Treasury Working Group on Review of Co-operative and Credit Union Legislation**
  - **Scottish Government National Project Assessment Committee**
  - **Scotland Food & Drink Board**
  - **Scotland Food & Drink Executive Group and Collaboration Working Group**
  - **Scottish Parliament Cross Party Food Group**
  - **NFU Scotland Combinable Crops Committee**
  - **NFU Scotland Pigs and Poultry Committee**
  - **NFU Scotland Biofuels Group**
  - **NFU Scotland Legal and Technical Committee**
  - **NFU Scotland Milk Committee**
  - **Scottish Quality Farm Assured Combinable Crops**
  - **The Food and Health Alliance Steering Group**
  - **Co-operative Development Scotland Advisory Board**
  - **Co-operative Education Trust Scotland**
  - **Co-operatives UK - UK Co-operatives Forum**
- Working with Co-operatives UK and others in the co-operative sector, we continued working on the review by HM Treasury of co-operative legislation in the UK. Initial proposals were developed with Treasury officials and a further consultation took place in autumn 2008. We anticipate that a range of updates will come into force later in 2009, including substantive change to the maximum permitted shareholding of individual co-op members.
- We promoted the role of co-operation to representatives of all political parties, and all confirmed their support for SAOS. We acknowledged particular political interest in co-operative solutions in local foods and renewable energy. The importance of our work in agricultural co-operation and value chain collaboration was acknowledged.
- Following our consultation responses and representations on the Scottish Rural Development Programme 2007-2013, we were especially pleased by the launch of the Food Processing Marketing and Co-operation Grant scheme, which considerably enhanced the scope for co-operative and group applications for grants from the original proposals.
- We participated in the Co-operatives UK survey of all co-ops in the UK. The Co-operative Review 2008, published in June, set out statistics on the top 100 UK co-ops, of which more than half were agricultural. We circulated copies of the publication to a target list of politicians, civil servants and influencers, as well as to members.

- We carried out a membership survey for Tarff Valley, to enable the Board to evaluate current levels of satisfaction and loyalty, and to assist with formation of business strategy. The survey attracted a very large response and found that 91% of members were “proud to be a member of Tarff Valley”.

- We carried out a survey of chairmen of our member co-ops, to ascertain their development and information needs. We planned a special Chairmen’s seminar event for early in 2009. This aimed to assist chairmen to achieve greater Board effectiveness.

- We ran our Foundation Skills Course for Directors in the winters of both 2007 and 2008, delivered by the SAOS staff team. The range of participants broadened beyond directors and managers of SAOS member co-ops.

### SAOS AS A SOURCE OF ADVICE FOR OUR MEMBERS



- We advised several members on issues relating to their rules, members agreements, capital structures and governance matters in the course of the year. We assisted some members who required specialist legal advice.

- We held another successful conference at Carnoustie on Food Security and Climate Change – Challenge and Opportunity for Scottish Co-ops. Much debate was stimulated by the contributions from Dr David Baines (Acumentia Ltd), Dr Andrew Moxey (Pareto Consulting), Dorothy Mackenzie (Dragon Brands), Maitland Mackie (Mackies Dairies), Andrew Rennie (Gask Farm) and Hamish Walls (SAOS). Brian Pack OBE was awarded The Ed Rainy Brown Memorial Award. Donald Biggar, Chairman of Quality Meat Scotland spoke after dinner.

### TARFF VALLEY MEMBER SURVEY

- 91%** were “proud to be a member or customer of Tarff Valley”
- 90%** could “always rely on Tarff Valley to deliver a high quality service”
- 86%** “Tarff Valley knows how to listen and meet my needs quickly”
- 76%** “it’s important that Tarff Valley is owned by its community and invests in the area”

Tarff Valley Member Survey Findings Oct / Nov 2008 (650 respondents) conducted by SAOS.

# FINANCIAL STATEMENTS YEAR ENDED 31ST DECEMBER 2008

Scottish Agricultural Organisation Society Limited (Registered under the Industrial and Provident Societies Acts) Registration Number: 325 R(S)

## Statement of Corporate Governance

In 2005 the Members of SAOS adopted a new Board and Council Charter which updated and improved governance practice. New provisions included a distinct Board of Directors to direct the Society, and a Council, which acts as a stakeholder forum, convening representatives of the diverse range of interests encompassed by SAOS. In addition, Council acts as the electoral college for the Board. The Charter provided for the appointment of a Senior Independent Director, and the formation of an Audit Committee and a Remuneration and Personnel Committee. Copies of the Board and Council Charter and Rules are available from SAOS on request to any other person with a legitimate interest in the governance of the Society.

During the year, Mr Ray Jones, the Chief Executive of RHASS, acted as Senior Independent Director. Mr Jones was also re-appointed as Chairman of the Audit Committee.

The Audit Committee met once during the year and has a remit to:

- review the findings and recommendations of the auditors
- review the annual accounts
- review the effectiveness of the internal controls and risk management systems.

The Remuneration and Personnel Committee met once during the year and has a remit to:

- review the society's policy on general staff remuneration and terms of employment, and make any recommendations to the Board
- review and approve specific remuneration packages for each member of staff, taking into account their contribution to SAOS' work and annual appraisal
- appraise the performance of the Chief Executive and determine his remuneration and terms
- review SAOS' systems for maintaining compliance with Investors in People accreditation standards for personnel development
- review SAOS' systems for compliance with Health and Safety regulations, and report to the Board
- make recommendations to the Council on levels of remuneration for the Chairman, Vice Chairman and Directors.

## Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Industrial and Provident Societies legislation require the officials to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the society and of the surplus or deficit of the society for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Society will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Friendly and Industrial Societies Act 1968 and the terms of the Society's rules. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Society's auditors are unaware, and each official has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

## Board of Directors at 31st December 2008

Mr G Baird, Chairman +  
Mr D Mitchell, Vice Chairman \*+  
Mr R Jones, Senior Independent Director \*  
Mr S Cannon - resigned 21 May 2008  
Mr A Peddie  
Mr W Speirs \* - resigned 21 May 2008  
Mr M Clark \*  
Mr R Barron - elected 21 May 2008  
Mr J Neil  
Mr J Graham, Chief Executive +

\* indicates membership of Audit Committee

+ indicates member of Remuneration and Personnel Committee

## SAOS Council consists of the Board of Directors and the following members

Mr S Howie  
Mr J McIntosh  
Mr J Neil  
Mr D Pate  
Mr J Scott, MSP  
Mr R Yuill  
Mr J Withers  
Mr H Parker  
Mr M Bayne  
Mr G Roy - appointed 21 May 2008  
Mr M Laurenson - appointed 21 May 2008  
Mr A Simpson - appointed 21 May 2008

## Council Members who also served during the year

Mr N Thomson - retired 21 May 2008

## Company Secretary

Mr J Graham

## Registered Office

Rural Centre, West Mains, Ingliston, Newbridge, EH28 8NZ

## Bankers

Royal Bank of Scotland,  
2 Blenheim Place, Edinburgh, EH7 5JH

## Solicitors

Dundas & Wilson CS, Saltire Court,  
20 Castle Terrace, Edinburgh, EH1 2EN

## Auditors

The JRW Group, 19 Buccleuch Street,  
Hawick, TD9 0HL

# INDEPENDENT AUDITORS' REPORT

to the members of The Scottish Agricultural Organisation Society Limited

We have audited the financial statements of Scottish Agricultural Organisation Society Limited for the year ended 31st December 2008 which comprise the Revenue Account, the Balance Sheet, and the related notes 1 to 16. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Society's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Board of Directors and Auditors

As stated in the statement of directors' responsibilities, the Society's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Friendly and Industrial and Provident Societies Act 1968, and the terms of the Society's rules. We also report to you if, in our opinion, the Report of the Directors is consistent with the financial statements, the Society has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding officials' remuneration and transactions with the Society is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available to Small Entities, in the circumstances set out in note 16 to the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the Society's state of affairs as at 31st December 2008 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Friendly and Industrial and Provident Societies Act 1968, and the terms of the Society's rules; and
- the information given in the Directors Report is consistent with the financial statements.

## THE JRW GROUP

### Chartered Accountants and Registered Auditors

19 Buccleuch Street  
HAWICK

31st March 2009

# FINANCIAL STATEMENTS YEAR ENDED 31ST DECEMBER 2008

Scottish Agricultural Organisation Society Limited (Registered under the Industrial and Provident Societies Acts) Registration Number: 325 R(S)

## INCOME AND EXPENDITURE ACCOUNT

Year Ended 31st December 2008

<b>INCOME</b>		<b>2008</b>	2007
	<b>NOTE</b>	£	£
Scottish Executive		382,996	380,500
Affiliation fees		42,826	46,703
Consultancy and Other Grants	2	941,288	361,414
Dividends		5,901	8,738
Interest received		34,929	8,431
Sponsorship		4,000	4,000
Other income		6,914	998
<b>Total Income</b>		<b>1,418,854</b>	<b>810,784</b>
<b>EXPENDITURE</b>			
Staff	3	646,887	618,466
Operational	4	511,912	124,931
Board and Council	5	26,088	22,153
Representation and communication		41,158	33,949
Property		21,121	20,011
Administration		62,539	34,333
		<b>1,309,705</b>	<b>853,843</b>
Special projects	7	17,060	0
		<b>1,326,765</b>	<b>853,843</b>
<b>SURPLUS /(DEFICIT) BEFORE TAXATION</b>		92,089	(43,059)
<b>TAXATION</b>	8	10,000	0
<b>TRANSFER FROM/TO RESERVES</b>	14	82,089	(43,059)

The Society had no recognised gains or losses other than the surplus or deficit for the two years ended 31 December 2008. All operations are continuing.

**BALANCE SHEET**

As at 31st December 2008

			2008	2007
	NOTE	£	£	£
<b>FIXED ASSETS</b>	<b>9</b>		7,493	13,483
<b>INVESTMENTS</b>	<b>10</b>		77,515	77,515
<b>CURRENT ASSETS</b>				
Debtors and prepayments	11	191,530		142,764
Cash at bank and in hand		876,655		169,644
		<u>1,068,185</u>		<u>312,408</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Creditors and accruals	12	828,648		160,950
<b>NET CURRENT ASSETS</b>			239,537	151,458
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			324,545	242,456
<b>FINANCED AS FOLLOWS:</b>				
Share capital	13		1,465	1,465
Revenue account	14		323,080	240,991
<b>SHAREHOLDERS' FUNDS</b>	<b>15</b>		<u>324,545</u>	<u>242,456</u>

Approved by the Board on 30th March 2009

**CHAIRMAN**

Gareth Baird

**VICE-CHAIRMAN**

David Mitchell

**SECRETARY**

James Graham

# FINANCIAL STATEMENTS YEAR ENDED 31ST DECEMBER 2008

Scottish Agricultural Organisation Society Limited (Registered under the Industrial and Provident Societies Acts) Registration Number: 325 R(S)

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 1. ACCOUNTING POLICIES

#### Accounting Convention

The financial statements are prepared under the historical cost convention.

#### Depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Tenants' improvements	10% Straight line
Furniture and equipment	10-33% Straight line
Computer equipment	33% Straight line

Investments are valued at cost.

#### Leases and Contract Hire

The costs of operating leases are charged to the revenue account in the period to which they relate.

#### Pension Costs

The Society operates a group personal pension scheme, costs of which are charged to the revenue account in the period in which they are incurred.

#### Consultancy and Grant Income

Income from consultancy work and grants is valued in accordance with Financial Reporting Standard 5 Application Note G 'Revenue Recognition'. This means that income is recognised according to the stage reached in the contract by reference to the value of work done. Work in progress, which is included in debtors, is stated at valuation plus attributable profit to the extent that this is reasonably certain after making provisions for contingencies, any losses incurred or foreseen in bringing contracts to completion, and amounts received as progress payments. Income received in excess of the value of work carried out to date is included in creditors as prepaid income.

### 2. CONSULTANCY AND OTHER GRANTS

This includes £435,942 grant income for an EID research pilot. A substantial part of this project is being undertaken by external consultants. The recoverable expenses figure in Note 4 includes £313,157 for this project, which is mainly the cost to the Society of these consultants and related materials. This project has been funded by an advance payment and there is prepaid income of £564,058 disclosed in Note 12.

	2008	2007
	£	£
Salaries of head office staff and project managers	589,869	557,124
Pensions	39,112	34,891
Training	8,934	11,753
Recruitment	8,972	14,698
	<hr/> 646,887	<hr/> 618,466

The average number of employees during the year was as follows

11	11
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### 4. OPERATIONAL EXPENSES

(Including travel and subsistence)

Staff expenses	51,429	50,683
Recoverable expenses	436,110	54,288
Sub-contract consultancy	24,373	19,960
	<hr/> 511,912	<hr/> 124,931

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2008

	<b>2008</b>	2007		
	£	£		
<b>5. BOARD AND COUNCIL</b>				
Fees to President and Vice President	15,000	15,000		
Board Member Fees	5,800	3,800		
Council	5,288	3,353		
	<u>26,088</u>	<u>22,153</u>		
<b>6. (DEFICIT)/SURPLUS BEFORE TAXATION</b>				
The surplus before taxation is stated after charging:				
Operating leases (rent of office)	10,880	11,494		
Depreciation	5,990	5,083		
Auditors remuneration	1,750	1,500		
	<u>18,620</u>	<u>18,077</u>		
<b>7. SPECIAL PROJECTS</b>				
Scottish Food & Drink Membership Fees	5,000	0		
Telephone Interview Sample Costs	8,890	0		
SAOS New Branding Costs	3,170	0		
	<u>17,060</u>	<u>0</u>		
<b>8. TAXATION</b>				
Corporation tax recoverable at 21% (1998: 21%)				
Corporation tax - current period	10,000	0		
	<u>10,000</u>	<u>0</u>		
<b>9. TANGIBLE FIXED ASSETS</b>				
	TENANTS' IMPROVEMENTS	FURNITURE AND EQUIPMENT	COMPUTER EQUIPMENT	TOTAL
<b>COST</b>				
At 1st January 2008	2,064	10,030	39,772	51,866
Additions in year	0	0	0	0
Disposals	0	0	0	0
At 31 December 2008	<u>2,064</u>	<u>10,030</u>	<u>39,772</u>	<u>51,866</u>
<b>DEPRECIATION</b>				
At 1st January 2008	1,549	7,829	29,005	38,383
Charge for period	206	1,025	4,759	5,990
Released by disposals	0	0	0	0
At 31 December 2008	<u>1,755</u>	<u>8,854</u>	<u>33,764</u>	<u>44,373</u>
NET BOOK VALUE AT 31 DECEMBER 2008	<u>309</u>	<u>1,176</u>	<u>6,008</u>	<u>7,493</u>
NET BOOK VALUE AT 31 DECEMBER 2007	515	2,201	10,767	13,483
<b>10. INVESTMENTS</b>				
	<b>2008</b>	2007		
	£	£		
The Scottish Agricultural and Rural Development Centre Limited				
71,428 'C' ordinary shares of £1 each fully paid	71,428	71,428		
In affiliated societies	6,087	6,087		
	<u>77,515</u>	<u>77,515</u>		

The holding in The Scottish Agricultural and Rural Development Centre Limited represents 14.28% of the issued share capital of that company.

In the opinion of the Council the shares, which are unquoted, have a market value of £1 per share.

# FINANCIAL STATEMENTS YEAR ENDED 31ST DECEMBER 2008

Scottish Agricultural Organisation Society Limited (Registered under the Industrial and Provident Societies Acts) Registration Number: 325 R(S)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2008

	2008	2007
	£	£
<b>11. DEBTORS</b>		
Trade debtors	12,862	68,101
VAT	23,437	0
Work in progress	108,746	48,015
Prepayments	14,246	12,308
Other debtors	32,239	14,340
	<u>191,530</u>	<u>142,764</u>

<b>12. CREDITORS</b>		
Trade creditors	71,763	13,810
Accruals	50,799	23,571
Prepaid income	659,885	97,747
VAT	0	4,658
Corporation Tax	10,000	0
Other taxes and social security	36,201	21,164
	<u>828,648</u>	<u>160,950</u>

<b>13. SHARE CAPITAL</b>		
Shares of £1 and £100 each		
At 1st January 2008	1,465	1,465
Additions	0	0
Cancelled	0	0
At 31 December 2008	<u>1,465</u>	<u>1,465</u>

<b>14. RESERVES</b>		
At 1st January 2008	240,991	284,050
Surplus/(Deficit) for the year	82,089	(43,059)
At 31st December 2008	<u>323,080</u>	<u>240,991</u>

<b>15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>		
Shareholders' funds at 1st January 2008	242,456	285,515
Surplus/(deficit) for the year	82,089	(43,059)
Shares issued/disposed in year	0	0
Shareholders' funds at 31st December 2008	<u>324,545</u>	<u>242,456</u>

## 16 APB ETHICAL STANDARD - PROVISIONS AVAILABLE FOR SMALL ENTITIES

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities.

# SAOS MEMBERS

More details on [www.saos.co.uk](http://www.saos.co.uk)

**ANM GROUP LTD**  
Tel: 01467 623700

**ABERDEEN GRAIN  
MARKETING LTD**  
Tel: 01651 882244

**AGRICULTURAL CENTRAL  
TRADING LTD**  
Tel: 01494 784931

**ATHOLL GLENS LTD**  
Tel: 01796 481482

**AYRSHIRE COUNTRY  
LAMB LTD**  
Tel/Fax: 01292 560740

**BIRSAY FARMERS LTD**  
Tel: 01856 874654

**BORDERS MACHINERY  
RING LTD**  
Tel: 01896 758091

**BORDERS PREMIUM  
POTATOES  
MARKETING LTD**  
Tel: 01835 850371

**BRANDED BEEF  
BREEDERS**  
Tel: 0131 472 4100

**BUCCLEUCH FARMERS LTD**  
Tel: 01387 254424

**CAITHNESS MACHINERY  
RING LTD**  
Tel/Fax: 01847 841310 (Home)

**CALEDONIAN  
ORGANICS LTD**  
Tel: 01557 814565

**CLYDESIDE TRADING  
SOCIETY LTD**  
Tel: 01555 894151

**DALKEITH FARMERS LTD**  
Tel/Fax: 01875 820810

**DEESIDE WOODLAND  
PRODUCTS HARVESTING**  
Tel: 01339 885335

**DEVERON POTATO  
GROWERS LTD**  
Tel: 01261 842822

**EAST LOTHIAN  
POTATOES LTD**  
Tel: 01620 880205

**EAST OF SCOTLAND  
FARMERS LTD**  
Tel: 01828 627264

**EAST OF SCOTLAND  
GROWERS LTD**  
Tel: 01334 654047

**FARMA**  
Tel: 08454 588420

**FARM STOCK  
(SCOTLAND) LTD**  
Tel: 01750 723366

**FARMERS CREAMERY  
CO-OPERATIVE LTD**  
Tel/Fax: 01988 600639

**FINANCIAL CONTROL  
SERVICES LTD**  
Tel/Fax: 01224 828307

**FIRST MILK**  
Tel: 0141 887 6111

**GALLOWAY LAMB LTD**  
Tel/Fax: 01899 221419

**GIRVAN EARLY  
GROWERS LTD**  
Tel: 01465 715328

**GIRVAN EARLY GROWERS  
(VEGETABLES) LTD**  
Tel: 01465 715328

**GRAINCO SCOTLAND LTD**  
Tel: 01888 569555

**GRAMPIAN GROWERS LTD**  
Tel: 01674 830555

**HARLAW FRUIT LTD**  
Tel/Fax: 01464 851250

**HARRIS LIVESTOCK LTD**  
Tel: 01859 502171

**HI HEALTH LTD**  
Tel: 01856 878293

**HBS RING LTD**  
Tel: 01463 811603

**HIGHLAND FRUIT  
STOCKS LTD**  
Tel/Fax: 01887 829899

**HIGHLAND GLEN  
PRODUCERS LTD**  
Tel: 01887 820666

**HIGHLAND GRAIN LIMITED**  
Tel: 01463 811435

**HIGHLANDS & ISLANDS  
SHEEP HEALTH  
ASSOCIATION LTD**  
Tel/Fax: 01463 713687

**LEWIS CROFTERS LTD**  
Tel: 01851 702350

**LOTHIAN LAMB LTD**  
Tel: 01501 823151

**LOTHIAN MACHINERY  
RING LTD**  
Tel: 0131 339 8730

**MONTROSE POTATOES  
(GROWERS) LTD**  
Tel: 01738 633571

**NORTH HIGHLAND  
PRODUCTS LTD**  
Tel: 0845 8380488

**NORTH UIST & BENBECULA  
LIVESTOCK  
(MARKETING) LTD**  
Tel: 01876 500329

**NORTHERN GRAIN LTD**  
Tel: 01228 560748

**OPENFIELD**  
Tel: 01476 862730

**ORKNEY AUCTION  
MART LTD**  
Tel: 01856 872520

**ORKNEY BUSINESS RING**  
Tel: 01856 879080

**RINGLINK (SCOTLAND) LTD**  
Tel: 01561 377790

**RURAL SERVICES  
SCOTLAND LTD**  
Tel: 01738 445300

**S E GROWERS LTD**  
Tel: 01261 851420

**SALTIRE SEED LTD**  
Tel: 01358 742000

**SCOTLEAN PIGS LTD**  
Tel: 01228 541566

**SCOTT COUNTRY LAMB LTD**  
Tel: 01750 723366

**SCOTT COUNTRY  
POTATOES LTD**  
Tel: 01573 225125

**SCOTTISH AGRONOMY LTD**  
Tel: 01577 862759

**SCOTTISH ASSOCIATION  
OF FARMERS' MARKETS**  
Tel: 01887 829344

**SCOTTISH BORDERS  
PRODUCE LTD**  
Tel: 01890 751663

**SCOTTISH CROP  
INNOVATION INITIATIVE LTD**  
Tel: 01620 842154

**SCOTTISH FARM  
VENISON LTD**  
Tel/Fax: 01436 831203

**SCOTTISH NUCLEAR  
STOCK ASSOCIATION LTD**  
Tel: 01575 560349

**SCOTTISH ORGANIC MILK  
PRODUCERS LTD**  
Tel: 07796 614641

**SCOTTISH ORGANIC  
PRODUCERS  
ASSOCIATION LTD**  
Tel: 0131 333 0940

**SCOTTISH PIG  
PRODUCERS LTD**  
Tel: 01466 792284

**SCOTTISH SHELLFISH  
MARKETING GROUP LTD**  
Tel: 01698 844221

**SHETLAND ABATTOIR  
CO-OPERATIVE LTD**  
Tel: 01595 696300

**SHETLAND LIVESTOCK  
MARKETING GROUP LTD**  
Tel: 01595 696300

**SOUTH WEST  
MACHINERY RING**  
Tel: 01557 820370

**TARFF VALLEY LTD**  
Tel: 01557 820247

**TAYFORTH MACHINERY  
RING LTD**  
Tel: 01577 830616

**TAYGROW PRODUCE LTD**  
Tel: 01738 813176

**UIST CALF PRODUCERS  
LTD**  
Tel: 01876 580308

**UNITED FARMERS LTD**  
Tel: 0131 334 3111

**UNITED OILSEEDS  
MARKETING LTD**  
Tel: 01380 729200

# SERVICES AVAILABLE FROM SAOS

## Strategic Consultancy

- Multi-partner public / private sector projects in agriculture, food and drink
- Sector and supply chain analysis and strategy development
- Research and innovation of co-operative systems and impacts

## New Business Starts Involving Co-operation or Joint Venture

- Case study examples of group businesses
- Hands-on advice and assistance to groups considering how to launch a new business that involves co-operation or joint venture
- Market research, feasibility studies, business plans and financial plans required prior to new business formation
- Model constitutions and members' agreements
- Advice on job specifications and manager recruitment
- Assistance with registration and company secretarial tasks
- Briefing and foundation skills training for directors
- Assistance with open meetings of potential members
- Advice and assistance regarding sources of grant funds

## Consultancy for Established Businesses

- Strategy review and board strategy workshops
- Market research and feasibility studies
- Strategy development and business planning
- Investment evaluation and financial planning
- Advice and assistance on member communications
- Advice on constitutions and members' agreements
- Collaborative supply chain development; exemplars, strategy development, project management
- Management of multi-partner development projects
- Benchmarking
- Advice and assistance regarding sources of grant funds



Brian Pack receiving the Ed Rainy Brown Memorial Award from Katy Rainy Brown

## Additional Services for Member Businesses

- Company secretary and accountancy services
- Financial trends analysis (including benchmarking)
- Project planning and brokering with potential project partners
- Access to specialist professions; legal, financial, personnel
- Assistance to communicate with government ministers and politicians
- Representation of co-op-related policy issues and interests
- Assistance in relationships with local enterprise companies and councils
- Promotion of co-operation and member businesses
- Access to worldwide network of co-ops
- Annual conference
- Contact with the press

## Governance Services for Co-ops and Farmer-Owned Businesses

- Information and assistance on governance structures
- Foundation skills training course
- Governance Standards for Co-ops publication
- Board self-evaluation of effectiveness
- Assistance with induction handbook for new directors
- Assistance with board policy charters
- Corporate risk management systems
- Masters Seminars
- Confidential advice line
- Directors Update newsletter (for directors of member businesses)
- Assistance with "learning journeys"

## STAFF AND OFFICE HOLDERS

### Staff

SAOS' staff can be contacted at the Rural Centre or at Regional Offices:

**Chief Executive:** **James Graham**  
Tel: 0131 472 4103  
E-mail: james.graham@saos.co.uk

**Deputy Chief Executive:** **Bob Yuill - Huntly**  
Tel/Fax: 01466 700203  
E-mail: bob.yuill@saos.co.uk

**Supply Chain Development Director:** **Alan Stevenson - Glasgow**  
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**Supply Chain Development Manager:** **Rona Sutherland - Balfron**  
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**Duncan Todd - Kilmaurs**  
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E-mail: duncan.todd@saos.co.uk

**Jim Booth - Ellon**  
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E-mail: jim.booth@saos.co.uk

**Financial Manager:** **Graeme Johnston, CA**  
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E-mail: graeme.johnston@saos.co.uk

**Communications and PR Manager:** **Jennifer Grant**  
Tel: 0131 472 4104  
E-mail: jennifer.grant@saos.co.uk

**Secretary/Book-keeper:** **Margaret Muir**  
Tel: 0131 472 4105  
E-mail: margaret@saos.co.uk

### Office Holders

**Chairman:** Gareth Baird

**Vice Chairman:** David Mitchell

**Senior Independent Director:** Ray Jones

**Honorary President:** Ian Grant, CBE

**Honorary Vice Presidents:** Fraser R Evans  
The Rt Hon The Viscount of Arbutnott, CBE, DSC, MA, FRICS  
Robin N L Malcolm  
Akki R Manson, CBE  
John Don, MBE  
Ian Wilson  
Stuart Cannon

# MEET THE STAFF



**JAMES GRAHAM**

Based at the Rural Centre head office, James carries overall responsibility for developing SAOS' strategies and services, and oversees their delivery. He is a member of the Council and Board and acts as company secretary. He fronts SAOS' communications with Scottish Government, MSPs and partner organisations, and represents SAOS in a range of co-op sector and industry roles. With an entire career devoted to agricultural co-operation, he is an acknowledged authority on agri-co-op business and has a worldwide network of contacts.



**BOB YUILL**

Bob has over 25 years experience working with agricultural and rural co-operatives and is an acknowledged expert in co-operative legal structures, members' agreements, finance and governance. He has a Masters in Co-operative Management from St Mary's University in Canada and has studied co-operative strategy throughout the world. Currently he is pioneering work in Scotland on new generation co-operatives and implementing new strategies towards improving membership loyalty, cohesion and communications.



**ALAN STEVENSON**

Alan works in supply chains and across industry organisations, particularly with Scotland Food & Drink. He delivers market-led business development and partnership solutions. His specialist skills include project management, supply chain collaborative development, research, and health enhancing food and drink. Alan has developed a considerable understanding of market and supply chain issues and in developing whole chain approaches. He also benefits from the knowledge of having worked on initiatives with leading retailers and foodservice companies in the UK and overseas.



**DOUGLAS WATSON**

Douglas leads on SAOS' work in the local food sector. He has extensive experience in advising and supporting local food groups, farmers' markets, farm shops and local food distribution networks. He has undertaken reviews of the local food sector and farm retail in Scotland. He has also been involved in incorporating several groups as producer owned co-operatives. He currently provides support and business advice to the Scottish Association of Farmers' Markets, Scottish Shellfish Marketing Group Ltd and HBS Ring Ltd.



**HAMISH WALLS**

Hamish leads on SAOS' work in Carbon Management. He undertook several projects to examine green house gas production on farms and through this work has developed an understanding of the practices necessary to increase supply chain sustainability. He has also led several learning missions to Denmark, Sweden and Ireland and has knowledge of a diverse range of projects producing energy from waste, oil seed rape, grain, straw, wood and farm manures. Making good use of his previous experience in food processing, he assists new co-op groups and member businesses with market developments, including relations with the Scottish Government and the Enterprise Network. Hamish is currently studying for a Professional Diploma in Marketing with the Chartered Institute of Marketing.



**GRAEME JOHNSTON**

Based at The Rural Centre head office, Graeme joined SAOS as Finance Manager in January 2009. He is a qualified CA with responsibility for the administration and financial management of SAOS. He provides financial and business planning expertise to project work carried out by Project Managers and also provides an on-going finance manager service for several clients.





### MARGARET MUIR

Margaret is based at the Rural Centre head office, where she undertakes a variety of secretarial and administration work for all the staff, including the organisation of various events. She manages the SAOS member database and is assistant to the Financial Manager.



### DUNCAN TODD

Based in Ayrshire, Duncan has spent his entire working life in the agrifood industry, accumulating a wide range of business skills and expertise. Duncan is involved in a variety of projects that include the marketing of red meat and milk, supply chain development within the fishing industry as well as the co-ordination of EID research for SGRD. He has an MBA and is currently studying for a PhD on the strategic management of collaborative supply chains.



### RONA SUTHERLAND

Rona joined SAOS in July 2007. As Supply Chain Development Manager, she works with a wide range of partners to encourage better collaboration throughout food and drink supply chains. Prior to joining SAOS, she spent ten years as a project manager with Scottish Enterprise. Working primarily with food and drink processing companies and sector bodies, she gained a diverse range of experience in strategy development, communications, overseas market development, market research and event organisation. She has also worked with IGD (Institute of Grocery Distribution), developing business mentoring relationships and as an independent management consultant. Her specialist skills include developing business partnerships, project management, supply chain collaborative development and strategy and sector development.



### JIM BOOTH

Jim leads our involvement in the Monitor Farm programme and jointly facilitates four Monitor Farms. He has also completed a number of projects on carbon management. He has a keen interest in business strategy and assists members in their strategy development. Jim regularly promotes co-operation in his delivery of farm business planning workshops – 'Planning for Profit'. He also supports our work in collaborative supply chains and is currently studying part-time for an MSc in Supply Chain Management. He is an experienced trainer able to deliver a range of training courses. Previous employment with SAC for 25 years means Jim brings a wealth of experience and contacts to SAOS.

### JENNIFER GRANT

Based at the Rural Centre, Jennifer is our Communications and PR Manager, responsible for managing the promotion of co-operation and SAOS to MSPs and the wider industry. She joined us in Spring 2009 from the Seafish Industry Authority.



For further information on SAOS services, please refer to our website: [www.saos.co.uk](http://www.saos.co.uk)



**SAOS**  
Supporting co-operation in farming  
food and food business

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**WELCOME TO SAOS**

We are Scotland's experts on co-operative and collaborative strategies, structures, and management. We provide a comprehensive range of development and consultancy services, supported by The Scottish Government. [Find out more](#)

**Co-operation in Agriculture, Forestry and Aquaculture**  
Scotland is home to some of the most innovative and successful agricultural and rural co-ops in the UK. Common purpose and shared investment are allowing skills to be shared and actions to be taken more effectively. [Find out more](#)

**Collaborative Supply Chains**  
Businesses in a shared supply chain compete with each other, bringing the whole business from greater efficiency and better market requirements. Businesses in collaborative chains align their commercial objectives and coordinate information flows and actions to capture more value for all. [Find out more](#)

**Local Food Leads**  
The market for local foods in Scotland is growing rapidly, offering a range of social, economic, cultural, health and environmental gains. Growth would be impossible without co-operation and collaboration amongst producers and in supply chains, whether organising a farmers market, or supplying a local school. [Find out more](#)

**Land Management**  
Rural Scotland has a vital contribution to make in alleviating the effects of climate change, opportunities for renewable energy and food, fuel, and carbon management are at their best achieved through co-operation. [Find out more](#)

**LATEST NEWS**

**SCOTLAND FOOD AND DRINK EXCELLENCE AWARDS 2019**  
[Find out more](#)

Scottish Government Awards SAOS £1 million to Strengthen Supply Chain Collaboration  
[Find out more](#)

Scotland Food and Drink International Conference Achieved for 17th February  
[Find out more](#)

Local Food Leads: Lift Off  
[Find out more](#)

Winter Farm Property  
[Find out more](#)

**Our Purpose and Role**  
[Development and Consultancy Services](#)

**Working with us**  
[Membership and Governance](#)  
[Member Directory](#)  
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**Meet Mark, SAOS Chairman**



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**Co-operation in Agriculture**

**Introduction**  
Scotland is home to some of the most innovative and successful agricultural and rural co-ops in the UK. Common purpose and shared investment deliver value added to co-op members. The result is that co-ops in rural sectors are expanding their market share and output. Co-operation is growing, as more farmers see forces in action profitability and sustainability from their market position, through businesses founded on fairness, equality and democracy.

**Aggregated returns from co-ops in membership of SAOS in 2018 received:**

- **Tax throughput: £1.18 billion**
- **Investments: £180.5M (£1.5 million)**
- **Profit before tax: £3.2 billion**
- **Employers: 1,231 Members: 84,200**
- [EconomicImpact.com/2018/08/20/saos/](http://EconomicImpact.com/2018/08/20/saos/)

More profitable farming is not the only reason for co-ops. Most are significant employers and providers of rural services, nurturing the development of SAOs and generating economic activity in the benefit of the wider rural economy. Many serve as sources and incubators of new ideas for rural innovation and development, making a larger contribution to their communities.

**Quick facts & some examples:**

- **ALL LEP** purchasing farm supplies
- **Farm Milk** with marketing and processors, purchasing farm inputs
- **Scottish Shellfish Marketing Group** added value farmed shellfish
- **East of Scotland Farmers** grain sales and marketing
- **North of Scotland** machinery and labour services, training and co-ownership training

**Find out more**  
[www.saos.co.uk](http://www.saos.co.uk)

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