

## 2012 - International Year of Co-ops

### Aiming to increase public awareness of the benefits of co-operation

The United Nations General Assembly has declared 2012 as the International Year of Co-operatives (IYC), with the aim of highlighting the contribution of co-ops to socio-economic development across a wide range of self-help business activities. Agricultural co-ops are one of the most important sectors globally, in both developed and developing economies.

#### Some of the more eye-catching statistics about co-ops:

- Co-ops account for 80% – 99% of milk production in Norway, New Zealand and the USA, and for 40% of agriculture in Brazil
- 22% of New Zealand's GDP, and 45% of Kenya's, is attributable to co-ops
- 50% of people living in Finland and Singapore are co-op members, 33% of people in Canada, New Zealand and Japan, and 25% of people in the USA, Germany and Malaysia
- 4,200 co-op banks in Europe serve 149 million clients, and 49,000 credit unions in 96 countries serve 177 million members.

#### An Opportunity to Increase Public Awareness

Charles Gould, Director General of the International Co-operative Alliance describes the UN IYC Year as "the beginning of an on-going messaging campaign to achieve a break-through in public awareness of co-ops, and awareness that co-ops provide solutions that really meet our needs for the future".

More specifically, Charles elaborates on three objectives that the ICA Board has adopted for the UN Year. "First, we want it to become widely appreciated that the co-operative is a serious business model that is eminently scaleable and has an essential contribution to make in our global economies. Second, we want to build public awareness that co-ops are values based – on fairness, on sustainability, on concern for community. And third; we want to highlight that co-ops are in members' own control, so they are free to direct the co-op to meet their own needs, not those of external shareholders. I believe this has great appeal to the next generation."

The United Nations General Assembly has invited Member States to establish national committees responsible for planning and promoting activities related to IYC and to co-ordinate other participants including UN Agencies, co-ops across all sectors, academia, private sector partners, civil society organisations and the media. The Scottish Government convened co-op organisations in Glasgow in July to discuss planning for 2012.

James Graham, Chief Executive of SAOS says: "While at first glance, some may regard the IYC objectives as being distant from farmers' co-ops in Scotland, my view is that there are good reasons why SAOS members should participate. We have a continuing challenge in getting clear understanding amongst politicians (and others) that co-ops are different and distinct from other business forms, and that they merit policies, laws and regulations that are designed especially for them, which help to enable their development and growth. In addition, the more we can raise the profile and understanding of co-operatives and their contribution to the economy and society of Scotland, the more likely we are to build public support, farmer support, and political support. That's why we are consulting SAOS member businesses about joining with the UN and other co-op sectors that are participating in the IYC."



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## New Producer Organisations Proposed for the Dairy Sector

SAOS has had regular exchanges in recent months with the Scottish Government, First Milk, Milk Link and NFUS regarding EU High Level Dairy Group proposals for the sector. The key points of the EU proposals are:

- ‘Fair price’ – processors would be required to enter ‘fair’ contracts with dairy farmers, that cover terms prescribed by the EU (it is still undecided whether this requirement should be compulsory in every member state or optional).
- ‘Collective bargaining’ – processors would be required to negotiate with approved POs

(Producer Organisations) established by farmers, which may command up to 33% of milk production in a member state.

- ‘Transparency’ – so called inter-branch organisations would be empowered to compile statistical information (including prices) and supply it to the EU. In the UK, DairyCo already performs this role.

SAOS has consistently maintained that existing dairy co-ops should be exempted from any requirement to negotiate with POs that may establish amongst their own members. The co-ops already aim to improve the position

of farmers in the supply chain, and farmers have invested heavily in their ‘value added’ processing and marketing activities for this purpose. Some EU states are calling for co-ops not to be exempted, despite the risk of fragmentation that would result. Final decisions on the “Dairy Package” are expected from the European Commission this autumn.

SAOS aims to deliver advice to formative POs under our ScotGov development grant, and to provide model constitutions and members’ agreements to help save costs and speed PO development.

## Food and Health Innovation Service

SAOS is part of the consortium delivering the Food and Health Innovation Service - a £4 million project, bringing together research, technical and marketing expertise to help Scottish food and drink businesses exploit the burgeoning market for healthy food and drink products, estimated to be worth £20bn in the UK and more than £300bn globally. This unique project provides a seamless range of practical support measures to help Scottish companies fully realise their growth potential in this marketplace, including:

- identifying and understanding key health market opportunities
- resolving any technical issues (e.g. labelling, health claims, formulation, reformulation, processing techniques)
- developing an innovation action plan with costed options to resolve issues and realise opportunities

So far, the project has provided support to over 40 companies across a number food and drink categories, from new starts, right through to some of Scotland’s largest manufacturers. We have been encouraged by the high level of dynamism and entrepreneurship within the sector and look forward to working with many more companies in the coming years, including some of SAOS’ member co-ops.

**For more info on the Food & Health Innovation Service, including free upcoming events please visit [www.foodhealthinnovation.com](http://www.foodhealthinnovation.com)**

## Awareness Raising in North East

The awareness raising campaign which SAOS started in the Borders at the end of last year is moving to the North East this Autumn.

To mark the latest phase of the campaign, we are holding a reception at ANM on 14 October with invitations issued to local farmer co-op directors, local food companies, MSPs, MPs and councillors, NFU Scotland representatives, other key stakeholders and co-operative organisations, as well as the local media. We will be providing informative factsheets on twelve of the area’s co-ops and representatives of these co-ops will be in attendance.

The aim of the campaign is to raise awareness of the contribution and importance of co-operation and collaboration amongst North East farmers and local food companies. **If you would like to attend, please contact [jennifer.grant@saos.coop](mailto:jennifer.grant@saos.coop)**

## Milk Link to split structure

Milk Link’s business structure is shortly to split into Milk Link: Cheese, and Milk Link: Milk. Other changes taking place this month include the appointment of Carl Ravenhall, former MD of Adams Foods, as MD of Milk Link: Cheese, with former Trading and Membership Director of Milk Link, Shelagh Hancock, taking the role of Business Unit Director for Milk.

Chief Executive, Neil Kennedy, said: “Both business units will have their own dedicated sales and marketing and operational teams, whilst drawing on the skills and resources embedded in the key cross group functions. This we believe will deliver greater commercial and operational focus on our core revenue generating areas and in turn drive a higher level of performance.”

## Positive Results for First Milk

Despite challenging economic conditions, First Milk recorded a positive swing in profitability in the financial year to March, achieving a pre-tax profit of £7.2m compared with £360,000 in 2010. Group turnover rose from £536m, to £573m.

Bill Mustoe, Chairman, commented: “The business is moving forward on all fronts. The progress we have made has opened up opportunities and presents us with a variety of paths to grow turnover and profit.”

## Angus Cereals opens for business

Angus Cereals’ new portside grain storage and processing co-op was opened by Richard Lochhead, Scotland’s Cabinet Secretary for Rural Affairs and Environment at the beginning of August.

The first 25,400t phase, of what will eventually be a 45,000t store, has been completed in a remarkable seven months and will be used by farmers across the region to significantly improve this season’s harvest operations. On opening the facility, which has been supported by a Scottish Government grant of up to £2.26 million, Mr Lochhead congratulated Angus Cereals on providing Scotland with its first co-operative-run portside processing facility, commenting: “This fantastic new facility is a tribute to the vision and commitment of the farmer-owned co-operative in Angus who have made this happen. With ambitious plans to supply both domestic and export markets, Angus Cereals is bringing quality Scottish grain to continental markets.”

“The plant’s strategic location will give farmers across the region the opportunity to access potentially lucrative new markets beyond Scotland, which can provide a real boost for the local economy, therefore I’m delighted that the Scottish Government has been able to provide substantial grant assistance.”



Cabinet Secretary, Richard Lochhead opens Angus Cereals Phase 1 of the development boasts 25,400t of capacity

# C2 AND QMS HOST BUTCHERING EVENT



More than fifty farmers, butchers and local chefs gathered at Rhinds of Elgin in July, to learn about opportunities to maximise value in the red meat supply chain.

The event, run as part of the C2 Cultivating Collaboration initiative, was organised by Quality Meat Scotland, SAOS and Rhinds of Elgin.

Raymond Wight, General Manager of Rhinds of Elgin, said the event was a huge success: "The event brought butchers, farmers and chefs together and what shone through was the clear desire by all those represented to have a better understanding of what happens in the parts of the chain they are not involved in.

"Getting everyone together in one place triggered a great deal of constructive debate and discussion and the result was a better understanding all round which can only be good for the quality of our

product and the profitability of our industry."

Top butcher Jonathan Honeyman, who is based in Aberfoyle, demonstrated how butchers could add more value to beef, lamb and pork and produce more unusual cuts, by utilizing innovative seam cutting techniques.

Rona Sutherland, SAOS' Supply Chain Development Manager commented: "The C2 team and its partners have hosted a number of these events across a variety of supply chains now, which all participants have found useful – not just in helping understanding, but also in providing an opportunity to forge new relationships.

"As a result of this event, Rhinds is in the process of establishing a group involving farmers, butchers and chefs, to ensure that the whole chain works together effectively to produce what the customer wants."

## C2 EVALUATION SHOWS GENERATION OF COMMERCIAL IMPACTS

A recent preliminary evaluation of the impact of the C2 project to date is showing some very encouraging results. The companies interviewed have stated that the assistance received by the Scottish Government, SAOS and its partners through the C2 project has been an important contributory factor in their growth and development.

Though the project was established with a long-term aim of changing attitudes towards collaborative working and has only been operating since October 2008, some significant impacts have already been achieved:

Companies assisted by the project have demonstrated sizeable growth in turnover; have entered new markets both in the UK and overseas; launched new products; accessed new suppliers; developed new processes and supply chain partnerships; established new collaborative supply chain groups and created new jobs. In addition, attitudes appear to be changing in terms of businesses reaping the benefits in having more open communicative supply chains and a greater willingness to provide mutual support.

The results of the full evaluation activity will be available in the next month or so. Though funding for C2 officially ends in September 2011, discussions are ongoing with Scottish Government, Scotland Food & Drink and all the key food and drink support organisations about a potential successor programme, which would broaden the scope and scale of the existing activity.

## CO-OP FACTFILE - TARRF VALLEY

**Established:** 1903

**Chairman:** Robin Austin

**Managing Director:** Colin Owen

**How many members:** 930

**Type of business:** Tarff supplies all inputs at competitive prices to local farmers, and retails to the general public.

**Turnover/throughput:** around £44 million

**Branch locations:** Head Office (Ringford), Dumfries, Castle Douglas, Castle Kennedy, Longtown, Glenluce, Newtown St Boswells

**What are the main benefits for members of the co-op?** The co-operative is locally-owned, with its board made up of farmers, enabling it to understand, and be responsive to, local needs. This all helps to provide a great service for members.

In 2009, 91% of members responding to a survey agreed that they were "proud to be a member of Tarff Valley" and 90% said they could "always rely on Tarff to deliver a high quality service."

**What does co-operation mean to you?** Working together for joint benefit and taking responsibility locally for services we need to succeed.

**TARFF**  
Town & Country



Newtown St Boswells Store Manager, Bill Bathgate, left, with Jim Neil, Tarff Director (centre) and Jim Ritson, Salesman for the Borders.

## PROFILE - HAMISH WALLS

Continuing our series of profiles on SAOS staff and directors, we focus in this issue on SAOS Project Manager, Hamish Walls, who has been with the organisation since September 1998.



### Tell us a bit about your role

My main role is focused on developing collaboration at every level of the food and drink supply chain, from farms, right through to the various businesses that process farm produce. I work with individual farmers, groups of farmers, SAOS members and food and other rural businesses. One thing you can say about my role at SAOS is that although the focus is constant - collaboration - the work that needs to be done is always varied. One day I can be working with a group of bee keepers considering how best to structure their business in order get it started, and on another I can be assisting a well established machinery ring gain feedback from their members. This kind of work points towards the various shades of co-op development work I am involved with. Sometimes I can be assisting a group who has spotted an opportunity and needs help to develop a common purpose and undertake feasibility and planning work. On other occasions, I can be helping an established co-op or other rural business look at their existing activities and think about what changes and improvements they can make.

### How has your past experience helped with the work that you do now?

A huge number of things has helped me with the work I do now going right back to the first job I had, working on a farm. That, alongside my degree in agriculture and then working for SAI, helped me to understand farming systems and farmers' chat. I then worked for a flour milling and cereal ingredients business which gave me an appreciation of how food supply chains work.

At SAOS, I have worked with people and businesses in a variety of sectors, red meat, fresh produce, potatoes etc, and all this has given me a great insight into the kinds of disciplines and procedures necessary to add value all the way along the supply chain. Two years ago, I completed a Professional Diploma in Marketing with the Chartered Institute of Marketing. This was a really fascinating course and it has helped me bring a real marketing focus to my work. Another great aspect of this job is that you never stop learning.

### What is the most enjoyable part of your job?

Unquestionably, the most enjoyable part of the job for me is getting out to meet people, developing an understanding of the issues they have with their businesses and providing them with solutions or new ways to overcome any problems that they have. The other bit that I love is working in the fantastic Scottish countryside with all its amazing characters. It is great to continually be developing a better understanding of how Scottish farmers grow or raise the basic raw materials for processing which are used to produce some of the great tasting food and drink we all know and enjoy.

### If you could change one thing about Scotland's agricultural industry, what would it be?

I think sustainability is going to be a massive issue going forward. However, I hesitate to say that our industry should change to become more sustainable because so many businesses are already doing a whole variety of things in a more sustainable way. Practices like precision farming, livestock health schemes, using the best genetics - these are all ways of improving efficiency. That all helps improve the sustainability of Scottish farming, and co-ops are at the forefront of helping members access the new technologies to bring about improvements. So if I was to suggest any changes I would just encourage the co-op sector to renew their efforts to help farmers bring about change more rapidly.

### What would you be doing if you didn't work for SAOS?

I have always loved living and working around the countryside. So if I wasn't working for SAOS, I would be doing another job with strong links to the rural sector.

### How do you like to spend your free time?

There are lots of things I like to do with my free time, but work and children seem to get in the way. A particular favourite is watching rugby at my local club, Melrose. I live a 20 minute walk from the club so often Imogen, Felicity and I go down to watch a game. Once there, the girls play with their friends, I enjoy the rugby, and then afterwards we all visit the clubhouse for crisps and juice, beer and banter. Back home Pip gets some time to herself and everyone is happy.

### What's your ideal holiday?

My ideal holiday is anywhere I can get some fresh air to do some walking. Beside the sea or in the countryside, it's great to feel the weather on your face. After that, some peace to read a book is ideal.