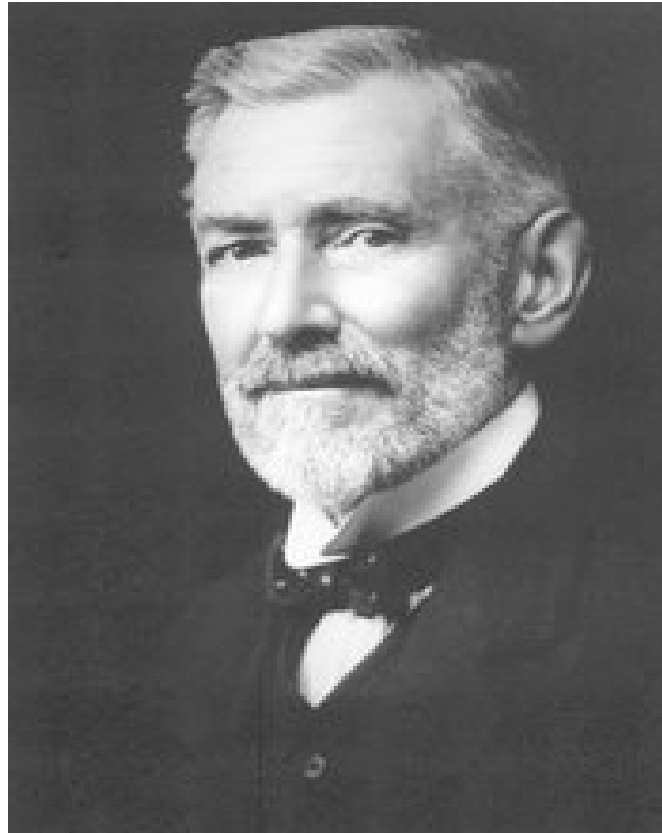


Growing Market Opportunities through Agricultural Co-operation

**Quintin Fox
Canadian Co-operative Association**





**Sir Horace Curzon Plunkett
(1854-1932)**



Agricultural Co-operatives in the UK

” Marketing

Concerned with marketing member's produce

” Requisite / Supplies

Concerned with supplying agricultural products and services

” Service

Provide services to support a farmer's business such as sharing machinery or labour

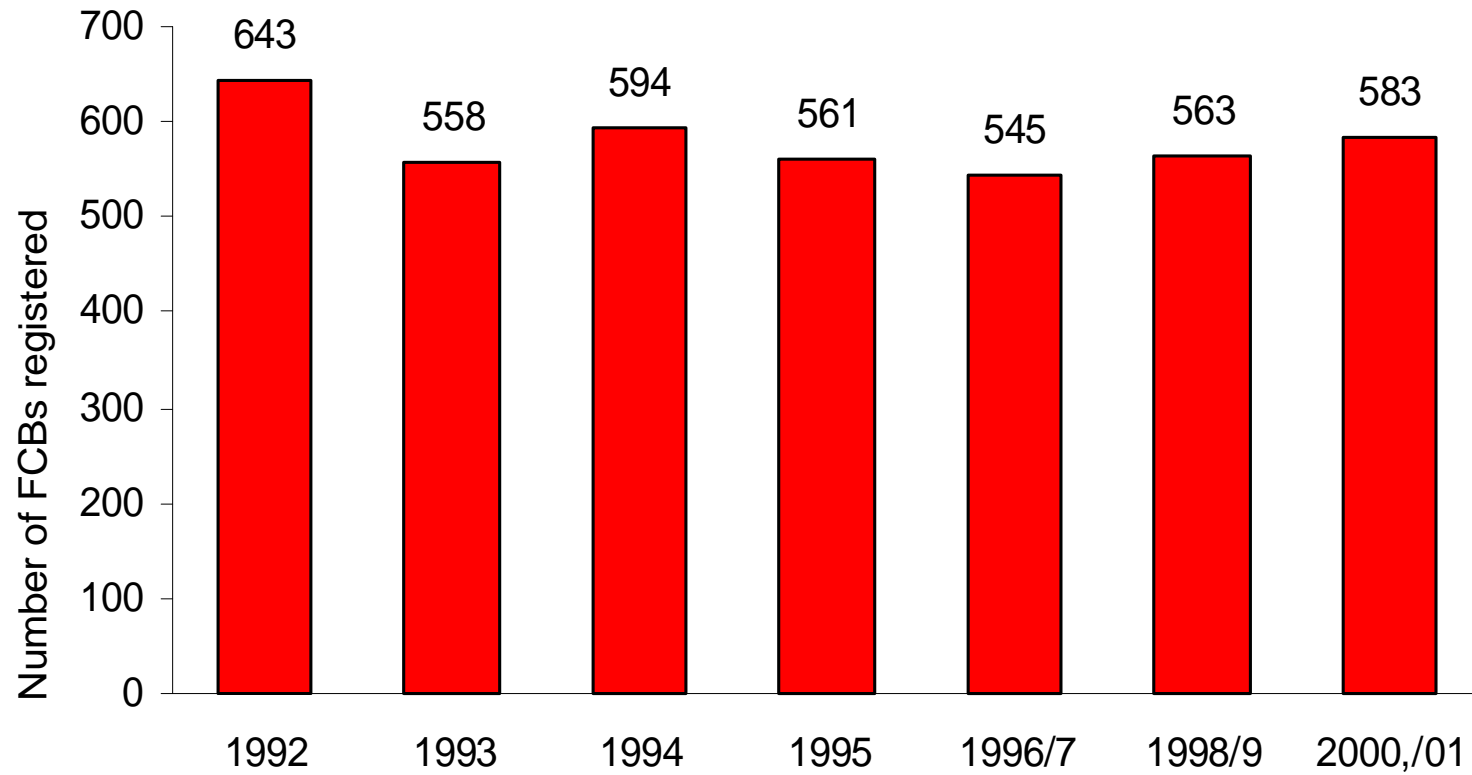


UK Farmer Controlled Businesses Estimated turnover by product

Marketing	£M	
Arable output	831.66	
Fruit & Veg	572.45	
Livestock products	2882.21	
Livestock	602.27	
Others	239.43	
		5128.12
Services		
Technical	10.16	
Machinery rings	26.16	
Others	193.26	
		229.58
Farm Supplies		
Arable & machinery	475.83	
Seeds	53.32	
Feeds	408.84	
Others	353.30	
		1291.29
		<u>6648.99</u>
	Overall Total	



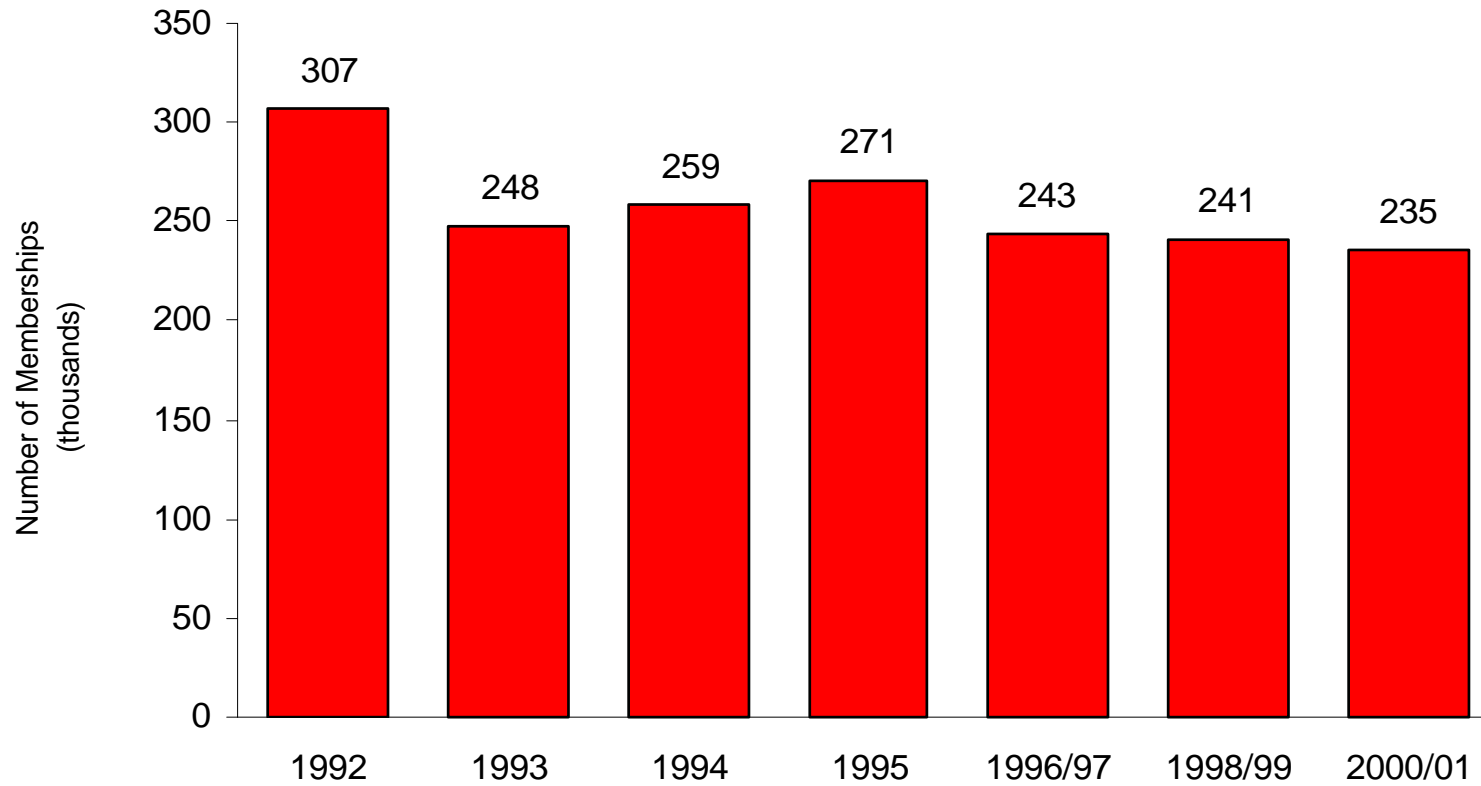
Farmer-Controlled Businesses Registered in the UK 1992-2000/01



Source: Plunkett Foundation



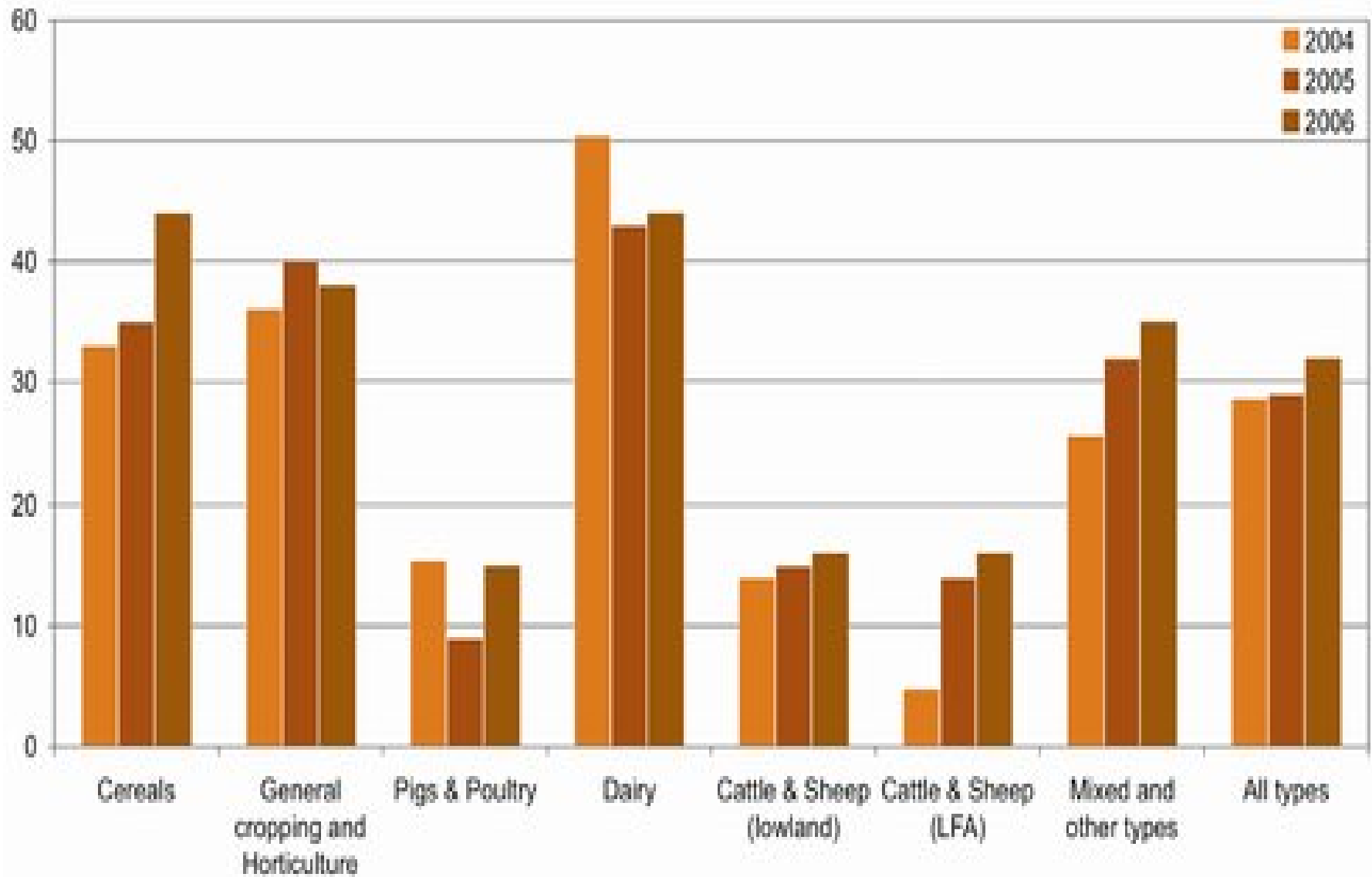
Number of Memberships Held in FCBs 1992-2000/01



Source: Plunkett Foundation



Figure 1: Proportion of farmers collaborating by farm type (UK)



Source: English Farming and Food Partnerships

Producer Co-operation

Food and farming play a key role in creating our culture, landscape and health. We can have a system that best serves the interests of a centralised industry or as **directors of food and farming systems** we can place first the interests of communities, local economies, the environment and health.



Benefits of Co-operation

- “ Reduced input costs/higher output prices
- “ Economies of scale
- “ Improved production methods
- “ Better utilisation of resources
- “ Improved consistency, quality and continuity of supply
- “ New product development and branding opportunities
- “ Access to new markets
- “ Greater competitive strength
- “ Ability to spread risk
- “ Access to professional management and technical advice



Barriers to Co-operation

The apparent unwillingness of farmers and rural business people to form co-operative ventures in the UK has been bemoaned for decades, with many reasons cited for this, including the following:

- “ The relatively large farm sizes in the UK in relation to other EU members states. It is argued that the larger the farm business, the less the likelihood of the owner to perceive the benefits of achieving scale efficiencies through co-operation.
- “ Higher levels of government support which have been provided by other countries to support and stimulate the growth of agricultural co-operatives. Unlike most of its European counterparts, England had no government-financed national co-operative support organisation since Food from Britain closed its Agricultural Development Division in 1993 until the establishment of English Farming and Food Partnerships in 2003.
- “ Political associations of the co-operative movement in the UK which are often not shared by farmers.

Development and Replication of Franchise Models of Agricultural Marketing Co-operatives

- “ Project managed by Plunkett and implemented in association with Co-operatives UK. Project funded by Co-operative Action and Defra (ADS).
- “ Growth market characteristics
 - . market growth potential
 - . local or regional focus
 - . fragmented structure
 - . manageable barriers to entry



Agricultural Co-ops in the UK – Waves of Replication

- “ Agricultural requisite co-operatives were formed by farmers around the turn of the last century in response to the abuse of market position by private suppliers.
- “ Marketing groups were formed in large numbers between 1970 and 1990 to supply an increasingly-concentrated retail sector with produce in large volumes to defined quality standards.
- “ New farmer-buyer groups have emerged since the 1980s to challenge the traditional co-operative requisite supply groups as a result of their tendency to lose their bonds with their farmer members.
- “ A new wave of machinery rings has been established during the past ten years, using developments in ICT to utilise spare capacity of individually-owned specialist equipment. Many of these groups are transforming themselves into broader contracting and labour supply groups.

The Franchise Models Project

The purpose of the project was to work with five new start-up or fledgling co-operatives, helping them to develop into successful organisations, and then to use this experience to build a generic models of a co-operative in each market sector. The expertise of Plunkett and Co-operatives^{UK} was used to:

- “ identify the key success factors for farmer marketing groups
- “ help establish the businesses with appropriate legal and organisational structures
- “ build a detailed, generic model of an enterprise within the given sector

The franchise models are based on our experiences of working with farmer market groups in each sector, but they are NOT exact replicas of the groups studied. What the franchise models do is to assess the external factors impacting on the business (market and industry structure) and then model a co-operative business that represents best practice in these given circumstances.

How the research was carried out

- “ Literature review
- “ Assessment Criteria for potential market sectors and potential co-operatives
- “ Action research . work with 5 producer groups
- “ Draw up Key Success Factors for the organisation

Franchise Models of Agricultural Co-operatives

- “ Producer-owned farmers markets
- “ Energy crop marketing co-operatives
- “ Local food distribution hubs
- “ Organic food marketing groups
- “ Woodland products
- “ Labour pools

Model Summary : Producer Co-operative with wholly owned marketing subsidiary

The Product or Service	Fruit and vegetables, mainly of local provenance
The Market	Public procurement and retail food outlets, plus a range of SME food businesses, including secondary processors, caterers, independent shops and restaurants
The Opportunity	To offer a wider range of locally-grown primary produce, supplemented by selected imports, delivered direct to local business or public sector customers
The Co-operative Advantage	Producers can gain economies of scale by working together; specific customer requirements (e.g. for public procurement) can more easily be met; market development is facilitated by offering a wider range of produce; and a co-operative offers strategic partners with production planning
Legal Structure	Industrial and Provident Society with a subsidiary trading company established as a private limited company
Size of Farmer Marketing Group	At least 10 producers to ensure a consistent and varied supply

Industrial and Provident Society . a type of legal form of co-operative

Key Success Factors - Market

- “ **Emerging**
- “ **Fragmented**
- “ **Co-operative Friendly**
- “ **Replicable**



Key Success Factors – the 5 C's

- “ Clear Vision
- “ Commitment
- “ Core Funding
- “ Competent Leadership
- “ Communication



Further information

“ www.plunkettfranchisemodels.org.uk ”

“ www.coopscanada.coop ”

“ www.coopzone.coop ”

“ www.coopzone.coop/en/ag-cdi ”

“ www.effp.com ”

“ www.saos.co.uk ”

