At the End of the Eighties?

The Journal has, of course, a substantial address to consumer Co-operation but, particularly in recent years, it has extended its range to other sectors - with Special Features, for example, on agricultural Co-operatives, credit unions, housing Co-operatives, workers' Co-operatives and "Co-operation between Co-operatives". We are now extending this inter-sectoral interest with a feature from time to time presenting short reports from each sector in the U.K. of issues and developments which should be of interest to the others. Here is the first set of these reports, drawn up about the end of 1989 - and a grateful welcome to all the contributors. And we look forward to the renewal of their company in reports to come.

Agricultural Co-operatives

by Edgar Parnell

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This report has been prepared by the Plunkett Foundation, which is an independent Trust providing services to Co-operatives, both in Britain and in many other countries. The Foundation works closely with the agricultural Co-operatives in the United Kingdom, and provides statistical and information services; it also provides a base for the Agricultural Co-operative Training Council.

Total sales turnover of agricultural Co-operatives increased last year by £95 million to £2.8 billion with net profits increasing by £7 million or 17%. Reserves rose by £13 million with share capital slightly down, but loans from farmer-members increased by 4.4%.

Six hundred and forty-three Co-operatives were included in Plunkett statistics for 1987-1988. Despite the apparent rationalisation and consolidation of the larger societies this indicates a growth of seven over the previous year and almost 250 since 1973. These growth figures largely represent the formation of new marketing groups. In recent years the largest increases have been in the establishment of groups for grain, vegetable, fruit, and pea and bean marketing. It is unlikely that many more marketing groups will continue to be formed through the 1990s.

The Retailer, the Supplier - and the Farmer

Over 80% of all food retailing in Britain is now handled by multiple supermarket chains, with the four largest accounting for nearly 60%. This is set to concentrate further in the next few years as the largest three embark on rapid expansion programmes. At the other end of the food supply chain, it is estimated that the number of agricultural supply companies operating in the U.K. has halved in the past five years, and will continue to decline, with the small and medium sized companies coming under the greatest threat. The industry is increasingly dominated by multi-national or pan-European businesses gearing up for the advent of the internal market in 1992.

In the midst of this corporate concentration, driven by the need to provide satisfactory returns on capital, lies the farmer, striving to maintain family income.

In the past ten years real incomes for U.K. farmers have fallen by 25% before taking into account labour, interest and rates, and over 50% after doing so. Incomes are being supplemented, however, by non-agriculture activities of many sorts, such as property development, tourism or alternative business ventures. Fewer and fewer farmers are now dependent solely upon agricultural production for generating income. This development will increasingly influence member needs and indirectly lead to the need for a re-evaluation of Co-operative objectives of many established groups in the future.

Challenge to Co-operatives – and Response

New or amended U.K. or European legislation towards restrictive trade practices may indirectly threaten the structure of marketing boards or the extent to which Co-operatives can co-operate with other Co-operatives or businesses. Alternatively, however, pressures to reduce direct subsidies to farmers following GATT trade talks or by amending the Common Agricultural Policy, could provide real opportunities for Co-operatives to support and contribute to the development of the rural sector by assisting in establishing the financial stability of individual member businesses.

U.K. agricultural Co-operatives have in recent years undergone considerable restructuring. This is particularly apparent for supply groups preparing for a common European market in 1993 and diversifying in response to changes in the market environment. Core products such as feed, fertilisers, animal health products or agrochemicals have peaked in sales. The number of farmers in the United Kingdom is falling at the rate of 10,000 per annum. Demand is often static or declining, and, as we have noted above, farmer incomes are increasingly being supported by business activities outside agriculture. The average farm size, already well above the European average, is increasing, and more and more farms are no longer owned by the farmer. How have Co-operatives responded to these changes?

Product diversification away from core product areas and from solely member trade is noticeable amongst larger groups. Alternatives have been sought to access capital for growth from investors from outside farming in attempts to finance this growth. Profit centres have been developed to ensure future financial stability. Many larger groups are merging to concentrate resources and consolidate their positions. Ambitious schemes for federal structures of agricultural Co-operatives across European boundaries are being considered.

Growth in Retailing

A recent report completed by the Agricultural Co-operative Training Council (ACTC) highlighted the strong growth in retailing particularly amongst multipurpose societies. ACTC estimate that 40 agricultural Co-operatives manage almost 250 retail outlets. 75% of these were developed between 1973-1988. Indeed retailing activities employ almost 13% of staff in the sector compared to 6% ten years ago. The study indicates that the proportion of member trade through retail outlets varies from less than 15% to 100% with a broad average at around 60%.

Consumer Co-operatives

by Iain Williamson

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"I have always said that there is room for only three majors in the industry. The next five years will knock two out of this game." The words are Tesco Chairman Ian MacLaurin's; the industry he refers to is food retailing; and the forecast he has made is already showing every sign of coming out right.

So where does that leave the consumer Co-operative movement - for all its diversity, still essentially a food retailer in "core" business terms - as it dusts itself down from one of the most turbulent decades in its history? Still clinging doggedly on to the number three food retail slot, just behind Sainsbury and Tesco, is the short answer. For the longer answer bear with me for a few more paragraphs.

Let's begin by putting on our rose-tinted spectacles as we go back to those dear dead days of yore, just 10 years ago, when life was rather different. (Yes, younger readers please note, there was life before yuppies and Filofaxes, niche retailing and Next.) Maggie, you may remember, was fresh into Number 10 and wielding her axe through the so-called deadwood of British industry - ie. most of it. We had a balance of payments surplus. We had lovely old fashioned things called rates and civil liberties. And we had the Co-op with a food market share way ahead of upstarts like Tesco and Sainsbury - not to mention all the other tiddlers with funny names like Asda and Argyll, Dee and Kwik Save.

The Position in 1980 –

If you take off the rose-tinted spectacles at this point, however, you will realise that in 1980 the Movement's position was not as pretty as it first appears. Our metropolitan societies (and many others in the more traditional Co-op heartlands) were running into multi-million pound losses; most of our shops still belonged to an out-dated structure, and looked like something on the corner of "Coronation Street"; many of our most loyal customers were just about to lose their jobs in the first extravagant excesses of Thatcherism; cash dividend was translating rapidly into little blue stamps; and society membership lists might just as well have been recycled and used in the primitive conveniences a few stores provided. It all seems so long ago ...

Ten years on, Tesco and Sainsbury are the giants of the flashy retail parks, having gobbled up a fair slice of Co-op market share on their way up. Perhaps the amazing thing is that our Movement as a whole has survived at all. That we did survive - and have actually moved into the new decade in a far fitter state than we entered the last - is almost certainly the result of a prolonged dose of ruthless management, regionalisation and retrenchment, the three R's of Co-op business and our painful equivalent of blood, sweat and tears.

– And Now for the 90's

The three R's were a drastic process but were desperately overdue. Leaner and fitter is a dreadful cliché but that's what the Co-op is today, with the number of retail societies down to 80 (206 in 1980), retail outlets reduced from 9,000 to 4,750, and employees from 115,000 to 82,000. There is a respectable (though not startling) bottom line. Societies are taking an active interest in membership again. Dividend is coming back thanks to a combination of profitability, marketing skills and plastic card technology. New retail opportunities such as travel and the motor trade are being tackled aggressively.

In the post-Perrier, high interest rate, green consuming nineties there are already signs that a couple of the big players are faltering in Ian MacLaurin's ballpark. Asda is vulnerable to a takeover, and there are huge question marks over the Gateway future. Away from the food sector many well respected names are struggling, while the upstart niche retailers have already lost their glitz and glamour, not to mention their socks and knickers.

Right now the retail Co-operative Movement is just about holding on to the considerable total retail market share of 4.4 per cent which it still possesses. It's going to be a tough and bloody game in the 1990's and it won't be very sporting. If you want to know the final score keep reading this space...

Credit Unions

by Peter Bussey

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The credit union idea today is really firing the public's imagination. In the last 3 years the number of credit unions which are members of the Association of British Credit Unions Limited (A.B.C.U.L.) has expanded from 70 to over 140. This growth has occurred not only in the traditional strongholds of Scotland, the North West, the East Midlands, and the South East, but also in new areas like South Wales, the North East, the Scottish Highlands and the South West.

A.B.C.U.L. has spearheaded this growth. It is the national membership and service organisation for credit unions in England, Scotland and Wales. It is also the representative and democratic body for credit unions and is itself a secondary service Co-operative. This growth has occurred without new resources for the national association, but increasingly local authorities and charitable trusts are making local resources available through the appointment of local credit union development workers.

In 1987 the association moved its office from Lancashire to London which helped greatly to improve relations with the Registry of Friendly Societies, and has given credit unions generally a higher profile.

Aim and Operation

A credit union is a financial Co-operative serving a clearly defined group of people who share a "common bond" of association. Members make regular savings and gain access to loans at well below market rates. Initially the credit union is run by the members as volunteers, but as it gets bigger it will employ staff to run it, yet control still remains with the members and their elected officers.

The actual mode of operation of all credit unions is fairly standard, with all of them registering with similar model rules provided by the Association, all using well-tried bookkeeping systems, and most of them using ABCUL-issued operating stationery. The basic savings and loans services are likewise similar. This standardisation offers great advantages in enabling others to give assistance to credit unions and in enabling ABCUL to operate a system of monitoring on a monthly basis.

However, that is where the similarities end. The application of the credit union idea is infinitely flexible making every credit union unique. They are to be found in low income estates, among local authority workers, in religious groups of a variety of denominations, in trade unions and police federations, a university, and among company employees. Clearly as credit unions develop and are better known they will be creating an exciting new alliance of diverse groups as new Co-operators.

Recent Raising of Operating Limits –

There are two recent significant developments which are particularly worthy of mention. The first is that on 1st February 1990 a Statutory Instrument took effect which raised some of the operating limits on credit unions which had remained unchanged since the Credit Union Act was passed in 1979. Now members may save up to £5000 and, subject to certain constraints, they can borrow up to £5000 in addition to their shareholding. The previous limits were £2000 in both cases.

It may be difficult for people unfamiliar with credit unions to appreciate the excitement and sense of achievement within parts of the movement at securing these changes. In the first place the old limits were holding back growth in some credit unions and created a low expectation among some people as to the benefits which membership of a credit union could bring to them. Key purchases like a new car or a home improvement were virtually ruled out. In the second place these changes reflect the improved relations with the Registry of Friendly Societies who accept that the infant movement has reached a certain stage of maturity and that ABCUL is coming of age as the self-regulating national organisation for the movement. We are anticipating a surge of interest from groups wanting to form new credit unions resulting from this.

– And a Central Depositing Facility

The second recent significant development is that agreement has been reached with the Unity Trust bank to begin to offer credit unions a central depositing facility. At present the movement has nearly £1m of its £10m assets held in deposit accounts in a variety of commercial banks and building societies. The purpose of the central deposit facility is to make these funds work for the movement. Any credit union with surplus cash will quickly be able to transfer money into the "Central" where it will attract a higher rate of return than from the local bank.

What creates this benefit is the fact that the surplus funds of all the credit unions, when treated as a single investment, can attract much higher returns than if each one were invested separately; and the funds are not tied up for any period to avoid penalties. It is expected that in time, and with some legislative amendments, this will be the foundation for a range of investment and borrowing opportunities for credit unions. Instituting such a system for improved credit union asset management is yet another sign of the movement's coming of age.

Housing Co-operatives

by Keith Preston

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The integration of the housing Co-operative movement into the wider Co-operative movement has not been as marked in this country as in many other parts of the world. It therefore seems quite possible that some Co-operators have not come across many housing Co-ops and know even less about the Housing Corporation and its involvement with housing Co-ops. This first report, therefore, to which is appended definitions of terms we often use, is intended to explain something of the developing role of the Corporation vis a vis Co-ops and tenant participation and provide a background context for the recent developments and issues affecting housing Co-ops. A future report will look at these recent issues in more detail.

The Housing Corporation is a government Quango, established 25 years ago to supervise the activities of housing associations and other organisations operating in what is now called the social housing sector. With the introduction of public funding into the development of housing association property through Housing Association Grant (HAG) in 1974, the Corporation's supervisory role became more critical. Its main responsibilities were the administration and allocation of HAG, the registration of associations that