

Reports from the Co-operative Sectors

This feature presents from time to time short reports from each Co-operative sector in the U.K. of issues and developments which should be of interest to the others and also a report from the United Kingdom Co-operative Council. It has appeared in Journals 68, 70 and 73.

1. Agricultural Co-operatives

by Edgar Parnell

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The following table provides a useful background to this report from the area of agricultural Co-operation.

Farmer Controlled Businesses in the U.K. 1992

	Notes	Number of Businesses	Turnover £ Million
Agricultural Co-operatives	(1)	560	2,606
Other Farmer Controlled Businesses	(2)	8	430
<i>Subtotal All FCBs</i>	(3)	568	3,036
Milk Marketing Boards		5	4,275
Other Marketing Boards		3	1,259
NFU Mutual Insurance Society		1	551

Notes:

(1) There were in addition 75 agricultural Co-operatives registered but not trading.

(2) This includes businesses which are not registered as Co-operatives but are farmer controlled.

(3) The top 100 farmer controlled businesses account for an annual turnover to the value of £2,464 million, or 81% of the total.

Replacing the Milk Boards?

One of the dominant issues in U.K. agriculture today is the changed arrangements for the marketing of milk which will follow the repeal of the 1947 Agricultural Marketing Act. Although there are also implications for potato growers and wool growers arising from new legislation, it is in the dairy business that the changed situation will have the greatest impact.

Presently agricultural Co-operatives and other farmer controlled businesses, account for an annual turnover of just over £3 billion. The five Milk Boards, which are statutory bodies, handle business in excess of £4 billion per annum, so if this trade is in future handled by voluntary farmers' Co-operatives, then the Co-operative sector becomes very much more significant. The Boards themselves have to come up with proposals for arrangements to replace their current statutory role.

The most important business is currently conducted by the Milk Marketing Board for England and Wales; this currently has an annual turnover of £3,600 million. The proposals now being considered to replace the Board would mean that a new Co-operative "Milk Marke Ltd." would become a single Co-operative collecting milk from farmers and marketing it on their behalf. Milk processing, which accounts for 23% of UK milk processing, is now undertaken by an MMB subsidiary, "Dairy Crest". It is proposed that this will become a plc and shares be distributed to milk producers. Ultimately, shares in Dairy Crest plc would be traded on the Stock Exchange.

It is most interesting to compare the arrangements for marketing milk in the UK with those prevailing in other EC member states. For the most part agricultural Co-operatives dominate the market and are fully integrated marketing, processing and manufacturing enterprises, which appear to serve the consumer well. The Dairy Trade Federation within the UK, which includes representatives of retail Co-operatives, has opposed the development of integrated farmer-controlled milk Co-operatives in the UK. It is somewhat strange to witness the retail Co-operatives being allied with the large food companies in opposing the emergence of milk producer Co-operatives which would be able to compete in the international market place.

Interests of Retail Co-operatives

Meanwhile, many retail Co-operatives are disposing of their interests in milk processing and doorstep deliveries. Several large scale operations have been purchased by companies which are wholly or partly owned by farmers' Co-operatives from other EC countries. Plans for CWS to sell its milk interests in Scotland to the proposed new farmers Co-operative were thwarted by a ruling of the Office of Fair Trading.

Milk processing organisations are seeking to secure supplies direct from the farmers who are close to their milk processing plants. In the case of Northern Foods plc they are helping to set up a Co-operative to rival Milk Marque.

The way in which the potato crisp manufacturers, many of which are ultimately owned by the giant Pepsi-Cola company, have used their power in the market place to push down prices to farmers this year provides an object lesson to farmers on the need for them to co-operate in order to secure their future. It remains to be seen whether or not they will support the new voluntary Co-operatives which are to replace the Boards, or if they will be tempted away by the prospects of some immediate price benefit offered by alternative organisations.

Other Developments in Farmers' Co-operatives

The recent floating/devaluation of the pound has helped to boost farm incomes, which had hitherto been in decline. This is mainly due to pushing up prices for grain and other crops in export markets. However, the higher cost of imported ingredients of animal foodstuffs is now coming back into the cost structure for milk and meat producers. Farm income trends, of course, soon affect the future of farm supply Co-operatives, which had already been affected by the introduction of the "set-aside" scheme, which aims to take some 15% of agricultural land out of production.

There have been more mergers between supply Co-operatives and the top 23 now account for almost 90% of all business in this respect. The top 100 Co-operatives, including both supply and marketing business, out of a total of 568 businesses, now account for 81% of all turnover.

In the farm supply business, of all types, there are now less than 200 businesses including Co-operatives, compared with some 1,200 businesses which existed only ten years earlier. On the marketing side there are still many small Co-operatives, but here, too, we should expect there to be fewer, but larger, Co-operatives in the future. The MAFF Group Grant Marketing Scheme is being revised and this can be expected to encourage the trend towards even greater concentration. This grant scheme provides assistance to groups of farmers, not exclusively Co-operatives, to improve their organisations in the field of marketing. Help is available for business development, including training for directors and managers and also towards appointing non-member/non-executive directors.

A review is currently underway of *Food from Britain*, the QUANGO, which currently has the task of promoting and supporting farmers' Co-operatives. It is widely predicted that this function will be allocated to a new body, which

will have the task of developing agricultural Co-operatives in England and Wales. This proposition would appear to have the support of the National Farmers Union (NFU), which is showing an increasing interest in the development of Co-operatives. It now seems to be widely accepted that the farmer will in future need to rely increasingly upon the market for his income, rather than as at present, upon EC Common Agricultural Policy (CAP) schemes of price support.

The number of memberships held by farmers in agricultural Co-operatives is growing, despite the fact that the total number of farmers in the UK continues to decline year by year. The future should provide an increasing role for Co-operatives, which could soon see them becoming the largest Co-operative sector in the UK, in terms of the value of their annual turnover.

2. Consumer Co-operatives

by **Iain Williamson**

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Where do you begin? And how do you compress into a few hundred words a period of tumultuous events within the consumer sector which have brought to the fore so many fundamental issues needing urgent attention?

Skullduggery and shenanigans (how come such delicious-sounding words have such unsavoury definitions - is it the same perverse law that gives the devil all the best tunes?) occur only rarely within the movement, which makes it all the more important that they are taken seriously when they do come to light. Thankfully, some crumbs of comfort do emerge from the painful revelations in the media, and the faxed copies thereof, which have doubtless penetrated the farthest reaches of the Co-operative world during recent months.

The best definition of "news" I ever came across was "something someone else doesn't want you to publish", and so it was in this case. Whistle-blowers and leaky organisations may be the very essence of investigative reporting, but they do nothing for the maintenance of the status quo and the cosy and conservative (small "c") relationships which may sometimes exist between Co-op boards and their managements.

Sometimes “good to bring bad news”?

The first small piece of comfort to emerge is that, for once in this Movement of ours, there has been little inclination to take the easiest option and blame the messengers. Indeed, the response from your average Co-operator on the Metrolink tram has been “Thank goodness it’s all coming out in the press”, for *they* knew (as so many others were already painfully aware) that the Co-op grapevine had been abuzz with rumours weeks before the first “Co-op rocked by scandal” headline appeared.

It was a coincidence, but an appropriate one, that the John Birt scandal at the BBC began to unfold round about the same time as our own. Just as the Birt affair had much more to do with Reithian values, hypocrisy and ethics in high places than the rather squalid details of one man’s tax avoidance scheme, so it is with the Co-op’s little local difficulty (little, that is, compared with the goings-on we read about so regularly in the City pages). Dig more deeply and you soon come to the essential flaws in the Co-op system which so urgently need to be remedied - and that is where we come to another crumb of comfort, because there is a chance now that the movement will take the necessary action before it really is too late.

The Necessary Response

The *Co-operative News*, in a thoughtful leader, went to the heart of the matter when it wondered how on earth we can ensure that, in the future, the affairs of large societies are conducted in such a way that the honesty, openness and integrity expected by Co-operators are combined with the business flair and entrepreneurial skills essential to survive in a tough market environment.

The *News* went on to welcome steps taken by the Co-operative Union - not always noted for its fleetness of foot. The Union has moved swiftly to address the whole issue of corporate governance by setting up a working party which will deliver to the movement by not later than Congress next year a code of conduct every member society will be expected to follow. The working party will address a number of issues and can hardly avoid the most basic of all, which is the reconciliation of democratic ideals and a broad (even, dare I say it, active) membership base with running a multi-billion pound business. And how do you achieve *that* in so many societies where, arguably, too much power has been held for too long by too few paid officials, many of whom may be in danger of forgetting that they are the servants and not the masters of the Co-operative inheritance?

For years, a few of the most powerful and (as we now see, such are the benefits of hindsight) dishonourable of those officials have done their utmost to marginalise the Co-operative Union, which by its very nature has no power

and can therefore function only by exerting a moral influence. Others, honourable men and women no doubt, may continue to try to do so, arguing (not unreasonably) that they have little time for other issues while they have shops to run.

Role of the Co-operative Union

Nevertheless it behoves the Union to move back into centre stage and remain there, making as much of a nuisance as is necessary until steps are taken to put right our democratic processes and until the control of the movement is returned to those to whom it belongs. The Union owes that much, at least, to the memory of the Pioneers, the 150th anniversary of whom will be celebrated next year. And while the Union is at it, it may as well lose as many friends as is necessary in carrying out some of the movement's other long-overdue tasks, such as banging together as many heads as needs be to create a sensible structure for our retailing operations; evaluating the many membership schemes which now exist and coming up with a definitive model which all societies can adopt; and, above all else, seeking out that holiest of holy grails - a genuine reason for the consumer Co-operative movement to exist in the late twentieth century and to progress into the next.

It's a tall order but not an impossible one. Readers will scarcely need telling that these events are set against a backcloth of economic recession which is proving painful to many (though by no means all) retail societies, as doubtless will be reported in articles in this *Journal* analysing 1992 performance. It may be useful, therefore, to end this brief summary of events on an upbeat note with a reminder that the almost-impossible *can* be achieved when business skills and marketing bravado are combined with the Co-operative ethos.

A Good Balance at the Bank

Not so long ago the Co-operative Bank, rather like some of the consumer sector's retail societies, was floundering around in the marketplace, doing quite well at this and that but excelling at nothing in particular, while gradually losing its competitive edge to the burgeoning scale of the competition. All that appears to have changed since the introduction of the Bank's policy for the "caring" nineties of including ethical considerations in all its business and commercial decisions.

It was a bold strategy and it carries high risks, since critics will inevitably find the occasional inconsistencies and apparent contradictions in such a high profile marketing initiative. Nevertheless, at a time when the bigger banks have become everybody's favourite whipping boys, the Co-operative Bank's aim for a distinctive and lucrative niche appears to be right on target, with a customer base expanding rapidly to take in a disproportionate number of those

gold-card-carrying, high-income customers that every financial institution covets.

In March this year the Bank was able to announce that it had turned last year's losses of £6 million into a pre-tax surplus of almost £10 million. Ethics may not count for much in the business world today, but if one section of the Co-operative movement can put them to good and profitable effect, then this strategy may provide a pointer for the rest of the Co-op - once, that is, we have all fully understood the meaning of the word!

3. Worker Co-operatives

by Neil Skinner

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For the Industrial Common Ownership Movement (ICOM), the UK federation of worker Co-operatives and democratic employee controlled enterprises, 1992 has seen a steady rise in the total number of members. Most of this increase has come from new registrations, but a significant number of existing organisations (Co-ops and others) have joined or re-joined after allowing their membership to lapse.

A worrying factor has been the drop in the number of promotional bodies. This has been brought about by some local authorities either closing Co-operative Development Agencies (CDAs) completely or moving the CDA function in-house (usually as part of an Economic Development Unit).

Throughout 1992 ICOM has lobbied hard in support of specific CDAs which have been threatened with closure or reduction in funding. It will continue to do this, seeing it as an essential part of its representational role.

Continuing the trend reported last year, the relative proportions of the various membership categories have moved away from worker Co-ops in favour of associate members. At present worker Co-operatives make up 38% of the membership.

The membership department continues to deal with an enormous number of

enquiries, both from the UK and from abroad. They range from academics requesting statistical information to people wanting basic information on Co-ops and the Co-operative movement.

Legal Office Services

ICOM registered 110 worker Co-operatives in 1992, a reduction of 37 from the 1991 total. However, demand from other sectors of the social economy for ICOM's company and industrial & provident society design services continues to increase.

The legal office provides a telephone helpline to members, contributes to consultation exercises and submissions to government departments and others, and provides ICOM's representatives to the UK Co-operative Council.

ESF Training Programme

ICOM is the sector co-ordinator to the Co-operative and community economic development sector for the European Social Fund and as such represents the sector on the national and regional policy making committees on the Structural Funds. In 1992 the sector gained over £4m from the ESF.

The training carried out by the sector is chiefly in business skills for the creation of Co-operative or community businesses, and vocational training with a specific skill element to enable the beneficiary to enter an existing Co-operative or other small and medium sized enterprise. One success of the programme can be measured in its 1991 out-turns: over 60% of the ESF beneficiaries went into jobs or further training.

It should be noted that there has been a very considerable growth in 1992 in training for people in the sector with disabilities and for Co-ops which have people with disabilities as employees or members.

Conferences and Seminars

One of the strengths of the worker Co-operative movement lies in the ability to share information and skills and thus it is one of ICOM's key roles to facilitate that interchange of ideas, experience and expertise. To this end it has organised a series of conferences and seminars throughout 1992.

ICOM ESF Conference. Applicant organisations to the European Social Fund through ICOM met to share experiences on training and European issues.

Promotional Bodies Conference. Seventy workers from Co-operative support organisations attended this conference.

Women's Link Up - Women in Business Management. One hundred and thirty women from both Co-operatives and Co-operative support organisations attended the women's link-up conference at the International Co-operative College at Stanford Hall.

Co-opability - Co-operatives for and with people with special needs. ICOM, together with a number of CDAs and worker Co-operatives, organised a conference to examine the Co-operative option for people with disabilities. 150 people attended. A booklet of case studies *Getting Started* has been produced as a result of the event.

AGM & Annual Conference. Over 80 people attended ICOM's 1992 AGM and conference held in Leeds. It was at this meeting that the decision was taken to broaden ICOM's remit beyond worker Co-operatives to include democratic employee controlled enterprises of every kind.

Other Seminars. Seminars were also held on the following: the various practical aspects of running ESF funded training schemes; Training and Enterprise Councils; legal structures and the duties of a company secretary; and small-scale conversions of existing firms into Co-operatives.

ICOM also contributed speakers to European events held in Utrecht, Dessau, Glasgow, Lisbon and Valencia, and received visits from Co-operators from India and Germany.

Special Projects

In April 1992 the Small Firms Unit of the Employment Department (now moved to the Department of Trade and Industry) awarded ICOM up to £70,000 to fund two projects. This money came from that allocated by the Government to Co-operative development following the closure of the national CDA.

The first project, entitled "Corporate Marketing" is working with 4 Co-ops who are making the transition from individual to corporate markets. In spring 1993 the results of this project will be published as a training manual.

The second project is carrying out a feasibility study into establishing basic ethical and environmental standards for worker Co-operatives, promoting such standards and monitoring them. It is hoped that this will lead to the development of a marketing tool which will benefit all worker Co-ops.

Strategic Management in the Social Economy (SMSE). 1991 also saw a significant step forward in the programme of strategic management training

being carried out on contract to the small firms directorate of the European Commission, DG XXIII. The course, produced by ICOM in conjunction with three other partners focused on strategy development in participatory businesses, and aimed to make them better able to compete in the single European market.

The training material used during the course has now been edited and published as *Strategic Management in the Social Economy*.

Turnarounds In early 1993, ICOM will be following up the success of SMSE with a further DG XXIII - supported project, called SMT3 - Turnarounds. This will tackle the issue of employee ownership and participation as a response to business crisis, and will follow the SMSE methodology.

Thin Ice Europe In order to compete effectively in the single European market, Co-ops need not only the strategic overview and management skills dealt with in courses such as SMSE, but also the personal contacts and judgement that can only come from meeting potential transnational partners face-to-face. In order to provide a forum to discuss new ideas and approaches for Co-operative development in Europe, ICOM put on *TIE - Thin Ice Europe*, which took place in parallel with ICOM's 1992 AGM. Around 80 people, half from other European countries, gathered to discuss development plans focusing on three key sectors: green products, training and consultancy, and the media. This event was supported by the Social Economy Unit of DG XXIII and FAS, the Irish training agency.

Employee Ownership Conference 1992 was also the year when ICOM, for the first time, hosted the annual general meeting and conference of CECOP, its European confederation. A high profile event was held in the London Docklands in mid-November 1992, with speakers coming from the USA, Italy, Spain and France as well as the UK.

5. United Kingdom Co-operative Council

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The appointment of a new Chairman of the U.K. Co-operative Council (Lord Carter) provides an opportunity to consider the Council's achievements to date and to look ahead to future possible developments.

Early Initiatives

In the first two years of its existence the Council has successfully completed a number of undertakings and has thereby been able to demonstrate its purpose and its usefulness. Perhaps the biggest hurdle to be faced was the task of actually bringing together all the various sectors of the Co-operative economy and securing their commitment to the objectives of the UKCC. Once this had been achieved, all sectors were quick to recognise the value of the organisation and have been firm in their support of it. It has clearly emerged that there are many matters in which most, if not all, sectors have a common interest; and there is now an organisation within which these matters can be discussed with a view to action. Some practical results are already apparent.

European Statute for Co-operatives

For example, in 1991 proposals had already been published for a European statute for Co-operatives upon which it was necessary that British Co-operative views should be formulated. After a conference at which the general issues were discussed, the UKCC set up a working party to examine the proposals in detail. Its Report was unanimously accepted by the members of the UKCC and was submitted to the appropriate E.C. departments, with whom it was subsequently discussed. It was also submitted to the appropriate U.K. government departments. (See Journal 73 and Report of 1992 Conference in Supplement to Journal 76).

At that stage there had been some urgency, and it is difficult to see how an agreed Co-operative response could have been achieved in so short a time without the offices of the UKCC. In the event the Council was able to present views and arguments which not only had the support of UK Co-operatives of all types but which should also produce a fair deal for UK Co-operatives operating in the European single market.

Public Policy on Co-operatives

Another of the early initiatives of the UKCC was the commissioning of a study in depth of the problems and ambitions of the various Co-operative sectors with a view to producing proposals for the successful further development of Co-operative enterprise in the UK. This study was undertaken by the Institute for Public Policy Research and resulted in a definitive report based upon interviews with, and findings from, every sector (see Journal 75). This important document is worthy of study by all those keen to see a future for Co-operative development and it has provided a basis for discussion within the UKCC and for the setting up of future programmes of work.

Co-operative Forum

Many readers of the Journal may recall meetings of the Co-operative Forum

which were set up and sponsored by the CDA towards the end of its existence. Those meetings were well-supported by members of the Society for Co-operative Studies and it was partly as a result of initiatives then taken that the UKCC emerged to take the place of the CDA when that body was wound up. Forum meetings are being continued by the UKCC and are planned to allow wider consideration of major issues confronting Co-operatives. The first such meeting was held in 1992 and the next is planned to be held later this year in Manchester.

Agenda for the Future

The Council is no doubt examining the financial provisions for its future, particularly after the Government's start-up grant, payable over two years' expires. Already, however, the future programme includes two topics of particular importance to all Co-operatives.

Revision of Legislation?

The first involves consideration of the appropriate form and content of U.K. legislation for Co-operatives. Revision of the existing legislation is overdue from the point of view of many Co-operatives as well as, in some respects in the eyes of Government. A firm and informed consensus view among all Co-operatives will provide the best means of influencing the character of new legislation so that it will give adequate support to Co-operatives and advance the prospects of future Co-operative enterprise.

Active Promotion of Co-operatives?

The other main topic now engaging the Council is a study of the ways in which Co-operative forms of business and services may be actively promoted. Action will be based upon research, soon to be undertaken, into the present public perception and knowledge of Co-operative forms of enterprise. The council will not only be seeking ways of improving public awareness of Co-operatives but will try to identify possible new fields in which Co-operative systems would be appropriate and in the best public interest..

In addition to these main topics the Council will continue to give prime consideration to education and training facilities. It will also at its regular meetings continue to keep under review developments and problems of the sectors, in so far as they relate generally to the Co-operative economy.

Increasing Significance and Confidence

The usefulness of the work of the Council to its members, as well as to the Co-operative cause generally, is, I believe, now accepted. I hope it is appropriate to acknowledge here the considerable support which many individuals, as well as all sectors, have given in the establishment of the UKCC. They have

given practical expression to the principle formulated by the ICA Commission (1964-66) which reads

“All Co-operative organisations, in order best to serve the interests of their members and their communities should actively co-operate in every practical way with other Co-operatives at local, national and international levels.”

The UKCC is demonstrating the value of that principle not only in the programmes of work which it is undertaking but also in the feeling of confidence which is generated by the ability of Co-operatives of all kinds, despite their differences, to discuss common problems and agree upon solutions. In particular, those types of Co-operatives which have not hitherto played a prominent role on the larger Co-operative stage (mainly the newer and developing types) can be supported and encouraged through their membership of the UKCC. The UKCC has also been able to recognise and keep in touch with the growing significance and size of the agricultural Co-operatives. That significance may soon be increased if the successors to the Milk Marketing Boards are mainly Co-operative bodies. The Federation of Agricultural Co-operatives has already contributed much to the work and achievements of the UKCC.

Appreciation Due . . .

The new Chairman of the Council has a wealth of agricultural as well as Co-operative experience which is likely to be important in the period ahead. Lord Carter is a farmer by profession and was for many years a member of the Central Council for Agricultural and Horticultural Co-operation. He studied Co-operation as part of a Senior Research Fellowship at Oxford and for 25 years was a director of a major farming Co-operative. In the House of Lords he is Opposition spokesman on agricultural and rural affairs.

His proximity to the centre of political power combined with his commitment to Co-operative enterprise augurs well for the UKCC in its next stage of development.

Mr Peter Walker remains as Executive Director of the UKCC. All those who have seen and admired his ability as an administrator, as well as his commitment to the objectives of the Council, will be pleased to have heard that his period of secondment by the Co-operative Bank has been extended.