



## Farmer co-operation is “fundamental to the future of Scottish agriculture” says Cabinet Secretary

Richard Lochhead, Cabinet Secretary for Rural Affairs, gave a clear and concise message of endorsement and support to delegates following SAOS' annual conference on 30th January. Commenting on developments in the agri-food industry, Mr Lochhead said: “To my mind, the biggest threat to Scotland’s food industry in the coming decades is excessive consolidation: in other words, the threat of multi-nationals closing domestically important infrastructure at a moment’s notice. My view is that we need not be bystanders, passively watching the drama unfold. We need to be pro-active, shaping the future we want. Increasingly, producers need to be the price-makers, not the price-takers. I see co-operation as a key means to that end. It enhances wealth, employment and sustainability.”

The Cabinet Secretary also acknowledged the roles of co-ops in helping farmers to manage the daily and seasonal uncertainties in farming: “Co-operation of course, also enhances resilience. Farmers have always had to cope with the vagaries of the weather, price fluctuations, the risk of animal or crop disease, and so on. But there is now a greater need for resilience than ever before and I believe that co-operation is key. Not only does co-operation mitigate the risks involved from the farmer, to the producer, to the consumer, it allows for growth.”



### SAOS must help us learn from recent upheavals

Mr Lochhead also made reference to urgent, successive upheavals for producers of pigs, deer, milk, chickens and beef, pointing out that although each had its own specific characteristics, there were also lessons that should be learned from common factors: “Rather than firefight, it would be great to learn and apply whatever generic lessons we can find. My first shot would be: the need for strong co-operation between producers; transparency of data and markets; true competition with several players at each stage, and a willingness to drive efficiency at every level. SAOS’ thoughts on just what lessons we should learn for today’s Scotland would be of huge benefit to us all as we face whatever lies ahead.”

#### In this issue:

SAOS conference review and news

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Scottish Farm Carbon launched

## Yes, we can and must grow!



SAOS Conference Speakers (from left to right): Ian Watson, Jim McLaren, Fabbio Chaddad, Stephen Faulkner and Mark Clark

### (But no-one says it'll be easy)

Be ambitious - plan, co-operate, invest, innovate - these were the take away lessons from SAOS' 2014 annual conference, with each point illustrated by co-ops that are following this recipe for competitiveness and growth in the market.

Despite, and because of, the challenges facing the farming industry it is essential to be proactive in understanding and securing future customers and markets.

Opportunities for quality Scottish produced food and drink are increasing rapidly as middle class prosperity grows around the world.

### Livestock

Jim McLaren, Chairman of Quality Meat Scotland, mapped out premium emerging markets in Japan, China, Scandinavia, Russia, the USA and Canada, all with potential to generate good returns to Scottish producers and opportunities for increased production. But it will be necessary to break through current low levels of confidence and returns so that these markets can be developed. Upfront investment in quality and supply chain collaboration will be keys to success. Farmers' responses to the recent QMS/SAOS Planning for Profit workshops suggests that momentum will take hold once the effects of CAP reform are fully taken into account this year in forward planning. Jim pointed out that there is no alternative if Scotland is to retain its processing capacity.

Continuing the livestock theme, Ian Watson, Chairman of Farm Stock Scotland, reported that the group is acting on the findings of a supply chain project that identified 41 areas for improvement throughout the supply chain, potentially worth £10/lamb. Ian pointed out that Farm Stock's action plan requires more chain integration and better planned supply of required specification lambs, as well as addressing a range of issues on farm, in haulage logistics and at processing plants. The development programme in place for 2014 and 2015 is backed by the Scottish Government and Quality Meat Scotland.

## Which Future?

<ul style="list-style-type: none"> <li>☛ Continued Lack of Critical Mass</li> <li>☛ Abattoir Rationalisation</li> <li>☛ Lack of Product for Expanding Markets</li> <li>☛ Succumb to Inherent problems of "Disassembly"</li> <li>☛ Further Industry Decline</li> <li>☛ Continued Lack of Critical Mass</li> <li>☛ Abattoir Rationalisation</li> <li>☛ Lack of Product for Expanding Markets</li> </ul>	<ul style="list-style-type: none"> <li>☛ Stabilise Stock Numbers</li> <li>☛ Abattoir Capacity Retained</li> <li>☛ Improved Carcass Utilisation</li> <li>☛ Product Available to Meet Growing Demand &amp; Export Opportunities</li> <li>☛ Growth in Production and Sales of Scotch Beef, Scotch Lamb and SSP</li> </ul>
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## Dairy

The recent announcement that Scotland's Dairy Growth Board is being formed to pursue the ideas set out in James Withers' Ambition 2025 paper was the backdrop for considering prospects for dairy farmers. Stephen Faulkner, Senior Executive Director, First Milk, described how the co-op has identified and is targeting affluent customers in the UK and around the world with premium and niche products because this strategy can deliver most value to its farmer members. This resulted in detailed analysis of consumer buying trends and prospects, and investment in innovation in products and supply chains where there is growth.

Frumoo is a blended whole milk and fruit blended drink launched in 2013 and described by a leading industry innovation magazine as "a prime example of the new wave of dairy innovation" that was immediately snapped up by Tesco and Asda. Other examples from First Milk include Quark, which was awarded Best Functional Dairy Product in 2013, and its acquisition of CNP which produces specialist sports products used by Premiership footballers, world class cyclists and professional boxers. Stephen pointed out the value in all First Milk products being underpinned by safety, quality, provenance, heritage and freshness.



## Arable

Grampian Growers is an example of farmers co-operating to produce a specialist crop and develop markets in the UK and around the world, wherever the prospect for returns is strongest. 95% of the group's annual harvest of 4,000 tonnes of daffodil bulbs, worth £3m, is exported to the USA, Scandinavia, Germany, France and even to the Netherlands. Mark Clark, Managing Director described the founders' plan to select an unsubsidised crop suited to Scotland's growing conditions, which could be produced co-operatively to share risk, and which could generate excellent returns. Forty years on, the co-op is a global player working from the co-op's base near Montrose, and has added seed potatoes to its portfolio as they follow the bulb season enabling better utilisation of buildings, equipment and labour. A high proportion are also exported. Mark emphasised the importance of investment, innovation and collaboration in marketing to ensure that customers receive outstanding product, leading to repeat purchases in future years.

**TO SUMMARISE**

- QUALITY/QUALITY/QUALITY
- DEDICATED GROWERS AND STAFF
- ATTENTION TO DETAIL
- EXCLUSIVE VARIETIES – BREEDING
- MANAGE THE RISKS
- IDENTIFYING KEY PARTNERS
- MAINTAINING CUSTOMER RELATIONSHIPS

## Sandy Howie receives Ed Rainy Brown Memorial Award

This year's Ed Rainy Brown Memorial Award was presented to inspirational Scottish pig producer, Sandy Howie by Katy Rainy Brown at the SAOS Annual Conference Dinner at Crieff Hydro.

Sandy stepped down as Chairman of Scottish Pig Producers last year and an unprecedented number of nominations were received suggesting that his vision and commitment to co-operation in the industry should be recognised. Pictured below Sandy joined the Board of Scottish Pig Producers in March 2000 and was appointed Chairman in May 2004. His tenure as Chairman coincided with a time of fundamental change in the Scottish pig industry and Sandy's guidance, determination and passion helped to steer the industry through some very difficult times. His boundless enthusiasm and intense knowledge of the industry, coupled with a particular skill for negotiating, successfully brought together a broad cross section of industry players on many occasions.

During Sandy's chairmanship, Scottish Pig Producers secured a contract with ASDA which brought stability to the Scottish pig market, and a joint marketing venture with Progressive Lean Pigs in Northern Ireland saw a huge increase in turnover. He was also instrumental in work with the SSPCA to set up the SSS Pork animal welfare scheme and improving the overall health of the Scottish pig herd through Wholesome Pigs Scotland which he chaired from 2000. Sandy has also held positions on the NFUS Pigs Committee and SAOS Council.

Tributes to Sandy's work on behalf of the co-op members were led by Allan Bowie, NFUS Vice President, who announced the winner, commenting: "Sandy Howie is one of the finest and most successful supporters of co-operation in the Scottish farming sector. The co-operative structure that Sandy has helped to put in place means that we still have a pig sector in Scotland that we can be positive about and proud of. As a measure of that success, seeing Northern Irish producers also recognising the business benefits from being part of the SPP model should give Sandy a tremendous sense of achievement."



Andrew Peddie, SAOS Chairman, added: "Sandy's contribution to the entire Scottish pig industry has been immense. He spoke at our SAOS conference a couple of years ago about how co-operation could help farmers create a negotiating position in an industry dominated by plc processors and supermarkets. Strategies like these, which Sandy helped set up, delivered just such a position for SPP members.

"He has never been known to rest on his laurels and constantly seeks improvements and new initiatives to improve the whole supply chain. In a year where the SAOS conference theme is 'Growth and Resilience through Co-operation', Sandy provides the perfect example of how to go about this."

Sandy started his pig business with a few sows in a rented pig unit in 1988, before purchasing Baluss, a 200 acre farm near Mintlaw in 1991. Last year he completed a new unit with state of the art pig management systems which generates its own electricity through wind and solar power and maximises the fertiliser benefits of the slurry. This new unit is capable of producing 9000 finished pigs each year for the Scottish Market.

## Many co-ops planning for strong growth

In a pre-conference survey carried out in December and January, SAOS invited co-op directors and managers to share their perspective on growth prospects. There were 51 responses, from 33 co-ops both large and small and spanning marketing, farm supply, and 'ring' businesses.

50% of the respondents expected above trend growth in their co-op in the next five years, ranging from 10% to more than 20% growth. A further 45% expected continuing but modest growth of up to 10%. The main market factors accounting for above trend growth were investment in expansion to accommodate existing and new members, alongside market development and increasing supply chain collaboration. It was notable that demand from farmers for access to co-op services and facilities was strong.

Also clear were the main internal factors that led to co-op growth. These included:

- Drive, ambition and culture of Board and Management
- Effective governance practices and participation at Board and Member levels
- Communication to members of a compelling vision, value proposition and performance
- Strategic analysis and planning by high calibre directors and managers
- Involved and committed co-op staff
- Access to specialist co-op knowledge services and support.

Jim Booth, SAOS' Head of Co-operative Development, led a seminar of co-op directors and managers that reviewed the survey findings. Jim observes: "Growth is really a mind-set that needs to exist in the culture of the board, along with a recognition that although there are risks in pursuing growth, there are more risks if you don't grow. It was interesting in discussion to hear the range of personal factors that are considered really important with words like passion, ambition, leadership, talent, relationships, buy-in and incentive featuring strongly."

CONFERENCE REPORT - SAOS CONFERENCE REPORT - SAOS CONFERENCE REPORT



## Sourcing for Growth Project - helping to match up buyers and suppliers of Scottish produce

The Sourcing for Growth Project, supported by Scottish Government and managed and launched by SAOS early last year, aims to match companies with suppliers of Scottish produce and ingredients, and encourage industry colleagues to work together, sharing resources and the expertise they've built up.

Work began with a survey of Scottish manufacturers and producers to investigate their current use of Scottish raw materials and gauge interest in sourcing/selling more within Scotland. A significant and enthusiastic response was received from over 90 people genuinely interested in seeking or wishing to sell Scottish produce. Over 130 introductions have been brokered since the launch, between manufacturers and producers which has already resulted in new trading relationships being established.

The website [www.sourcingforgrowth.co.uk](http://www.sourcingforgrowth.co.uk) was launched in October. The website provides a focal point for the project and brings buyers and suppliers in the food and drink chain together for collaborative business benefit. There's also an active twitter link. Confidentiality is important, so the website provides only key elements of information and the further details of the matching work are kept offline. In addition to the matching services, there are toolkits on the website with information on how to develop sustainable supply chains, maximise resources and reduce food waste.

Unsurprisingly, the project has highlighted the shortage of Scottish meat available for manufacturing. Also showing up is a demand for freeze dried berries and the lack of processing capacity in this area – on the back of this, one company is researching what would be required to expand its operations to cover this market gap. Another area of demand is for Scottish butter and discussions have been held with one processor to expand its production, resulting in two manufacturers now being able to source Scottish.

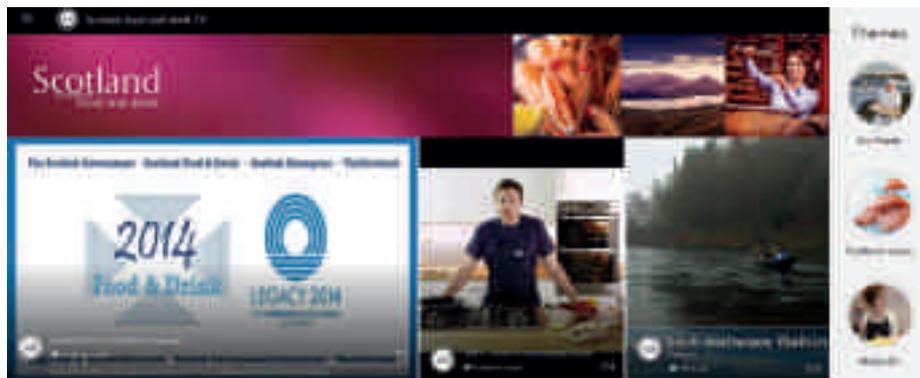
One of the project's aims is to assist/establish new supply chain groups – so far the team has engaged with the Scottish Cold Pressed Rapeseed Oil group, the Scottish Micro Breweries SME group and a group of Arbroath Smokies producers. Another is to help companies utilise spare capacity and resources and the team has facilitated introductions resulting in one company manufacturing a meat product for another.

If Scotland produces it, Sourcing for Growth can help you find it. Log on to [www.sourcingforgrowth.co.uk](http://www.sourcingforgrowth.co.uk), sign up for the newsletter and follow on Twitter [@source4growth](https://twitter.com/source4growth) for the very latest updates.

## New TV channel turns spotlight on Scotland's food and drink

A new online TV hub promoting Scotland as a Land of Food and Drink is providing food and drink connoisseurs with a great flavour of Scotland's rich and varied natural larder.

Launched in February, [Scottishfoodanddrink.tv](http://Scottishfoodanddrink.tv) showcases Scotland's world-class products, artisan and large scale producers and foodie events during 2014 – bringing premium produce to life for consumers, producers, industry leaders and the media, both at home and abroad.



The TV hub was created to reinforce Scotland's growing international reputation as a Land of Food and Drink as part of '2014 Food & Drink' - an industry-led campaign supporting the value growth of the sector to £16.5 billion by 2017.

Some of Scotland's leading food and drink brands and producers are featured on three themed channels including 'Our Stories', 'Scotland's Larder' and 'What's On'. Viewers can view clips from artisan and large scale producers spanning: Bruce Farms, Macsween, Rannoch Smokery, IceDelight, Allanwater Brewery, Tennent Caledonian, The Highland Chocolatier, Scotty Brand and Diageo to name but a few.

The '2014 What's On' channel will give visitors a taste of 2014 events such as the recent Big Burns Supper in Dumfries; launch of the River Tay salmon fishing season and wide ranging Homecoming celebrations.

Viewers will also get a sneak preview of the food and drink villages at some of this year's key gatherings including the Glasgow 2014 Commonwealth Games and the 2014 Ryder Cup.

[Scottishfoodanddrink.tv](http://Scottishfoodanddrink.tv) highlights the importance of provenance by featuring specialities like Scotch Beef and Scotch Lamb, Scottish Smoked Salmon and Arbroath Smokies. Seasonal produce will also be promoted through recipe demonstrations from chefs like Jacqueline O'Donnell from The Sisters Restaurant and Mark Greenaway of his eponymous restaurant in Edinburgh.

Fiona Richmond, Scotland Food & Drink 2014 project manager, said: "This is a first for the industry and the 2014 Food & Drink team is working in partnership with producers and stakeholders to showcase our iconic products and fantastic natural larder at every opportunity - this industry has a great story to tell. We are confident that the TV hub will bring the food and drink sector alive which will in turn build a lasting legacy that will stretch into 2015 and beyond."

View at [www.scottishfoodanddrink.tv](http://www.scottishfoodanddrink.tv)

## Think Local at Borough Market

At the end of January, the Think Local team took a group of high-quality Scottish producers to the world-renowned Borough Market in London for three days leading up to Burns Night. There were 13 producers in the showcase including Wester Ross Salmon, Perthshire Oatcakes, and of course with the timing, Macsweens were also there, showing off their award-winning products to Londoners and expat Scots alike. During the three days of trading, producers and agencies were encouraged to use the dedicated hashtag #scotsatborough on Twitter, and there was plenty of tweeting going on as word spread round London that the Scots were in town.

On the Friday night, a Burns supper was held, attended by around 120 people, including trade and media representatives. Scotland Food and Drink Chief Executive James Withers giving the Toast to the Lassies, David Lamb introduced the dinner and gave the Selkirk Grace, while Jo Macsween addressed the haggis in her own way, giving it a modern twist.

Think Local at Borough Market was a great success, and the aim would be to repeat the showcase in future, allowing many more fantastic Scottish producers reach the London market, and hopefully grow their businesses further.

Think Local is carrying out a survey of the growth ambitions of Scottish Food & Drink producers in this important year for the sector. If you'd like to take part to help inform and structure the team's work going forward, please go to [www.surveymonkey.com/s/producers2014](http://www.surveymonkey.com/s/producers2014)



## Farm Stock action to save costs in lamb supply chain

Farm Stock (Scotland) is taking action to remove inefficiencies and excess costs from the lamb supply chain to enable farmers to realise more value after an in-depth study identified 41 areas for potential improvement from farm to retailer.



At the SAOS conference in January, co-op Chairman Ian Watson lamented the lack of progress arising from previous national sheep industry strategies, and was clear that Farm Stock is determined to get to grips with improvements. Ian commented: "We must introduce ways to become more responsive to the market pull of our customers' needs, rather than being pushed by production pressures in our marketing work. We have to do this if we are to be competitive. This will require more chain integration and better planned supply of required specification lambs, as well as addressing a range of issues on farm, in haulage logistics and at processing plants."

The study found that £10 per lamb could be saved through better marketing and the removal of waste and inefficiencies from the chain. Better communication, coordination and understanding is required. Farm Stock will roll out an intense development programme in 2014 and 2015, backed by the Scottish Government and Quality Meat Scotland.

Find out more about Farm Stock at [www.farmstock.org.uk](http://www.farmstock.org.uk)

## Governance code for agricultural co-ops published

For the first time, a comprehensive governance code drafted especially for agricultural co-ops is available for co-op members, directors and managers. SAOS and Co-operatives UK worked jointly on the code, drawing on experiences of both organisations to produce the publication.

James Graham, Chief Executive of SAOS, explains: "Effective governance is the number one critical factor for a successful and sustainable farmers' co-op. In the code, we have quite deliberately set a high, but carefully considered, standard to which all co-ops should aspire. Members have a right and expectation to the same professionalism in governance of their co-op as for any other type of business, and the code sets out how to achieve that. This is the only code that is compiled specifically for agricultural co-ops and it should become the authoritative governance reference."

The code will be circulated to all co-ops through the spring and early summer, and SAOS will seek to meet co-op Boards to discuss its

rationale and content. Co-ops will be invited to commit to the code, and will be given one year to develop their governance practices in line with the code prior to a compliance assessment. James explains: "The code is voluntary, and we ask that where a co-op does something different, they explain why, so there is transparency. We don't anticipate that every co-op will comply with every provision in the code, and that adoption will differ according to the size of co-op, so we will recognise circumstances and arrangements in any compliance assessment."

In addition to wider adoption of good practice, compliance with the code will also serve to provide assurance to existing and prospective members, directors and managers that their co-op is well governed and therefore likely to be both successful and secure in working for their benefit.

If you would like an early copy of the code, please e-mail [jennifer.grant@saos.coop](mailto:jennifer.grant@saos.coop)

## Can we make our money work better for Scottish agriculture?

Aberdeen University and SAOS are asking the farming community for views on forming a new tailor-made savings and loans co-op that would be owned by its farm and rural members, possibly in the form of a credit union.

£183.6K has been awarded by the UK's Technology Strategy Board and the Scottish Funding Council to explore the views of the farming community and the feasibility of setting up such a scheme.

The funding has gone to a Knowledge Transfer Partnership (KTP) between the University of Aberdeen and SAOS. The aim of the 30-month project is "to embed a capability enabling SAOS to establish new financial intermediaries for UK agricultural/food communities providing direct access to affordable, ethical financial products". SAOS will work with a dedicated KTP Associate, Ms Preeti Karal, based in its office at Ingliston, and with academic support from the University.

James Graham, Chief Executive of SAOS, explains the project: "There is demand for SAOS to respond to the economic pressures on Scotland's 20,000+ farmers and their families, caused by the challenges of securing investment through the banks and access to financial services, particularly for the younger generation of farmers.

"Globally, savings and loans co-operative credit unions have a proven track record of helping communities manage their own financial needs. This would be a mechanism through which farming families and rural businesses can deposit savings or short term cash at reasonable interest rate, enabling others in the farming industry to borrow money on affordable terms for their own business plans.

"Securing adequate resources to take this forward was essential. Having a full-time KTP Associate and the academic experience and rigour of the University of Aberdeen sets us up perfectly to take on the challenges and ambition of this project."

### NFUS and SAOS delegates give their backing

Eighty farmers at the SAOS and NFUS conferences in January and February were asked to provide initial views on the idea. Fifty-eight said they would be interested in joining a farm and rural credit union, 22 said maybe, and 1 said no. The mini-survey also found that the majority had short or medium term deposits in their bank at some time of year, and this was balanced by others requiring short or medium term borrowing.

A full Scotland wide survey will be launched in the Spring.

## Scottish Farm Carbon - enabling farmers to sell carbon offsets

Scottish Farm Carbon is a new co-op, looking for farmers to join who are prepared to 'bank' their carbon offsets from farm woodland with the co-op so that it can accumulate enough tonnes to sell to customers when the price of carbon is right. It will become a new source of income from farm woodlands.

James Graham, Chief Executive of SAOS, points out: "Many companies are purchasing carbon offsets to help offset the greenhouse gas emissions that they are responsible for. Land Rover even offsets the exhaust emissions that each new vehicle will produce over 45,000 miles of use. They do this by purchasing carbon offsets. An ever increasing number of companies are doing this on a completely voluntary basis. Supermarkets are good examples, along with Avis, Eden Springs Water and Tui Travel, to name just a few."

Companies are generally buying carbon offsets from forestry or other biomass projects in other countries. Jaguar Land Rover for example from India, Thailand, Turkey, Kenya, Uganda (amongst others), and Marks and Spencer from Borneo, China and Kenya.

SAOS has identified that farmers could be selling certified carbon offsets from their farm woodlands that have been planted since 2000, and exploratory discussions with UK companies have suggested they would like to buy offsets from high integrity carbon sources here in Scotland. Scottish Farm Carbon has developed systems to record and calculate the carbon being stored by new woodland and will pool this until the volumes of carbon are attractive to customers and the price of carbon reaches a target level. In the meantime, SAOS has agreed to underwrite the costs of Scottish Farm Carbon. James added: "We believe that the value of carbon will, in time, be an important incentive to encourage farmers to plant more woodland on land that is too poor for growing food, but excellent for growing trees."



Find out more by calling: **0300 456 2209**, or email: [support@scottishfarmcarbon.coop](mailto:support@scottishfarmcarbon.coop)