

SAOS update

News from, and for, Scotland's farmer co-ops Autumn '16



Pictured, left to right: SAOS Chairman, George Lawrie; Ringlink Chairman, Andrew Moir; Cabinet Secretary, Fergus Ewing; Ringlink MD, Graham Bruce; and Grampian Growers MD, Mark Clark.

Co-ops Meet with Minister to Discuss Opportunities for Further Collaboration

In late August, SAOS, along with member co-ops, Grampian Growers and Ringlink, met with Cabinet Secretary for Rural Economy and Connectivity, Fergus Ewing, to discuss the potential for deeper co-operation and collaboration within Scotland's farming, food and drink industries.

The visits to Montrose and Laurencekirk let the Cabinet Secretary hear from two of Scotland's most successful co-operatives about their 'co-op advantage' - pooling resources, economies of scale, sharing best practice and leading-edge technologies.

The Cabinet Secretary commented: "It was a pleasure to see and hear first-hand the very good work that Grampian Growers, Ringlink and SAOS are doing, not only for their Co-op members but for the agricultural sector as a whole."

"A key feature of our vision for agriculture is that the sector, and the wider agri-food supply chain, is resilient to shocks and to future challenges. Collaboration among farmers, and between farmers and other parts of the food chain, builds such resilience as it takes advantage of economies of scale, shares best practice and benefits from a stronger price-negotiating position. This can only be a good thing for the industry as it adds significant economic and other benefits and the Scottish Government is keen to work with SAOS to encourage and support further co-operative activity."

George Lawrie, Chairman, explained SAOS' reasons for the invitation: "Co-operation is about self-help and accepting responsibility for determining our own future. Co-operative business is more crucial than ever for Scottish agriculture and we wanted to demonstrate to the Cabinet Secretary how our co-operation in farming, food and drink provides opportunities and resilience that are required for success in these changing times."

The visit commenced at daffodil and potato marketing co-op, Grampian Growers, at Craigo, Montrose, providing its directors the opportunity to share their success story as a relatively small co-op of growers, punching well above its weight with worldwide exports, as well as their current challenges.

Mark Clark, Managing Director of Grampian Growers and also Vice Chairman of SAOS, commented: "Grampian Growers is just one of many success stories in Scotland's agricultural co-op sector. We were delighted that the Cabinet Secretary was keen to find out more about us and the huge potential for Scotland's farming, food and drink industries through further co-operation and collaboration."

The second visit was to Ringlink Scotland's headquarters in Laurencekirk. Ringlink is Scotland's largest machinery ring, with a membership of 2700 and a staff of 36. Chairman, Andrew Moir, commented: "We welcomed the opportunity to tell the Cabinet Secretary more about the work of Ringlink and, in particular, to highlight the immense value that our internship programme offers to the future of our industry. We had a good discussion about possible ways for the internship to achieve national recognition."

George Lawrie concluded: "The Scottish Government's Vision for Agriculture highlights the importance of agriculture, the environment and the wider economy in Scotland. Co-ops deliver valuable productivity and resource efficiency as well as resilience to challenges such as market volatility and climate change."

Scotland has an enviable reputation for the best natural produce in the world, but we need to be smarter, more efficient, more resilient, more innovative - and do all that with the right environmental credentials. We hope the visits allowed the Cabinet Secretary to see first-hand the considerable potential deeper co-operation has for Scottish agriculture."

New Farmer Co-operation Booklet

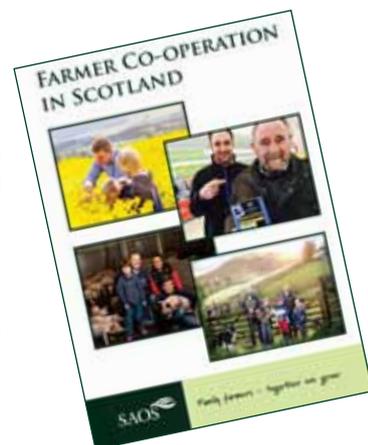
Thanks to all the co-ops who helped us out with the updated version of our Farmer Co-operation in Scotland booklet which you'll have found included with the mailing of this SAOS Update.

The new booklet contains examples of dynamic farmer co-ops in Scotland and gives examples of the services and scale that enable their farmer members to achieve extra profit through co-operation.

The booklet gives an idea of the incredible potential that further collaboration has for Scotland's farming, food and drink industries

and explains how varied the work of the SAOS team is, working to develop, deliver and support co-operation and collaboration in farming and in food and drink marketing chains, as well as in ScotEID and local foods.

We're sending out additional copies to all the co-ops who contributed to this project, and we're also sending copies out to all NFUS members with the next Scottish Farming Leader. You may already have seen some of the content as part of Scottish Food and Drink Fortnight which this year focussed on the importance of Scotland's primary producers of food and drink.



Co-operating Data Between Scottish Farmers, Markets and Abattoirs

SAOS Deputy Chief Exec, Bob Yuill, presented to the International Co-operative Alliance in Paris in July, on how ScotEID has changed the conventional rules concerning data ownership and control within Scottish agriculture's livestock industry.



Although the agricultural sector is often overlooked as a source of fresh ideas, Bob told of his experience that the best innovation often comes from agri' co-ops, as they design ways to adapt and deal with an extremely fast pace of change, including market shocks and weather events; and, using technology that has been consistently revolutionising the agricultural sector for decades, from hydraulics to genotyping. SAOS is abreast of these developments in its work as a development co-op providing solutions for its members – helping them to adapt and keep ahead of competition.

ScotEID was set up in 2007 by SAOS, working closely with the Animal Health and Welfare Division of Scottish Government, to find practical ways to deal with the EU regulation for sheep movement and registers. The challenges involved how to rapidly record individual sheep movements through auction marts and abattoirs, and develop a web-based data system to meet the regulation at minimum cost to the industry, whilst providing a robust 'real time' trace system.

ScotEID provides data tracing of farm livestock through its supply chains up until the moment they enter the food chain. This 'holy grail' for farmers, abattoirs, governments, health officials, and consumers, has been achieved by ScotEID working with the industry to provide accurate identification and movement data with real time analysis of that data. For example, if a farmer discovers that an animal has been exposed to an infection such as BVD, they can now directly and immediately identify others that may have come in contact. The benefits of the system for disease control, public health management and consumer protection are exceptional.

Scotland produces some of the highest-priced beef in the world, and the reason for this high value is its brand of Scotch Beef. The data analysis and tracing through ScotEID systems allow Scottish farmers, markets, abattoirs and QMS through their SPECC system, to protect the integrity of the Scotch Beef brand – providing direct and real business value.

Perhaps most surprisingly, and most positively, Bob told the delegates that although the Intellectual Property in the ScotEID software code is Crown Copyright, the ownership of the data remains with the providers – farmers, markets, abattoirs and government. Overall this provides a cost effective and flexible data system while effectively managing and sharing the data in accordance with the Data Protection Act.

SAOS' Stephen Young Updates us on his Masters Course in Co-op Management

"Entering the second year is a good time to reflect on the key parts of the course so far as student life is about to begin again (but nowadays I didn't get to spend my summer break in Ibiza or doing a harvest job!)

We've covered a wide range of courses in twelve and six week course blocks over the first year. These initially included the history and philosophy of co-ops: why they were needed, what were the drivers for their conception, as well as how they have developed differently across continents and countries. Despite a similar starting point, two almost identical co-ops can look very different after a period of time and evolution as the needs of members vary greatly from co-op to co-op.

What I've found most enjoyable is understanding the co-op model and why it is different from a private company, and how best to communicate this to co-op members. For example with Finance, in order for members to fully understand the workings of the co-op, it is important to present the financial results in a way that members both understand and find interesting. It's good for members to understand not only the effect that their trading with the co-op has had, and what

that has allowed the co-op to do, but also the effect on the wider community. By presenting the statutory accounts highlighting what these actually mean to the members, they are likely to feel more involved and, in turn, more loyal to the co-op. Some co-ops make short videos or use graphics rather than plain figures to highlight the work they have done.

Commonly, members can be unclear on their co-op's 'net worth' which they see building but are not sure what the aim of this is, or even why they can't simply have the cash! Ensuring that all co-op members understand the overall strategy put in place by their board, and how they can contribute to this, is a key part of the co-op advantage. The work SAOS is currently undertaking to help member co-ops to formulate member value propositions is a huge step in this direction.

Overall the course has allowed me to get an insight into the running and practices of a range of co-ops throughout North America and beyond. Hopefully I can cherry pick the best of these and help to implement them in our member businesses back here."

Scottish Pig Producers and NFUS Join Forces to Find Pig Farmers of Tomorrow

NFU Scotland's New Generation Committee and Scottish Pig Producers are teaming up to encourage and give assistance to Scotland's next generation of pig farmers. Both groups agree that the future looks bright for pig farming in Scotland: the weak pound, investment from Tulip in new abattoir facilities at Brechin and increasing commitment to domestic pork from retailers have improved the outlook for pig production in Scotland and the time is right for new farmers to join the industry.

Chief Executive of Scottish Pig Producers, Andy McGowan said: "We are looking for the next generation of pig farmers to drive the industry forward and add dynamism to the sector. Scotland needs more pig farmers and, in particular, more finishing units.

"To help new entrants to pig production on their way, we are working on a package with feed merchants and abattoirs to assist them. We are also putting in place a mentoring system involving existing producers so the new businesses have the best chance of success.

"It is an exciting time for Scottish pigs. We have strong market signals and there is growing optimism in the sector. If you are thinking of diversifying your business or looking for a new challenge, the time could be right as we have opportunities for both new and existing farmers. All that may be needed is a spare shed to finish animals."

Mark Donald, Chair of NFU Scotland's New Generation committee added: "This is a fantastic example of co-operation to the benefit of both parties. It is a great chance for new and developing farmers either to start or strengthen their businesses.

"The barriers to entry into this type of farming are much lower than in many other sectors. Indeed, some very successful farmers have started with only a shed and the drive to succeed.

"The New Generation group of NFUS would be delighted to assist, where possible, anyone who is seeking more information or guidance on the offer from Scottish Pigs."

Farm Stock hits twenty and plans expansion south of the Border

Farm Stock (Scotland) Limited



Livestock co-op, Farm Stock, is celebrating its 20th anniversary with plans to expand into northern England.

Farm Stock (Scotland) was founded in 1996 with the merger of two lamb marketing groups. It is now owned by five member groups, who each own one share in Farm Stock, with each group in turn owned by between 100 and 250 individual farmers. The five groups retain their own local identity,

while gaining the economies of scale resulting from the co-operation of over 1,000 farmers. Farm Stock has nine field staff to select stock on-farm, backed up by the admin team in the co-op's office near Galashiels. Their annual turnover is in excess of £13m.

"Our aim, first and foremost, is to maximise returns to livestock producers – members and non-members – when they sell stock through us" said Ian Watson, Farm Stock's Chairman. "We do this by working to achieve the very best price for stock on any given day and by charging a very low commission rate, which averaged just £1.32 per lamb during the past year. This is less than 2% at current lamb prices."

Farm Stock Scotland currently comprises five regional groups: Scott Country Lamb, Lothian Lamb, Galloway Lamb, Ayrshire Lamb and Caledonian Organics. It is now establishing a Borders Counties Primestock group, which will look to source and advantageously market stock from farms in eastern Dumfries-shire, Cumbria and Northumberland.

Ian added: "We are delighted that we are able to celebrate our anniversary year with an increased push into the north of England. Our team is fully focussed on achieving the best possible returns for farmers."

As part of its 20th year celebrations, Farm Stock is holding a major conference at which representatives from all sections of the supply chain will discuss how best to cut inefficiencies and unnecessary costs. The conference takes place within Murrayfield Stadium, Edinburgh on Wednesday 5th October, for further details contact: farmstock@farmstock.org.uk.



United Oilseeds celebrate 50 years

Another of our member co-ops celebrating a landmark year in 2016, is United Oilseeds. Founded fifty years ago in 1966 by a small group of Hampshire farmers looking for an effective break-crop from continuous barley, United Oilseeds now has 4,500 member owners and turnover in 2015 was £160m.

Britain's only specialist rapeseed marketing company, United Oilseeds has a Board of farmers from across the United Kingdom and manages the largest and best performing OSR pools in the UK, trading over 600,000 tonnes per annum. The co-op has paid a profit share to its trading farmer members for the last ten consecutive years, totalling £3.43m.

The co-op marked its anniversary by creating and distributing 1500 branded gilets to staff and valued loyal members who have been with the co-op for three years or more.



ANM Group's £4 million expansion plans for Thainstone rejected

Councillors have rejected a planning proposal for the expansion of ANM's Thainstone mart, near Inverurie. The proposed new business park – a £4 million expansion of the current site – was turned down after objections were raised to the project, citing concerns over the potential visual impact on the local landscape and possible increase in traffic congestion.

ANM Group Chairman, Pat Machray, commented: "We are deeply disappointed with the outcome of today's decision regarding the extension of Thainstone Business Park. This is obviously not only a setback for us, but for the whole of Inverurie and the North-east agricultural industry. A great deal of time and money has already been invested with the long term intention of boosting the local economy, and this £4 million investment was an integral part of our future plans."

"We have been a major employer and contributor to the North-east economy for more than 140 years, and as a farmer-owned co-operative, we have and will continually strive to improve the business to provide the best service for our 5,000 members and 20,000 customers. It is our intention to consider our options."

The Thainstone expansion proposal had included plans for Scotbeef Inverurie to relocate to the site, into a new multi-million pound purpose-built abattoir. Scotbeef Chief Executive, Robbie Galloway, said: "We are disappointed, but we're hoping that it is a bump in the road in the process. We do have plans for a move to the area at Thainstone that has already been zoned for planning, but it is our hope that the plans for the more expansive, and in our opinion, better site, move forward, as we see it as more suitable for our move from out of the centre of Inverurie. ANM are doing the running for the project and we hope that things move forward in the future."

Had planning been approved, work was scheduled to start later this year, with the first building due for completion in early 2018.



Rod Sanderson appointed as new Chief Exec of Tarff Valley

In June, Tarff Valley Chairman, Robin Austin, announced that the co-op's search for a new Chief Executive had been successful and that Rod Sanderson had been appointed in the role.

Rod was brought up on a farm in the Borders and has an honours degree in Agricultural Economics from the University of Aberdeen. He joins Tarff following a successful career of more than 30 years with the huge, multi-national organisation, Cargill, whose businesses include trading, purchasing and distributing grain and other agricultural commodities; raising of livestock and production of feed and food ingredients.

Rod has experience in trading, processing, joint ventures and farm supply business, having worked in General Manager and Managing Director roles in several areas of Cargill's operations. His most recent role was in Warsaw where he was involved in companies handlink large quantities of grain and trading several million dollars of crop inputs to farmers. We wish Rod every success in the role.

TARFF
Town & Country



More Collaboration Required for Continued Scottish Food and Drink growth

New industry figures announced during 2016's celebration of Scottish Food & Drink Fortnight in September showed a record annual turnover for the food and drink sector of £14.4 billion. From a sector whose value was £10 billion and static in 2007, it has been quite a turnaround. Dig deeper and there is another telling sign of progress; food manufacturing is continuing to grow at twice the UK average for the sector, up 43% in Scotland compared to 21% across the UK between 2008-2014.

James Withers, SF&D Chief Exec, warns that this isn't the whole story however: "These figures are impressive, but closer examination of those large numbers reveals that the story is much more mixed. The fundamental disconnect between too many of our farm businesses and the wider food and drink success story is perhaps as significant as it has ever been.

"Farming has always been an uncertain and volatile business. However, we need to generate greater income certainty and ensure that as the market for Scottish food and drink strengthens, so do returns on farm.

"On the positive side, we know what works; collaboration. The reason that Scotland is outperforming the rest of the UK is because of an ever deeper collaboration between different sectors of our industry, different organisations and between industry and government. Scotland Food & Drink has created an environment for those partnerships to be forged.

"The next great challenge is to build more collaborative supply chains. There are fine examples out there, but they must become the norm. SAOS's role in meeting that challenge is critical and it is as well-placed as any organisation I know in Europe to deliver, working in partnership with others.

"The Scotland Food & Drink partnership is working on a new industry strategy which will chart a path to 2030. Almost ten years on from the introduction of our first strategy, Scotland's reputation for food and drink is transformed. We're seen internationally as a model to follow. Yet, as stated, we need a renewed effort to develop supply chains which are founded on collaboration between every link in them. If we don't do that, growth will falter. If we do, the prize for our rural areas and the Scottish economy as a whole is hugely exciting."



SAOS Appointed as Delivery Partner in New Connect Local Project

Connect Local is the new advisory service for local food and drink marketing aimed at entrepreneurs, micro-businesses and SMEs in Scotland, which also includes a specific programme focussing on seafood. This new service is funded by the Scottish Government and European Maritime and Fisheries Fund and is the successor to the highly successful, three-year Think Local project.

Working closely with partners in the food and drink sector, the purpose of Connect Local is to provide a specialist advisory service for those with limited experience of marketing food and drink from Scotland. Connect Local will complement existing activity, and will work collaboratively to add value to the local food and drink landscape by proactively advertising opportunities for support and growth and responding to enquiries.

Connect Local will help to deliver continued economic growth and local food priorities through its strategic aims:

- To change behaviour in food and drink production, promotion, procurement and ultimately consumer purchasing towards local choices
- To develop the quality, nutritional content and added value propositions of food and drink producers to meet the demands of consumers, retail, food service, and hospitality customers
- To strengthen the local food and drink economy, including the seafood supply chain (diversifying and improving access to local markets).

The one-to-one and one-to-many advice will help with:

- Identifying and building relationships with appropriate customers/markets in Scotland;
- Adding and quantifying value, in particular through improved market information and branding;
- Where and how to access and apply for private and public funding;
- How businesses can maximise value from attending events;
- Improvements in infrastructure of farmers and fish markets, aquaculture farms, farm/fish retail outlets and food networks in Scotland, including food transport networks;
- Forming common interest groups and networks, or other forms of collaboration;
- Where to access information on food and drink legislation and on different forms of support for businesses;
- Applying for Protected Name Status (PGI, PDO, TSG) or Geographical Indication for drinks; and
- Food tourism, including creating trails.

For further information on Connect Local please e-mail: info@connectlocal.scot or telephone 01224 711044.

What if...? Take part in the Co-ops UK census to help paint the full picture

Co-ops UK is asking as many organisations and business to take part in a co-op census – the first of it's kind.

With limited data available on the UK's 7,000 co-operative organisations, the census aims to get a better understanding of how member owned businesses are faring across the UK – what is working, what the challenges are, where they would like to be, what they need to get there.

Has your co-op completed the census yet? We are working with Co-operatives UK to encourage as many organisations as possible to fill in the census. Please help with shaping the data for agricultural co-ops, take the census at - www.uk.coop/SAOScensus

The survey has been open for a few weeks already and there are some really early indicators. You can see these and find out more about the census at: www.uk.coop/newsroom/uks-first-co-operative-census-early-indicators



PROFILE - SAOS CHAIRMAN, GEORGE LAWRIE

After more than a year as SAOS' Chairman, we thought it was about time we caught up with George Lawrie, to find out a little more about him and how he's enjoying his role.

It's been a busy time for SAOS since you became Chairman, tell us how you've found the experience so far.

Since I took over as Chairman there have been a few challenges for SAOS, in particular with changes of personnel within Scottish Government and changes to our funding. However this has made us concentrate on building relationships with the new team and the new Minister, Fergus Ewing. This paid off when he recently accepted our invitation to find out more about SAOS and visit two of our co-ops in the North East, to show him the advantages of co-operation and what it can deliver to the Agriculture, Food and Drink sector.



You've held a wide range of roles in various agricultural bodies, tell us what you've found most useful?

I think the jobs I have done have given me the ability to look at all the challenges from various angles. All the roles have been quite different, but with the same main aim, to provide a better future for agriculture. I thrive on the challenge each role brings, but will not take on a new role unless I have the time to give it 100%.

How long have you known of SAOS and what made you decide to join the Board?

I first became aware of SAOS back in the late '80s when I was a founding member of Tayforth Machinery Ring. When we were setting up this new co-op, SAOS gave us invaluable advice and were able to steer us in the right way. SAOS' help and guidance have helped immensely to make the Machinery Rings the success they are today.

I was actually on the SAOS council in my Machinery Ring days, but NFUS and farming commitments stopped me from going on further. Five years ago, when I became Chairman of Scottish Agronomy I was asked to go back on council and in due course, I decided to come off the Board of NFUS and was asked to join the SAOS Board.

Scottish agriculture is going through a time of massive change, what's your vision for the industry?

Without doubt we are going through the biggest changes of my time in farming. The change in CAP and the vote to come out of Europe, at the same time as low prices and squeezed margins and commodities being produced at below the cost of production. Potentially though, these changes will bring opportunities and once we are clearer on the implications of leaving Europe and the way forward, agriculture will adapt and we will do what we do best - produce food to feed the ever increasing population of the world.

What do you think the biggest challenges are for SAOS in particular?

We have got to pull agriculture and the food and drink industries together so there are better working relations through the whole food supply chain, giving better rewards to the primary producer and giving the end consumer what they want. This can be done with better co-operation and collaboration through the whole industry.

How do you like to spend your free time?

We have three married daughters and grandkids, so we spend just about all our free time with them. I love sport and try whenever possible to travel to watch live football and rugby union.

What's your ideal holiday?

We try and get away to the sun at least once a year and do nothing but soak up the rays, listen to music and read a good autobiography. We also like to get away for long weekends to places we've not been before and explore the area.

Brexit Discussion for SAOS' Annual Conference

Directors and managers of farmers' co-ops will have an opportunity to hear and discuss the latest Brexit proposals and implications at the SAOS annual conference in January.

Commenting on plans for the event, James Graham said: "Many farmers' co-ops are engaged in supply chains and markets that are international. Brexit has implications for them as well as for their members, and we aim to provide both up to date briefing and debate on the opportunities and concerns." Representatives of the UK and Scottish governments are being invited to speak, and there will be a facilitated discussion amongst co-op leaders of the actions required in preparation for Brexit. A full programme will be available in December.

SAVE THE DATE!

SAOS' Annual Conference

26 January 2017

Dunblane Hydro

If you have anything to contribute towards future editions of SAOS Update, please contact:

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