

SAOS update

News from, and for, Scotland's farmer co-ops Summer '18



Scotland's Farmer Co-ops are Leading Industry Innovation

Policy Should Support Aim to Accelerate Progress

That future farm policy should include incentives for innovation through co-operation, was a central theme of SAOS' proposals to Scottish Government and the Cabinet Secretary's Agriculture Champions last year. We built our case, in part, on the evidence of highly successful Producer Organisations in Scotland's fruit and vegetable sector, and on the clear need to ensure that 'smart marketing' further down the supply chain collaborates more effectively in future with 'smart farming' here in Scotland, utilising data technologies and more collaborative business models. Co-operation and co-ops are positioned to drive forward the innovation and chain relationships that are required, enabling shared risk taking and scalability both amongst farmers and in connections with supply chain customers.

The Cabinet Secretary's Agriculture Champions observed that: "We have discussed collaboration at length with our contributors and are struck by how many benefits it can bring: economies of scale in purchasing and selling; sharing of specialist machinery and staff; market information; risk management; logistics; branding and marketing", and they conclude: "We see great potential in encouraging greater use of collaboration."

James Graham, SAOS Chief Executive, says: "There is real value for farmers in pulling together their data and utilising it in the supply chain to meet customer needs on the one hand, and to help direct farm decision making for profit margin on the other. Co-ops are best placed to do this, naturally enabling farmers to pool information, act cohesively, and retain ownership of their data. All co-op members should now be asking what their co-op is doing about these opportunities, and I suggest that farmers not involved in marketing in co-operation with other farmers should looking at their options to do so."

Current examples of co-op innovation

The following examples provide an indication of the scope of current innovation projects in co-ops. Whilst many more are underway, not all are at a stage that can be publicised.



The six Focus Farms in the ANM Group/Farmers Journal Farm Profit Programme have experienced an average increase in gross margin/cow of £115 in year one. Weekly updates on the Focus Farms' progress is now reaching 2,000 article views per week, proving an effective route for knowledge exchange between livestock producers. ANM Group has over 4,000 farmer members.



Farm Stock Scotland, in collaboration with supply chain partners, is working to identify farm management factors to enable year-round supply of 'M&S Scotch lamb'.

This includes researching and piloting a new specification. Farm Stock has nearly 1,000 sheep farmer members.



New markets in the Far East for Scottish seed potatoes have been developed for the last two years by Grampian Growers.

This year the co-op will also trial potato plots in Zimbabwe and Kenya. There are 30 seed producers in Grampian Growers



Through the involvement of SAOS, the Milk Suppliers Association (MSA) has completed 25 on-farm lean management reviews, resulting in average identified savings of several pence per litre. The MSA has 180 dairy farmer members producing 220ML supplying the Stranraer creamery.



First Milk has a continuing long-term collaboration with Nestlé, which focuses on continuous improvements in milk quality, lean farming methods (enabling a reduction in GHG emissions), environmental sustainability (soil, water and biodiversity), the next generation of farmers, and animal welfare.



Ringlink Scotland has devised the first pre-apprenticeship scheme targeted at school leavers, to address an increasingly acute skills shortage in the industry. This has been devised in direct response to the needs of members. Ringlink has 2900 members.

SAOS Office Holders

Following our AGM in May, here is the current list of SAOS Board and Council members.

SAOS Board Members:

Mark Clark, Chairman (Grampian Growers)
 Gareth Baird (Scott Country Potatoes)
 Stephen Cameron (Scottish Shellfish)
 Rory Christie (Milk Suppliers Association)
 Nina Clancy, Independent Director (RSABI)
 James Graham, Secretary/Chief Executive, SAOS
 John Hutcheson (GrainCo Scotland)
 George Lawrie (Scottish Agronomy)
 Andy McGowan (Scottish Pig Producers)

Additional Council Members:

Michael Bayne (Borders Machinery Ring)
 Richard Butterworth (Scotlean Pigs)
 Stephen Cameron (Scottish Shellfish)
 Rory Christie (Milk Suppliers Association)
 Andrew Faichney (East of Scotland Growers)
 Richard McMinn (Tarff Valley)
 Jane Mitchell (ANM Group)
 Jonathan Robinson (United Farmers)
 Ian Watson (Farm Stock Scotland)
 Bob Yuill (SAOS)

Co-opted External Council Members:

Alan Clarke (Quality Meat Scotland)
 Penny Montgomerie (SAYFC)
 Scott Walker (NFU Scotland)
 James Withers (Scotland Food & Drink)

GDPR

It seems unlikely that anyone could have missed the fact that new GDPR regulations, meaning changes to the rules regarding personal data, came into force at the end of May.

We have reviewed our internal policies and we now have a new privacy policy and a new data protection policy in place which you can view on our website at www.saos.coop/privacy-policy/ and www.saos.coop/data-protection-policy/ respectively. These set out the framework by which we keep personal data and how we store it.

We are committed to keeping your data safe and we will continue to keep you up to date with the latest industry advice and our own news stories through our newsletters and other communications.

If you no longer wish to receive communications from us, or you have any queries with regard to our new policies, please don't hesitate to contact us at saos@saos.coop

Highland Grain Approaches 40th Harvest in Great Shape

Highland Grain is preparing for its 40th harvest in operation, having grown from an initial capacity for 4000 tonnes of barley to 40,000 tonnes. Chief Executive, Simon Barry, who has been with the co-op since 1979 is due to retire next year and his successor, Gary Catto was appointed as General Manager earlier this year to learn the ropes.

Highland Grain has 40% of the market for malting barley in the north of Scotland and is the preferred supplier of several major maltsters and drinks companies, including Diageo, Boort Malt and Simpsons Malt. According to Simon Barry, the co-op is in an area well-situated for the production of malting barley and this is benefitted further by professional and proficient producers who use the climate and soil types to best effect. He contributes Highland Grain's success to "the main co-operative principles of fairness, honesty and transparency."

Over the past few years, the co-op has managed to reduce fuel use significantly through two innovation new systems: a bespoke heat recovery technique as well as a system to dry barley using second to reduce its drying costs.

Donald Ross, Chairman, added: "Over the last 39 years, Simon has been the consistent driving force pushing the business forward with dynamism and a commercial nose, whilst still maintaining core co-op values and looking for ways to improve the members' investment in Highland Grain."

Two minutes of your time - SAOS Update Survey

We will shortly be undertaking a (very) short email survey looking to gather readers' views on the SAOS Update. We would greatly appreciate your help with this - the survey has 4 questions and will take just 2 minutes of your time - and we look forward to hearing your responses.

Record Turnover for East of Scotland Growers for Second Consecutive Year

John Wilson, Chairman of ESG reported to the co-op's AGM in May: "Weather is historically the opening headline of the Chairman's report, but in recent years the market price pressures have been jostling for the headline – and in 2017 seasonal labour threw its hat in the ring as the headline event. The reality is that these are all very real challenges with no silver bullet solution, but through ESG I believe we are strongly positioned to navigate through these times."

For the second consecutive year ESG achieved a record turnover. In 2016 their turnover increased by £1.2m to £12.8m, and in 2017 they achieved an increase of over £2m taking turnover to just under £14.9m.

Reporting on the current market place, John added: "The market remains price-driven and shows no signs of this changing. This price pressure creates a constant scrutiny of supply chain models and there is a sense that the industry may be at the early stage of potential changes – with the retailers showing an increasing trend to align as close to the point of production as possible. Our overall acreage for the 2018 season is reduced by circa 200ac, which is largely as a result of a reduction with Sainsburys on Broccoli. There will almost certainly be further changes in the market place with the recent news of the Asda/Sainsburys merger and time will tell how significant these will be."

John added: "We continue with our central field trial site, testing numerous new varieties, chemicals and treatments for the future of our business. We also continue to optimise the programme with a strong focus on R&D to develop concepts and improve systems/operations on and off the farm. There is still a large degree of uncertainty around the future of Producer Organisations post Brexit, but we are being advised on submitting a new 5 year programme this year. Even if this is accepted there will be no guarantees beyond 2019 and as due diligence Andrew is currently drafting how we would look as a business without this source of assistance. We continue with our central field trial site, testing numerous new varieties, chemicals and treatments for the future of our business."

John closed by thanking everyone involved in ESG's success, adding "it is primarily down to the staff of the group and the memberships that we have such a successful organisation."

ANM News

Group's profitability delivers trading bonus

At its AGM in April, ANM Group reported a trading profit of £572,000 for the year ending 31st December 2017. In addition, the group announced it will pay a discretionary members trading bonus for a fourth consecutive year.

Pete Watson, ANM Group Board Chairman, said: "We are pleased that as a group we have recorded a trading surplus in 2017, and our balance sheet remains strong. As a result, we are once again delighted to allocate a discretionary trading bonus in appreciation of the ongoing commitment from our loyal members."

Overall, the group had a positive year and has seen an improvement in profitability – against a backdrop of increased fixed costs, including rates, insurance, investment in staff training and health and safety – returning a profit of £572,000 compared to £470,000 in 2016. At the end of December, the group reached a record level of £6 million share capital, underlining shareholders' confidence in the future direction of ANM.

The balance sheet remains strong - with the group reporting a steady increase whilst highlighting that this does not reflect the increase in the value of land owned by the co-operative – with net assets excluding the pension scheme deficit amounting to almost £27.5 million at the end of 2017. The group looks to the future positively backed by its financial strength.

The group continued to work hard to promote its diverse range of membership benefits and services supporting the sector through the uncertainties of 2017. Over the year, the group continued to invest considerable time and effort in its property portfolio and further strengthen its asset base following the approval of planning permission for the Thainstone Business Park expansion. This strong financial position allows the co-op to deliver the best possible service to its members.

Grant Rogerson, Chief Executive of ANM Group, said: "We are pleased with the success achieved in 2017 which is a testament to the hard work of the executive team, board members and all our staff at ANM. As a co-operative, we take pride in the strength, diversity and high levels of service provided by our dedicated teams of professionals. These factors positively impact the agricultural industry and deliver value to our members, customers and shareholders. Our asset base continues to increase in value, and good progress has been achieved in all areas of the business. We are investing in the group and our people to ensure the co-operative continues to move forward, and the industry is fit for the future."

Scottish Pig Producers Benefit From New Contracts

Scottish Pig Producers Ltd has negotiated new contracts with major processors which have greatly improved returns to pig producers in Scotland and Northern Ireland over the past year.

The Huntly-based co-op organises the marketing of finished pigs from producers in both countries and for some time has been seeking to negotiate more transparent, long term contracts, rather than week-to-week pricing.

Patrick Stephen, chairman of SPP, told members at their AGM: "The new contract has fulfilled our key objective of a fair and predetermined price rather than one decided on a whim. We had to give a little on probe and minimum weight but it represents a better deal than we've ever had before and has generated a significant increase in income for our members."

The average price increase for Scottish producers supplying Tulip from Brechin has worked out at £1.40 per pig, with Northern Irish producers benefitting even more at £2.08 per pig thanks to increased competition following Cranswick's takeover of the Cullbackey plant in County Antrim.

The higher pig price resulted in SPP's turnover increasing by 23%, to £64.2 million, however this in turn increased the need for working capital as the group pays producers immediately after slaughter but doesn't recoup this until payment is received from abattoirs. This has been compounded by the length of time before they receive payment increasing from 5.5 days in 2014, to 9.4 days today.

Co-operative stalwart joins ANM Group board

ANM has welcomed to the board one of its most respected and high-profile experts. Almost 40 years since he joined the co-operative, Alan Hutcheon attended his first board meeting at Thainstone in March.

ANM Group chairman Pete Watson said: "Alan has had an impressive career and is well-known to, and thoroughly respected by, members and customers alike. To have an auctioneer on board with almost 40 years' experience is an obvious advantage, adding to our already incredibly diverse capabilities that reflect the strength and depth of our organisation from the core marts businesses, catering, and property, to vehicle and equipment sales, events and leisure. His contribution, drawing on experience gleaned from decades spent in the thick of the auction business and with contacts right across the rural sector, will be invaluable in informing our future strategy."

Mr Hutcheon, who retired from his position as auction operations manager last December, said: "It's an honour to join the board and once again be part of ANM Group. The rural sector has always faced challenges, but what's always impressed me is the way the group has managed to adapt and move with the times, while staying focused on supporting its members and customers."



Alan Donald (left) pictured with ANM Group Chief Executive, Grant Rogerson.

SCOTLAND OF FOOD & DRINK



Chef and TV personality, Simon Rimmer (left), is pictured with Jen Waters of Tulip, Roderic Bruce of Quality Pork Ltd and George Lawrie, SAOS Chairman (far right).

Scotland Food & Drink Excellence Awards 2018



The Scotland Food & Drink Excellence Awards were presented early in June at a glittering ceremony in Edinburgh, attended by around 760 guests.

The 'Success Through Partnership' award (sponsored by SAOS) was presented to Quality Pork Ltd, the joint venture between pig marketing co-ops Scotlean and Scottish Pig Producers, and Tulip.

The judges felt that Quality Pork Ltd was an excellent example of a supply chain partnership developed out of industry need. The partners have secured commitment and investment from a large number of farmers to form the new venture, giving the primary sector more control and involvement further down the supply chain, helping to secure market outlets for their production base. A real platform for future growth has been created and a sector leadership role adopted.

Roderic Bruce, Chairman of Quality Pork Ltd said: "A huge amount of work has been undertaken to secure the long-term future of the Scottish pig industry and the Brechin abattoir is a critical part of that plan. Scottish farmers have taken control of their own destiny and in Tulip, we have a partner with the global scale that matches our ambitions"

Andrew Saunders, Agriculture Director, Tulip Ltd added: "The Brechin facility is a great example of what can be achieved through a collaboration between farmer producers and processors - combining our experience of pig farming and food manufacturing with the skills and experience of the Scottish pig farming community. We are incredibly proud to be able to source quality Scottish pork and will continue to work with QPL to assist it in helping to shape the future of the Scottish pig industry."

There was special recognition on the night for Product of the Year (Isle of Harris Gin), Business of the Year (Border Biscuits) and Jim McLaren, Chairman of Quality Meat Scotland received the award for Outstanding Contribution.

Recognised by both trade and consumers as an accolade of the highest quality, the awards are organised by Scotland Food & Drink and run in partnership with The Royal Highland and Agricultural Society of Scotland (RHASS), with Asda as headline sponsor.

James Withers, Chief Executive of Scotland Food & Drink, said: "Congratulations to all winners and finalists who have been selected from a record number of entries by our panel of more than 45 judges. Scotland is home to some of the most innovative producers and these awards give us the chance to celebrate just a few of them. We have a fantastic mix of established world-class businesses and a new generation of entrepreneurs coming through.

"Scottish food and drink is now a national success story. Our unique partnership of industry bodies and Scottish Government has driven that. However, it is the talent inside individual businesses that make our industry tick and who are putting Scotland on the global culinary map."

More details on all the award winners can be found at: www.scotlandfoodanddrink.org

Getting the right people together: A progress update from the RISS

Since its February launch, the Rural Innovation Support Service (RISS) has been busy, with six working groups up and running, four more in the pipeline and many more ideas germinating.

New RISS groups are exploring how to improve the profitability of hill sheep farms, control liver fluke, manage hen pecking, set up a dairy labour pool and build a mobile abattoir.

With the closure of many abattoirs across Scotland – in Moray, Orkney and Dunblane this year alone – meat processing is becoming a big issue for many farmers, especially those in remote places or with specific needs, such as organic farmers. A RISS group, facilitated by Fergus Younger of SAOS, has formed. Around 15 concerned farmers and land managers were joined at their first meeting, in late May, by a member of a successful Canadian mobile abattoir project.

At the end of May, a group of eight farmers and two vets from Lockerbie met for the first time to discuss alternative ways to control the devastating sheep disease, liver fluke, as it becomes increasingly resistant to the main treatment. Facilitator Heather Stevenson, a vet from SAC Consulting, says: "We can carry on as normal, until other treatments start to fail – but there's a risk farmers will have to give up sheep." The group will discuss land management and husbandry options as a way to control the disease.

In the Borders, in early June, a group of 14 hill sheep farmers from across Scotland and Northern Ireland met with three SRUC researchers and a veterinary clinician to discuss 'Better Hill Sheep Farms'. Concerned with generally declining profitability, the group is currently deciding what area to focus on: marketing (environmental or of genetic improvements), biosecurity or genetics.

"In Scotland and Northern Ireland, the 'show sale' environment doesn't fit very well with sheep that are coming off grass," says veteran Irish sheep and beef farmer and RISS group member, Campbell Tweed. "There's a lack of awareness about this, and also of the benefits of performance recording."

Facilitator, Poppy Frater of SAC added: "I see a lot of progressive farmers who are on the ball. If I can help get their ideas into an action plan, get their project funded or give them more projection, then that's a valuable service."

Meanwhile, the first RISS group, Speeding Up Dairy Breeding has a new member: dairy geneticist Professor Mike Coffey of SRUC, who will be co-ordinating a breeding programme. "It became clear that these farmers were very committed to making very rapid genetic improvements and so were amenable to new techniques," says Professor Coffey. "I'm not aware of anybody who's already doing such a thing, and it represents a very good example of the way the national herd is likely to move in the future."

For more information and to get involved please visit www.innovativefarmers.org/welcometoriss/ or call **Analy Hannah on 0131 666 2474**.

If you have anything to contribute towards future editions of SAOS Update, or you no longer wish to receive a copy, please contact: jennifer.grant@saos.coop

