

SAOS *update*

UPDATE NEWSLETTER FROM THE SCOTTISH AGRICULTURAL ORGANISATION SOCIETY

JUNE 2009



IS YOUR CO-OP TRUSTED?

What makes customers passionately loyal to a business? Answer: Trust.

The best way to ensure commitment from members is for them to believe that their co-op will always act in their best interest, without exception.

Late last year, Tarff Valley commissioned SAOS to carry out a membership survey assessing membership loyalty and reaction to proposed new services, to assist the board with business planning. For SAOS, this was the latest phase in a work stream to increase member loyalty in co-operatives and, in particular, looking at how co-operatives can increase their competitive advantage using a loyalty strategy.

A great advantage of a co-op is that the owners and users are one and the same; it is therefore logical for members to expect their co-op always to act in their best interests. Unlike a profit seeking organisation's relationship with its customer, it's the concept of 'total trust' – where a co-op and its people would never take opportunistic advantage of customer vulnerabilities - that sets co-ops apart.

Since Daniel Côté of Montreal University spoke at a SAOS conference about the advantages of a co-operative loyalty strategy, we have been working with member organisations to help them gauge their members' understanding of their co-operative and the benefits of membership. We have recently assisted Ringlink, Tarff Valley and BMR to gain feedback from members on how well their co-op is performing on their behalf.

The Tarff Valley survey attracted a huge response with very positive messages.



Tarff Valley's new Dumfries store

TARFF VALLEY MEMBER SURVEY

- 91%** were "proud to be a member or customer of Tarff Valley"
- 90%** could "always rely on Tarff Valley to deliver a high quality service"
- 86%** "Tarff Valley knows how to listen and meet my needs quickly"
- 76%** "it's important that Tarff Valley is owned by its community and invests in the area"

"This type of work is hugely important in helping co-operative boards look to the future and plan strategy. It shows where there is potential for further growth and gives pointers on how to make improvements and develop deeper trading relationships with their members." says Bob Yuill. "Honest feedback is invaluable to any organisation and we would very much encourage members to embark on this type of work."

For more details on developing a loyalty based strategy, contact Bob Yuill on bob.yuill@saos.co.uk or 01466 700203.

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SURVEY OF CHAIRMEN PROVIDES INTERESTING INSIGHT

SAOS recently surveyed all the chairmen of its co-op members to identify current board practices and issues.

We were delighted by the positive reaction and high (60%) response rate to the survey, the first of its kind. The results highlight the importance of an effective chairman and board on a co-op's performance.

The full report will be sent to all co-op members and chairmen. For further details contact Jim Booth: jim.booth@saos.co.uk or 01651 843607

Some key findings:

- On average, co-ops held seven board meetings a year, normally lasting three hours and requiring two and a half hours' preparation by the chairman.
- The chairman's main responsibilities were identified as: ensuring the board is able to play a full role; ensuring effective communication with members; promoting high standards of integrity and governance.
- Over half the businesses represented did not have a written statement of the role and responsibility for either directors or the chairman.
- The three main attributes of an effective chairman were seen as: exercising good judgement; possessing proven leadership skills; ability to form strong relations with the CEO.
- Over 85% of boards do not provide an induction process for new directors
- Over half of the boards had undertaken a major strategic review within the last two years
- The main priority in terms of risk was the financial security of the co-op and the risk of bad debt.
- Only a quarter of boards carry out an appraisal of their CEO/MD.
- Over 70% of the boards use SAOS when there is a need for external advice.

CHAIRMAN'S SEMINAR PROVES POPULAR

The seminar for chairmen and vice-chairmen held in March was deemed an overwhelming success by participants. The event in Perth was delivered by SAOS and was attended by 17 chairmen and vice-chairmen.

Topics covered on the day included: chairmanship skills, board renewal, governance update, developing strategy and effective communication.

One of the highlights was the address by Maitland Mackie, chairman of Mackie's Ice Cream, who shared his considerable experience of chairing organisations over the last 35 years.

The event, facilitated by James Graham, Bob Yuill and Jim Booth, had a strong emphasis on sharing experiences of tackling difficult issues. Jim Booth commented: "There was tremendous value in simply getting a group of co-op chairmen in the same room and allowing them to exchange some of their views and experiences."

One of the issues identified was the challenge for boards in appraising the CEO/MD. SAOS is currently looking into engaging a personnel professional to deliver an appropriate workshop this summer.

Following the success of the Chairman's Seminar, SAOS plans to deliver a similar event this coming winter in the north of Scotland, we will of course let you know details for this.

DUMFRIES AND GALLOWAY FOOD CO-OPERATIVE LAUNCHES

A group of farmers and food producers in Dumfries and Galloway have joined forces to launch a new co-operative business venture aiming to provide a modern abattoir and processing facility for the region's livestock farmers and butchers.

The co-operative was established following support from Scottish Enterprise which included research identifying demand and support for such a facility locally. As part of the development of the co-operative, a fact finding tour of abattoirs and meat processing facilities in North of England, Central Scotland and Islay was undertaken. Maggie Gordon of the co-op commented: "The tour was valuable as it allowed us to get a complete contrast of scale and technology between Avonogie and Scotbeef Abattoirs."

SAOS' Duncan Todd has been advising the group on setting up as a co-op and is working on a preliminary business plan. Work has also begun on plans for the facility design and support for this stage of the project has been pledged by QMS. The co-operative is currently considering a number of potential sites for the abattoir.

The co-op plans to make an application to the Food Processing, Marketing and Co-operation Grant Scheme for a contribution towards set up costs, with the remainder of the funding raised through either membership fees or the sale of shares.

For further information and details of how to become a member of the Dumfries and Galloway Food Co-operative, please contact The Company Secretary and Treasurer, Caron Kennedy Stewart on 01776 860246 or email info@clashesaddlebacks.co.uk.



GRAMPIAN GROWERS CELEBRATES SUCCESSFUL YEAR

Grampian Growers has just celebrated its 40th year of trading success.

2008 proved an exceptional year for the North East co-operative due to a combination of good yields, improved prices and the devaluation of the pound against other currencies. The co-operative continues to be the leading exporter of daffodil bulbs from the UK with 2,000 tonnes destined for the USA and a further 2,000 tonnes to mainland Europe. Part of Grampian Growers' success over the years is due to the production of quality produce in all sectors which has led to demand worldwide for Scottish produce.

Based at Logie, Montrose, the co-op was formed in 1968 when six farmers decided to diversify into non-subsidised crops and small acreages of daffodils and strawberries were planted. UK and European grants in the 70's and 80's allowed the purchase of land, erection of the first multipurpose pack-house and the office facilities. A potato trading enterprise was



developed in the early 80's and this still plays a major role in the co-operative's success. The strawberry acreage reduced until production ceased in 1992 when profitability was at an all time low and the weather made it difficult to produce quality fruit outdoors.

Over the years the co-op's membership has increased to 15 bulb/flower growers and around 30 potato growers, responsible for the production of 6 million bunches of flowers, 4,200 tonnes of daffodils and 17,000 tonnes of seed potatoes on an annual basis.

PERTH FARMERS' MARKET CELEBRATES TEN YEARS



Andrew Fairlie, of Gleneagles, lends a hand to the celebrations

April 3rd this year marked the tenth anniversary of the first, 'modern-day', farmers' market in Scotland, in King Edward Street in Perth.

Perth Farmers' Market was the brainchild of Jim Fairlie who, having become increasingly frustrated with the poor prices and bad press that farmers were receiving at the time, decided to act on Agricultural Minister, Lord Sewell's advice "If farmers wish to get out of their present crisis they will have to market their way out of it".

A visit to France and a closer look at some of their farmers' markets provided the inspiration for something similar here. And on the basis that it surely wasn't just the French who had a desire for top quality local food from known, trusted suppliers, Jim began the task of setting up the original market in Perth.

Many of the original twelve stall holders still take part in today's market - Brig Highland Beef, Hilton Wild Boar, Jamesfield Organics, Jim Fairlie's Lamb and Cairn O'Mohr Winery - and all have developed strong links with their customers over the years.

SAOS were also involved early on when, following the initial pilot market, they helped to set up Perth Farmers' Market as an Industrial and Provident Society. The rules of Perth Farmers' Market have since been used as a model for several other markets in Scotland.

We asked Jim Fairlie what advice he had for others considering setting up a farmers' market: "One of the things that has helped Perth Farmers' Market greatly over the years is the advice we took from Ken McDonald from Perth and Kinross Council that we had as a group, to take ownership of the market, and the market is still run by a board of farmer

directors today. This allows us to remain true to the core values of the market, putting producers first, and why farming families are still the main body of the market."

With an estimated eighty farmers' markets now being held in Scotland, with varying regularity, this proves how much of a cultural change has taken place in the way that we shop and the importance of forging links between the farm and the end user.

Jim added: "By being a co-op, we work for the benefit of everyone and, rather than competing with each other, we create the 'cluster effect', which helps us, as well as the city centre traders. It is my hope that over the years this cultural revolution which is slowly gathering pace, actually becomes the norm, and that the people of Scotland make 'local' their first choice every time. We have to continue the hard work in getting the message out that buying local food benefits the economy, the environment and the sense of community that has been lost down the years."

For more info go to www.perthfarmersmarket.co.uk or www.scottishfarmersmarkets.co.uk

NEW CHIEF EXECUTIVE AT ANM FOLLOWING STRONG TRADING YEAR

Despite rising challenges in the economic situation worldwide, its diverse nature allowed the ANM Group Ltd to announce a strong trading profit of £909,000 for 2008. Stakeholders reinforced their commitment to the co-op by increasing share capital by £411,000 to £5.536 million. The group also increased its throughput from £192.341 million to £206.021 million, and turnover by £7.730 million to £99.065 million.

The end of April saw the retirement of Brian Pack OBE (pictured right), as he passed the mantle to new Chief Executive, Alan Craig (pictured left). Having begun his career in the Co-op butchers in Perth at 14, Alan was most recently group general manager of ABP Scotland, the Perth-based meat processor.

For more info go to www.goanm.co.uk



NEWS ROUNDUP

ABERDEEN GRAIN EXPANSION PROCEEDING AT PACE

February saw Aberdeen Grain start the £5.8 million first phase of their expansion plans which include 17,300 tonnes of additional storage, three new driers with a capacity of 110 tonnes per hour of malting barley, new intakes, and relocation of the office and weighbridges.

The grain storage and marketing co-op, which currently has 37,000 tonnes of storage at Whiterashes, Aberdeenshire, is looking to expand its current 150 members.

General Manager, Bruce Ferguson, is delighted with the uptake of extra storage by growers: "We have already sold 15,000 tonnes of the 17,300 tonnes additional storage, underlining growers' confidence in our service and added value. We currently handle 59,000 tonnes of grain and OSR, so the additional storage will reduce our demand for third party storage and ensure highest quality store management."

Aberdeen Grain was successful in securing a £1 million processing and marketing grant under the SRDP.

UNITED FARMERS REPORTS POSITIVE 2008

United Farmers has reported a very positive outcome to 2008 with an increase in annual throughput of £1.8 million to £63.5 million. Chief Executive, Jonathan Robinson, said: "The environment within which our businesses operate is constantly changing and consolidating. Being united in our purchasing can only make us stronger in facing the future. We are pleased to have made such good progress this year and look forward to going from strength to strength."

For more info go to www.unitedfarmers.co.uk

SAOS WELCOMES NEW MEMBER, FARMA

We welcome new member, FARMA, who joined SAOS in December. FARMA represents farmers, growers, producers and farmers' market organisers throughout the UK and is dedicated to supporting the local direct sales sector and driving local foods. This year sees the 30th anniversary of FARMA, which began life as the Farm Shop & Pick Your Own Association (FSPA) in 1979.

For more info go to www.farma.org.uk

SPP TAKE ON MARKETING ROLE FOR NORTHERN IRISH PRODUCERS

Following a year of discussions, Scottish Pig Producers recently firmed up an agreement to provide marketing and business services for Progressive Lean Pigs Ltd of Omagh, Co Tyrone. The deal sees the Huntly-based co-op taking over the services which were proving too time-consuming for directors of PLP – allowing them to spend more time running their own farms.

Gordon McKen, Managing Director of Scottish Pig Producers Ltd (SPP) commented: "The agreement sees us doing the marketing on their behalf. It's a really positive and exciting bit of co-operation as there are distinct similarities between Northern Ireland and Scotland – the pig herds are of similar size and we both have one main processor. Our aim going forward is to build the business for the benefit of both groups."

FIFE DIET GAINS WEIGHT

Consumers are constantly being told that their dietary choices have an impact on carbon emissions, with 'food miles' being a particular hot potato. In response, green activists in Canada conceived the '100-mile diet', with volunteers trying only to eat food from within a hundred-mile radius of their home. This idea was embraced by writer Mike Small and his wife Karen and adapted to create the Fife Diet.

The somewhat unlikely setting for the project cultivated excellent media coverage from the

outset and, from an initial fourteen volunteers, the project eventually grew to see around 600 people signing up to eat food from the local area, monitor their progress and share their experiences. The project is about getting as many people as possible sourcing their food locally and seasonally and discussing how they get on. Absolute localism is accepted as being unachievable and things like coffee, tea, chocolate and spices are acceptable deviations from the overarching principle.

The great strength of the project is that it enables people to address some big environmental issues in a small, practical way and this has led to continued media interest and seen the project lift a host of awards. Having tested what the region can and can't produce during the initial trial period from October 2007 to October 2008, the project is now entering into its next stage of development, as a food co-op, with the benefit of a substantial grant from the climate change fund. SAOS' Douglas Watson has been advising them on their set-up.

For more info go to www.fifediet.co.uk

EOSF Celebrates 50 Years



Farmer owned co-operative, East of Scotland Farmers Ltd, recently held an open day to celebrate its 50th year of trading.

Around 45 suppliers exhibited at the open day, and an official address to celebrate their achievement was made by former EOSF director, Ian Grant CBE, who noted: "It's marvellous to see so many second and third generations of founder member families here today. There is a real family feeling to this co-op and that undoubtedly adds to its strength. This is a real success story."

SAOS' new Chairman, David Mitchell, was also in attendance as a member of the co-op and was full of praise: "East of Scotland Farmers is a tremendous operation. Becoming part of this co-op is the best move I've made in years."

For five decades, the business has traded from the same site in Coupar Angus, but there have been many changes since the early years, when grain was all handled in sacks and often transported by train. In the last trading year over 55,000 tonnes of grain was handled, with most of it ending up as Scotch whisky.

In addition to their grain storage capacity of 37,000 tonnes, other functions of the co-op include grain drying, marketing, supply of seed, fertilizers, ag-chem and feed stuffs, a contracting service, agronomy advice and haulage. The most recent development for EOSF was the opening of their Country Store in December 2007. This investment is now paying off as the store attracts new customers and turnover has jumped. The business as a whole is also doing well and this year's turnover will be around £15 million.

Two new Scottish Pig Monitor Farms to be established

SAOS was recently awarded the three year contract to facilitate two new Scottish pig monitor farms, together with independent consultants Peter Cook and Jamie Robertson. The monitor farm model will be adapted to take into account the enhanced bio-security practices, so will take place off-farm at a central meeting venue.

Following a number of open meetings and communication with all commercial pig producers in Scotland, nominations were received for 11 potential pig monitor farmers. The selection process, by pig industry representatives, is now underway.

This is an exciting opportunity for pig producers to share experience and best practice.

The project aims to improve performance and profitability, and lead to a more vibrant, sustainable pig industry in Scotland.



The introduction of pig monitor farms was one of the recommendations from the Strategic Review of the Pig Sector conducted last year, lead by SAOS. The project forms part of an overarching new 'Pig Business Network' which provides a range of new services including national benchmarking and the appointment of a dedicated national vet to look at reducing and eradicating specific pig diseases.

Be PRECISE - helping growers reap rewards

A new project enabling growers to realise the benefits of precision farming has been set up by SAOS in conjunction with HGCA, BMR Ltd, HBS Ltd and Tayforth Machinery Ring Ltd.

Faced with higher input costs, demands for better quality and increased environmental compliance, it is imperative that growers find a balance between these competing challenges. Precision technology can help with these, as well as significantly improving the efficiency of farm operations.

Reducing greenhouse gas emissions, for example, has become a priority since awareness has grown regarding Nitrous Oxide. One kilo of this powerful greenhouse gas contributes the same 'warming' effect as approximately 298Kgs of Carbon Dioxide. More efficient use of fertiliser can significantly reduce these emissions.

The project aims to provide farmers with the knowledge to adopt precision farming technology through workshops and farm visits in three different locations in Scotland.

Level one workshops will serve as an introduction to precision farming, while level two will look at the topic in more detail. Subjects covered will include machine control and operation, data management and interpretation and targeted agronomy. A major focus will be given to the financial and environmental benefits of being fully engaged with Precision Farming practices.

The workshops will be delivered by individuals with wide ranging experience in precision farming technology and will take place:

Tuesday 7th July - Midcoul Farm, Dalcross, Inverness-shire

Wednesday 8th July - Backboath Farm, Carmyllie, Arbroath

Thursday 9th July - Kerchesters, Kelso, Roxburghshire

For more information or to book, contact your local machinery ring.

SURVEY REVEALS CO-OPERATION STRONG IN SCOTLAND

A survey commissioned by SAOS and carried out by George Street research, confirms that the majority of farmers in Scotland co-operate, and that co-operation looks set to grow in the next five years.

The telephone survey, conducted in February and March, included a representative sample of farm types across all regions of Scotland, ensuring statistical significance of at least 95%.

James Graham, SAOS Chief Executive, commented: "The findings make for interesting reading. There is no doubt that the commercial advantages of co-operation are now essential to most farm businesses, and that co-operation is helping secure Scotland's family farms. We are still analysing the findings, but they undoubtedly will help us shape and target our future development activity. The message from SAOS and established co-ops needs to be stronger and clearer in some parts of Scotland, and we will address that with new activity."

Some key findings:

- 65% of farms above 100 ha (accounting for the majority of Scotland's agricultural output) co-operate.
- 70% of dairy farmers co-operate, and 65% of general cropping farms.
- 59% of respondents spontaneously mentioned rural business (machinery) rings when asked about co-operation.
- 72% of Borders farmers co-operate and 69% of Tayside farmers.
- Several farmers were unaware that some businesses they trade with are co-ops.
- 85% of respondents indicated that they would co-operate at the same level, or more, in the next five years.

CHAIRMAN REPORTS ON SUCCESSFUL YEAR FOR CO-OPERATION

Gareth Baird reported on a tough but productive year for farmers, their co-ops, and for SAOS, when he addressed members at the end of his term as chairman, at the AGM on 20th May.

Several records were broken in the course of 2008. Members posted record throughput, exceeding £1.6 billion. Scotland's rural business rings collectively accounted for a record £55 million, having doubled their throughput

in five years. And SAOS' own turnover leapt to £1.4 million, thanks to several key projects that were delivered in 2008.

Gareth observed: "The sustainability and prosperity of Scotland's family farmers is dependent to an ever greater degree on co-operation. The sum of people's efforts, properly targeted and developed, can achieve so much more than individual unco-ordinated activity."

A survey commissioned by SAOS early in 2009 reinforced the results, indicating that 65% of farms above 100 ha in size were actively co-operating, and 85% would co-operate either the same or more in the next five years.

70% of dairy farmers co-operate, and 68% of general cropping farms.

Gareth acknowledged the excellent relationships that SAOS enjoyed with a wide range of organisations throughout the year, in particular the Scottish Government, Scotland Food and Drink, Quality Meat Scotland and NFU Scotland. "These relationships are exactly what SAOS is all about - bringing people together, tackling problems and developing solutions."

DAVID MITCHELL TAKES THE CHAIR



At our recent AGM, David Mitchell was appointed as the new Chairman of SAOS, succeeding Gareth Baird.

David said: "I am honoured to take on the role of

Chairman and am very much looking forward to my term in office. On behalf of the council and the members, I would like to express our sincere thanks to Gareth for his leadership of SAOS over the past three years, and his commitment to co-operation over many more years which has been greatly valued and appreciated. This was

Gareth's second stint as Chairman and his wide-ranging involvement across industry has been key to the expansion of SAOS' role. His tireless efforts to further meaningful supply chain developments deserve special mention.

"It's clear that SAOS is going to be busier than ever. There are major challenges ahead for Scotland's farmers in the food and drink market and in adapting to climate change. SAOS has the expert skills and commercial pragmatism to ensure that farmer co-operation and supply chain collaboration are properly developed and make their contribution to sustaining our industry. Our commitment to working together

with our members, Scottish Government, and in co-operation with other industry organisations, is the right approach, and we will continue our emphasis on joint working.

David added "I am delighted to welcome Andrew Peddie as Vice-Chairman and look forward to working closely with him again. Andy and I go back a long way, in fact as far as young farmers' days, but more recently at NFU Scotland. His experience with Scot Lean Pigs and QMS will be invaluable going forward.

We will have news of our new council members in our next SAOS Update.

NEW FACES

There have been several new additions to the SAOS team, some more recent than others as it's been a while since our last update!



A belated welcome to Graeme Johnston who joined the team in January as Finance Manager based in Ingliston. Graeme is a member of the Institute of Chartered Accountants of Scotland

(ICAS), having qualified as a CA in 1994. He has held senior finance roles in companies within a range of different sectors including charities, higher education and manufacturing, Edinburgh Zoo, Festival City Theatre Trust, Hibernian Football Club and the Scottish Rugby Union. Graeme's experience covers all financial aspects of business as well as payroll, IT, new software systems, review and documentation of procedures, risk analysis and governance reviews.



Jennifer Grant joined SAOS in April as Communications and PR Manager, also based at Ingliston. Jennifer, who is of Strathspey farming stock, originally studied

communications before working overseas in the travel industry for several years. After returning to the UK, she worked in brochure production and then public relations and internal communications for the Thomas Cook Group. Since then she has worked in communications roles in a wide variety of other organisations, the latest of these with Seafish in Edinburgh.



Our latest addition, George Noble, joined us in May as Supply Chain Development Manager. George has an undergraduate degree in physical geography, as well as an MBA, and

has held a number of consulting, project management, and board positions in the public and private sector, both food and non-food related. George also has extensive business development experience gained in the primary seafood-processing sector. In his most recent role as Project Manager at Scottish Enterprise, he led a number of key food and drink projects in the fields of health, branding and seafood, as well as sitting on SE's Rural Group.

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

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