

SAOS *update*

A great Case of co-operation for machinery rings

The Scottish Machinery Ring Association recently signed a ground-breaking agreement with Case IH UK which will see farmers receiving a welcome rebate, over and above any agreement with their machinery dealer.

Chairman of the Scottish Machinery Ring Association, James Playfair Hannay, described the deal as “co-operation at its best”, emphasising that, while members would continue to carry out their own deals, Case IH would pay an additional sum of money into the ring which would then be passed onto the purchaser on an annual basis. He continued: “It shows that there are huge benefits to be had from access to a very large customer base.”

There are currently nine machinery rings operating in Scotland with a combined membership of around 6,500. Mr Playfair Hannay believes the deal will be a forerunner of a number of similar agreements, utilising the large membership base of the rings to derive financial benefits. “This is already happening in Germany and Austria where rings were first established,” he added.

Although Case IH currently has a relatively small share of the UK tractor market, it has a good reputation for quality and reliability and its market share is growing. The deal will provide a tremendous boost to this market penetration, not just in tractor sales, but also through other machinery including harvesters and balers, which are all covered in the agreement, known as the Managed Farm Account Scheme.

Andy Whiley, accounts manager with Case IH, believes the agreement will bring big benefits to both parties: “Buyers should

get very competitive discounts and Case will work through the ring network giving us a much larger customer base than we currently have. I am sure that Case IH dealers will increase their business as a result of the agreement.”

Graham Bruce, Managing Director of Ringlink (Scotland) Ltd, added: “This is a great development for ring members and I’m confident that other similar agreements can be obtained. We’ve already had approaches from two other major companies wishing to discuss opportunities.”

Hamish Walls of SAOS commented: “This is a very innovative move. We’ve seen collaborative purchasing in many other areas, such as fuels, but this is the first time that Scottish rings have come together to secure agreement with a large, multi-national machinery supplier. I’m sure we can expect to see many more similar agreements in the future.”

The deal is available though all members of the Scottish Machinery Ring Association. For further details, contact your local machinery ring.

Borders Machinery Ring shows one of Case’s tractors available through the scheme at the Kelso Show



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CO-OPERATION ON KINTYRE GETS THE CREAM



Pictured left to right: First Milk Chief Executive, Peter Humphreys; Minister for Environment and Rural Affairs, Richard Lochhead; and Tesco Corporate Affairs Manager, Tony McElroy

This summer saw a massive boost for dairy farmers on the Mull of Kintyre with First Milk unveiling plans for a state-of-the-art, new creamery in Campbeltown.

The new creamery will have a larger capacity and will be funded by the sale of First Milk's existing creamery site to Tesco Stores Ltd, plus additional funding from First Milk itself, together with up to £3.9 million from the Scottish Government

The existing Campbeltown creamery was built in the 1820s as a distillery before being converted but, despite regular investment, has recently struggled to cope with modern demands. The creamery is supplied by 42 dairy farms and the sector in the area is worth £11 million a year to the local economy.

On a visit to the site, Richard Lochhead said: "This substantial investment is a great boost for the peninsula of Kintyre and the dairy sector. The creamery is vital to the local economy and beyond, and this investment will enable its owners to take full advantage of new developments in the food sector while delivering much needed environmental improvements.

"The Campbeltown creamery is a huge part of the social and economic fabric of Kintyre. I am delighted that in partnership with First Milk and Tesco we are able to offer many families and communities throughout the region a much brighter future."

First Milk's chief executive, Peter Humphreys, said: "This is a red-letter day for First Milk, our employees and dairy farmers on Kintyre. The creamery and the dairy farming community are mutually dependent, and this new investment secures the future of the dairy industry in this part of Scotland."

Commenting on the announcement, James Graham added: "I suspect that only a farmers' co-operative would make a long term investment of this type in Kintyre, because the objectives of the co-operative are long term - to sustain dairy farming families in the area for generations to come. It's a huge sign of their confidence in the quality and appeal of their cheeses, and the Scottish Government clearly has great confidence in their commitment and passion."

Tesco's Corporate Affairs Manager, Tony McElroy, noted: "This is a really exciting project for us and we are proud to be involved in helping to safeguard the future of cheese-making in Campbeltown. Our Partnership with First Milk will not only help to protect future production in the area, but will also enable Tesco to create over 200 much needed new jobs."

SALMOND CALLS FOR MORE DEVELOPMENTS LIKE ABERDEEN GRAIN'S

Speaking at the opening of Aberdeen Grain's newly expanded site, First Minister, Alex Salmond said he believes that developments like this are a necessity for the industry and more are needed: "It is crucial that we get this sort of new facility into the farming sector. It is the type of investment that we very much want to see in our rural industries and I am delighted we have been able to support it through the Scottish Rural Development Programme."

Aberdeen Grain's General Manager, Bruce Ferguson, underlined the importance of the organisation in removing risk and unnecessary costs for its members. The opening marked completion of the first phase of a £7 million expansion which he estimates will bring an annual benefit of about £900,000 to members due to the higher prices and increased volumes the co-op can offer customers. He said that Aberdeen Grain was ideally placed to help arable growers through what he expects to be more challenging times: "Farmers have to create strength in the market and facilities such as we have here at Aberdeen Grain allow that to happen."



Guests toured the newly extended site at Whiterashes with its new grain drying, office and strage facilities

Mr Ferguson also talked of the need for relationships in the grain chain to become more trusting and called for an end to the confrontational attitude between growers, merchants and suppliers where discussions are focused only on price. He said that longer-term deals have to be struck that recognise the needs of everyone involved. Mr Ferguson also made a call to farmers who are not members of the 170-member co-op to

consider their future and the issues they face in cutting production and management costs, improving storage, dealing with infestations and in adhering to tougher regulations. He said: "We have the framework here that takes out a lot of the risk and costs. We're delivering cutting-edge facilities at a time when the infrastructure on farms is sadly decaying and significant investment will have to be made."

NEWS ROUNDUP

Failure of Dairy Farmers of Britain to be examined

The recent demise of Dairy Farmers of Britain should not deter farmers from investing in their co-ops, believes James Graham: "Everyone knows that a business failure, whatever its ownership and constitution, is due to a set of circumstances and decisions that are highly individual to that business. I expect that the enquiry announced by the Environment, Food and Rural Affairs Committee in Whitehall will shed light on the specific factors which led to the failure of Dfob. We will look at its findings with interest, and report back any lessons that may be pertinent to SAOS member co-ops."

The Committee will consider:

- The impact of the collapse of Dfob
- The governance and accountability structures
- Defra's response to the collapse
- The causes and lessons to be learned

SAOS has advised and assisted many members on developing governance best practice, and publishes Governance Standards for Agricultural Co-operatives.

PorkLink launched in Scotland

A venture to restore confidence in pig farming in Scotland has been launched by Scottish Pig Producers, Asda and Vion Food Group.

The Asda PorkLink scheme aims to strengthen links with farmers by creating a number of benefits, including bonus payments for Q-grade pigs and prompt payment within seven days.

The scheme will see a training and research farm set up and regular producer meetings, and aims to encourage consistency of supply, as well as helping to improve quality and financial stability.

Sandy Howie, chairman of Scottish Pig Producers, said: "We are delighted with the launch. This demonstrates the benefits of close co-operation between farmer, processor and retailer. We believe this will deliver greater stability for Scottish pig farmers and help to restore confidence in the sector. We hope this will encourage further and closer ties between supply chain partners."

Bob Yuill of SAOS added: "The review of the Scottish pig industry, managed by SAOS for QMS, stated that efficiency along entire pig supply chains is key to future profitability.

PorkLink is an excellent example of this strategy, and Scottish Pig Producers is pivotal to the scheme."

Asda's senior pork buyer, Paul Armstrong, commented: "Asda has a 20-year alliance with Scottish pig farmers and, by working closely with Vion and Scottish Pig Producers, we believe that Asda PorkLink will help to build a stronger supply chain and deliver greater sustainability for our Scottish pig farmers."

Draft co-op legislation update published at last!

The draft Legislative Reform Order, that will have the effect of updating co-operative legislation, was published in July, having been under consultation and negotiation for two years. It contains measures to update share capital provisions and proposes the removal of limits on individual member shareholdings of non-redeemable shares, plus increasing the limit on redeemable shares from the current £20,000 per member to £30,000 per member (the exact amount is still to be notified).

James Graham represents agricultural co-ops as a member of the Treasury Working Group: "We very much welcome publication of the LRO. It's a significant milestone in what is proving a long journey to modernise co-op law to meet current needs, and to ensure that co-ops are not disadvantaged relative to companies by historic and over-restrictive provisions. It has been very helpful to have input from SAOS members, some of whom are impatient for change because current provisions constrain their businesses."

James adds: "Capitalising co-ops to enable investment in value-adding is a real challenge, but the new share provisions create opportunities to secure capital on terms that are acceptable to members and lenders to co-ops. However, co-ops still need more support to overcome their capital raising constraints. For example, co-ops in the USA benefit from a loan guarantee scheme that is specific to their needs, and we don't have any equivalent support here to help capitalise agricultural co-ops."

The LRO will be laid before Parliament when MPs return from the summer recess. A status report prepared by Co-operatives UK has been mailed to all SAOS members.

For more information, contact James Graham on 0131 472 4100.

'CHAMPION' HIGHLAND SHOW



One of the top performers at this year's show

This year's Royal Highland Show has been deemed a huge success with record breaking attendance figures.

SAOS once again used the United Farmers' stand as their base throughout the show and we asked Jonathan Robinson, their Chief Executive, how successful the show had been for United Farmers: "This year's show was a hugely positive and successful event and several people have remarked that they thought it was the best ever. Both members and suppliers have said to me that they found our evening function a useful and relaxing environment - ideal for meeting with different business partners and useful contacts in one location.

Jonathan continued: "The Johnson Diversey/United Farmers Members best growth award went to Tarff Valley - Mr Stephen Hunter (pictured below) kindly accepted the award and a cheque for £500 on their behalf. Farmers are benefiting from the co-operation of these members consolidating purchasing with chosen suppliers and delivering excellent value and products, coupled with expertise, to them.

"United Farmers looks forward to providing continued and additional improved benefits to its members who in turn deliver these to the farmers." He added.



UK AGRI-CO-OPS GROW TO £4.65 BILLION

Latest analysis produced by Co-operatives UK indicates that the combined turnover of UK agricultural co-ops was £4.65 billion last year, and investment by farmers in their co-ops increased to almost £455 million.

According to the Co-operative Review 2009, which was published at the annual Co-operative Congress, dairy co-ops accounted for the largest proportion from a single sector, with more than £1.6 billion of turnover, followed by cereals co-ops. Total membership of all UK agricultural co-ops was 153,488.

James Graham commented: "Several factors are contributing to growth in agricultural

co-ops, not least their risk management services in both selling and buying in very volatile markets, and the opportunities they provide for participation in added value supply chains.

"Here in Scotland, the cost savings that can be achieved through machinery rings have led to their doubling in turnover in the last five years – a continuing, clear success story. There is also significant capital investment underway, with the recent announcement from First Milk of construction of a new creamery in Kintyre, and the opening of the new Aberdeen Grain storage and processing facility.

"Research we commissioned earlier this year found that 85% of farmers will co-operate to the same level or more in the next 5 years, so we expect co-op growth to continue."

The findings were included in the Co-operatives UK 2009 Review which SAOS sent to members and interested parties over the summer. The review also includes the list of the top 100 co-ops in the UK and the presence of agricultural co-ops in this list was noticeably strong. Despite several individual changes in the table, overall numbers stayed the same with 54 of the top 100 co-ops being agricultural. Several SAOS members show particularly strong performances.

SAOS CONFERENCE

This year's SAOS annual conference takes place on the 5th of November at the Macdonald Cardrona Hotel, near Peebles. This year's theme is 'Sustainability – Meeting Today's Needs Without Compromising the Future'. We'll aim to unravel the complexities surrounding the topic and get to what sustainability really means to farmers and food producers, and how we can possibly get the right balance between economic, social and environmental development needed to achieve 'strong' sustainability.

We have an excellent programme of speakers and look forward to hearing their thoughts and finding out what this means for the future of farming. Bob Yuill, SAOS' expert on 'strong' sustainability said of the conference: "Our industry is being challenged to produce more from less inputs, enhance the environment and maintain the social fabric of our rural communities, all within a competitive global marketplace. It's a big ask, and our co-ops have a growing and vital role. Our conference will promote a lead position for our sector and, as usual, networking at the event is likely to prove equally popular and lead to lively debate."

A hot buffet lunch will be available from noon, and the conference itself begins at 1.30. Dinner is at 7.30 and guests can take advantage of a reduced Bed and Breakfast rate for an overnight stay at the hotel.

We've enclosed a brochure providing full details, together with a detachable booking form, with this issue of Update. We've kept the cost for all the elements of the conference the same as those of last year. **Please ensure that your booking is with us by 27 October at the latest.**

PROFILE - BOB YUILL



For the first time we're turning the spotlight on some of the people who are a key part of SAOS. These will not just be staff profiles, we also intend to spread our net wider and include members of the board to find out a bit more about what makes them tick. If you have any suggestions, or burning questions to ask someone, please send them in to the address below. In the next issue, we'll be interviewing our Chairman, David Mitchell, but our first victim is Bob Yuill, Deputy Chief Executive of SAOS.

How long have you been with SAOS and what are the biggest changes you've seen in that time? This is my second time round with SAOS, I returned in May 1998 when James Graham became CEO. My first 4-year stint started in 1990 with a remit to grow a consultancy income stream. The first consultancy success was persuading, then newly-formed, Grampian Enterprise to support business planning for the ag' co-ops in their area, which brought the importance of the sector to their attention at the time. The most significant change has been the growth and increasing vitality of co-ops in Scotland: they are the leading edge of new industry investment and partnerships.

Tell us a bit about your role. The role continues to change over time. Increasingly I am involved in managing multi-disciplinary teams to integrate work from colleagues and other partners to find solutions for clients. One of the things that SAOS does better than most is managing change processes and work streams between various parties to deliver a result. The pace of change means that situations are often messy, rather than muddy, and more of our work is based on providing some order within the planning to deal with change.

What is the most enjoyable part of your job? Without doubt it's working with successful co-operative businesses and their managers - and there are many! Working with them to develop and deliver successful strategies that provide increased value to members is a great privilege.

What has been your biggest work-related challenge? There certainly have been a few over the years and it's difficult to pick the biggest one. Completing my Masters in Co-operative Management was a significant challenge: it meant an additional 15 hours academic work every week for 3 years, which needed a lot of support, particularly from my family, for which I am eternally grateful.

If you could change one thing about the agriculture industry, what would it be? For it to become more attractive to young people and be able to support them when they make a career choice within the industry.

In the current times, are you surprised that there aren't more businesses co-operating together? I think businesses need to co-operate more to reduce the risks inherent with new capital investment in technologies and plant - the ones who do this are more often very successful.

What would you be doing if you didn't work for SAOS? Managing a farm/estate with cows, sheep, grain, seed potatoes, timber and field sports. I still miss it.

How do you like to spend your free time? Mucking about with engines, fast cars and motorbikes.

What's your ideal holiday? At home here in Glass in the summer time with the family, not being wakened by the alarm clock and beating my dad and 'the loon' at golf.

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

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