

Consultation response

The future for food, farming and the environment

May 2018

1 Introductory remarks

- 1.1 We fully support the proposed policy of ‘public money for public goods’ in farming and food, so long these public goods include resilient and self-sustaining domestic food production. As values-based businesses that are committed to self-responsibility and a concern for the environment, co-operatives are strong supporters of the proposal to target the public goods of environmental protection and enhancement. Simultaneously, as commercial organisations that trade for their members’ mutual interest, co-operatives are also very supportive of the proposed focus on improving the productivity and profitability of farm business and food supply chains.
- 1.2 This twin focus in the proposed policy, aimed at supporting farmers to be more productive, resilient and self-reliant, while simultaneously sustaining and enhancing nature, must be pursued vigorously. But this must also be done in a way that is fair to farmers, rural communities, food businesses and consumers. This will require a rigorous assessment of the social and economic impacts of policy, alongside environmental ones. To be sustainable on all these fronts our farming and food economy needs to be genuinely inclusive; sharing opportunity, value and power broadly in supply chains and communities.
- 1.3 Farmer co-operation is a proven model for achieving this inclusive economy. Thus we are delighted to see Defra proposing a significant role for co-operation and collaboration in this consultation. In this response we provide insight, examples and evidence on the significant role farmer-led co-operation and collaboration can play across a range of policy areas, including excellence and profitability, enhancing the environment, international trade, and of course in the key area Defra identifies: ensuring fairness in the supply chain.
- 1.4 We do not suggest that co-operation is the most critical factor in every area. But it is a very important factor in many areas and it is hard to find a part of the farming and food economy where it has no valuable role to play at all.
- 1.5 Below we respond to part 12 of the consultation first, where Defra addresses co-operation and collaboration directly, before answering other questions where we can demonstrate that co-operation has something significant to contribute.

Ensuring fairness in the supply chain

2 **Question: *How can we improve transparency and relationships across the food supply chain? Please rank your top three options by order of importance***

2.1 Our top three options are:

- Promoting Producer Organisations and other formal structures
- Improving the provision of data on volumes, stocks and prices etc
- Other: encourage genuine end-to-end supply chain collaboration

2.2 When farmers co-operate with one another for mutual advantage to innovate, source inputs, invest in infrastructure and value-adding processes and bring their produce to markets more efficiently, they can make otherwise dysfunctional markets and supply chains work better. By acting through co-operatives and other forms of producer organisation, farmers can have more balanced and mutually beneficial relationships with powerful upstream and downstream actors, as well as with one another.

2.3 We are pleased to see that Defra recognises the benefits that could come from improving farmers' access to market data. While there may be a role for government to set legislative standards in this regards, we also encourage policymakers to consider how through co-operation and collaboration farmers can produce, collate, disseminate and crucially own valuable market data for themselves. There are some exciting examples of innovative farmer co-operation on data that we agree with the leading innovation foundation Nesta should be promoted and supported in future farming policy.¹

3 **Question: *What are the biggest barriers to collaboration amongst farmers?***

Perceptions and culture

3.1 The commonly expressed view that British farmers tend to be culturally disinclined to co-operate is backed up by some evidence.

3.2 This cultural disinclination is partly comprised of farmers' sensibilities about their independence. In 2014, EFFF published survey results on farmer attitudes to co-operatives and other producer organisations. It said the biggest reasons given for farmers not being willing to join a co-operative or other producer organisation was a perceived loss of autonomy.² These sensibilities may have been further reinforced by the fact that so much of the support provided through the Common Agricultural Policy (CAP) has incentivised and targeted action on an individual farm basis. This view is supported by the observations of the Scottish Agricultural Organisation Society (SAOS):

¹ <http://www.nesta.org.uk/blog/precision-agriculture-separating-wheat-chaff>

² EFFF (2014) 'Conditions, attitudes and structures of successful POs and cooperatives'

“Co-op activity and market shares vary considerably amongst farm types. In general, in sectors which have been less subsidised by the CAP co-operative activity and market shares are highest. And, vice versa.”³

- 3.3 The 2014 EPPF survey of farmer attitudes also detected negative perceptions of co-operative and producer organisation performance, with negative associations resulting from high-profile failures historically.⁴
- 3.4 The same study suggests that many farmers in the UK are also risk adverse and that this combines with negative perceptions of co-operation to dissuade them from committing their capital and business operations to co-operatives long-term. This combination may be an especially powerful barrier, as the benefits from co-operation are often long-term and so might not come out well in farmers’ reckoning of cost, risk and reward.

Limited experience and knowledge of co-operation

- 3.5 Cultural barriers to co-operation are in part a consequence of and a causal factor behind the very limited experience most farmers have of co-operation. In most agricultural sectors in most parts of the UK farmers have very limited understanding and experience of collaboration. Indeed data from a 2012 European Commission report shows the UK ranking near the bottom of member states in terms of co-operative presence in agriculture.⁵ Compared to their peers in other EU member states, British farmers simply do not by habit co-operate. Their understanding of how co-operation works and the benefits it can bring is thus very limited.

An inadequate focus on co-operative excellence

- 3.6 While there are many high-performing co-operatives, the fact that collaboration is a minority activity means there has been an inadequate focus on commercial excellence in a co-operative context in UK food and farming. There are a number of essential mutually reinforcing factors in co-operative excellence including: member value, effective governance and member confidence. Evidence suggests that too little strategic attention has been paid to developing excellence in member value and governance, with the notable exception of Scotland where SAOS provides government-funded advice and support for farmer co-operatives in these areas.⁶
- 3.7 In a co-operative or other producer organisation, success should be measured in the added value generated for members through their joint actions. This differs in important and sometimes nuanced ways from the prevalent concept of business success in the UK, which is overwhelmingly measured by balance sheet growth, the generation of profits and returns to shareholders.⁷ Thus commercial performance in a co-operative has

³ <http://www.saos.coop/wp-content/uploads/2016/09/SAOScoopsbookletFinalLoRes.pdf>

⁴ EFPF (2014) ‘Conditions, attitudes and structures of successful POs and cooperatives’

⁵ https://ec.europa.eu/agriculture/sites/agriculture/files/external-studies/2012/support-farmers-coop/leaflet_en.pdf

⁶ <http://www.saos.coop/about-saos/>

⁷ EFPF (2014) ‘Conditions, attitudes and structures of successful POs and cooperatives’

particular qualities that are not always well understood by farmers and business leaders. The presence of professional opinion which holds that being a business owned by and trading for member farmers limits commercial opportunities⁸ is symptomatic of this weakness. It signifies that over time too little attention has been paid to developing modern, commercial conceptions of ‘member value’.

- 3.8 A focus on commercial success through the prism of member value requires co-operative boards, farmers’ representative bodies and managers to have a strategic commercial capability rooted in an understanding that collaborative value. These leaders, including critically member farmers, need to understand how the co-operative adds value for members through action in what can be dysfunctional supply chains and volatile and sometimes competitive markets. Farmer representatives need the ability to participate in the development and monitoring of strategies for maximising future member value in these contexts. This governance dimension of co-operative excellence has also been left under-developed in the UK. Indeed some high profile failures of co-operatives and producer organisations in the recent past have been caused at least in part by a breakdown in effective co-operative governance.⁹ The EFPF published survey results in 2014 showing that a lack of good leadership at board and management level was a key barrier to the development of co-operatives and producer organisations in the UK.¹⁰
- 3.9 But this is not just about challenges in the formal management and governance of co-operatives. Because of the combination of habitual practice and the disincentives in direct farm support, too few farmers engage in business management practices, as reported in Defra’s Evidence Compendium.¹¹ From this we can perhaps surmise that even fewer farmers think strategically and commercially beyond their own farm business to consider how they could gain from collaboration, either with other farmers or vertically in the supply chain. Therefore many farmers are arguably ill-equipped to participate in co-operative governance, commit to a shared project with a long-term pay-off or take entrepreneurial risks with their peers.
- 3.10 In practical terms, the shortcomings detailed above may help to explain why many of the recent value-adding developments in UK food chains, in areas such as technological adaptation, consumer-focused product development and vertical collaboration, have been initiated by upstream and downstream actors rather than farmer-led organisations. This stands in contrast to other advanced agricultural economies, where farmer co-operation and collaboration has played a more significant role in similar value-adding developments, such as the use of data in precision farming in the United States¹²,

⁸ <http://wales.coop/wp-content/uploads/agri-report-english-full.pdf>

⁹ As found by the EFRA Committee [inquiry into the failure of Dairy Farmers of Britain](#) and in analysis of the shortcomings of some POs under the Fruit and Vegetable Scheme

¹⁰ EFPF (2014) ‘Conditions, attitudes and structures of successful POs and cooperatives’

¹¹ Defra [Evidence Compendium](#)

¹² <https://www.qisc.coop/about/>

innovation in sustainable intensive production in Denmark¹³ or consumer-focused produce and product development in the Netherlands¹⁴ and Italy¹⁵. There are notable exceptions to this, such as in UK horticulture, where through the Fruit and Vegetables Aid Scheme, farmer co-operation in POs has been a key facilitator of innovation, investment, product development and other value-adding developments. The other exception we find particularly relevant here is found in Scotland, where a strategic focus on co-operative excellence has allowed farmers and their co-operatives to play a key strategic role in the commercially successful industry collaboration that is Scottish Food and Drink.¹⁶

Structural power of processors and retailers

- 3.11 In part because the role of co-operation and collaboration in the UK has been so limited, suppliers, processors and retailers have a lot of structural power that can crowd out farmer-led collaboration. For instance, dominant downstream actors tend not to want to trade with farmers organised autonomously on a co-operative basis. Instead they are often in a position to set terms for lots of individual farm businesses *en mass*; for example through initiating vertical integration that they control, such as supermarkets' dairy groups.
- 3.12 More vertical food chain collaboration is undoubtedly a good thing, especially as we aim to be ecologically sound and to pursue greater comparative advantage at home and abroad. But the underlying dysfunctions in supply chains, which limit long-term farm productivity and profitability, will not be addressed until producers gain more agency and ownership in these arrangements.
- 3.13 Moreover, from a competition policy perspective it may well be preferable for the supplier groups involved in vertical collaboration to be autonomous from processors and retailers.

Limited and uneven government support

- 3.14 Limited and uneven government support for co-operation and collaboration should also be seen as a barrier to collaboration.
- 3.15 Arguably the biggest source of support for farmer co-operation in the recent past has come from the implementation of CAP schemes that use POs. But these implementations have been limited and varied in scope and lacking in any guiding principle that could have promoted and supported co-operation more generally. While the Fruit and Vegetables Aid Scheme has provided twenty years of successful, cohesive, rounded policy support for farmer co-operation, this has been sector-specific. Meanwhile a PO scheme for dairy has had a different emphasis and was introduced later. And PO

¹³ <http://agricultureandfood.dk/about-us/sustainable-intensive-production--growth-in-balance>

¹⁴ <https://en.agrico.nl/innovation/variety-development>

¹⁵ <http://www.caseificio4madonne.it/en/>

¹⁶ SAOS provides support on co-operative excellence in three crucial areas and helps ensure farmer co-operatives are key strategic players in Scottish Food and Drink: <http://www.saos.coop/about-saos/>

schemes come with all the bureaucratic and regulatory trappings of the CAP, which might have played into the cultural disinclinations discussed in 3.1 to 3.5.

- 3.16 Except in these restricted and varied uses of POs, policy in England has not promoted and supported co-operation with much ambition or enthusiasm. This is particularly borne out through comparison with agricultural policy in Scotland, where government has taken a proactive approach to promoting and supporting co-operation. In Scotland, farmer-led co-operation plays a critical strategic role in a very collaborative farming and food industry.

Not a 'user-friendly' option

- 3.17 Establishing and participating in co-operative ventures is often perceived as involving additional complexities and burdens, which can make what we call 'the co-operative option' appear less user-friendly when compared with operating as a sole trader, transacting with sellers and buyers on an individual basis, or entering into group arrangements developed, owned and controlled by others. These perceptions are in part due to a limited awareness and understating of co-operation and collaboration. But they are also in part due to some very real transactional costs and to shortcomings in the corporate framework government provides for people seeking to co-operate in the UK.
- 3.18 The transactional costs involved in collaboration chiefly include the financial commitments required of members and time commitments. Both can be worth it if collaboration delivers the expected benefits. Thus controlling the transactional costs of collaboration should be a key feature in the pursuit of member value and should also be part of good co-operative governance (see 3.8 and 3.9 above). Unfortunately, because these practices are somewhat under-developed in the UK, we might not be as good at controlling the costs of collaboration as we could be.
- 3.19 Meanwhile, when comparing the situation in different European countries, Copa-Cogeca (the EU-wide body representing agricultural co-operatives and farmers' associations) found that farmer co-operation flourishes more readily where government provides straightforward, well-maintained and enabling corporate frameworks for collaboration.¹⁷ By 'corporate framework' we mean the laws, regulations, processes, requirements, information and services government puts in place for anyone benefiting from (or seeking to benefit from) limited liability and legal personhood. The UK has an under-developed corporate framework for co-operation, which may contribute to farmers' disinclination to participate in co-operatives and other producer organisations.
- 3.20 UK corporate frameworks have overwhelmingly been developed and maintained with investor-owned business in mind.¹⁸ Significant improvements need to be made to the corporate frameworks provided for co-operative business to make them as user-friendly

¹⁷ Copa-Cogeca (2014) ['The development of agricultural co-operatives in the EU'](#)

¹⁸ New Economics Foundation (2017) ['Shareholder capitalism'](#)

as they should be. This is especially the case for businesses incorporated under the Co-operative and Community Benefit Societies Act,¹⁹ as most farmer co-operatives are.

- 3.21 At present the collaborating farmers in the UK lack user-friendly, low-burden and low-cost options for incorporation and ongoing compliance with public registrars and HMRC. Changes may also be needed to allow farmers the flexibility in governance, capital raising and commercial partnerships they require to collaborate in a modern food chain.

Complex and inconsistent competition policy

- 3.22 The approach to co-operation on the part of competition authorities may also act as a barrier to farmer co-operation at times, especially in downstream activities. While we have an essential settlement for agricultural co-operation in EU and UK competition law, centred on ‘derogations’ in the CMO regulation, this is suboptimal and it is sometimes argued as not providing the assurances many farmers need to co-operate. In its November 2016 report to the European Commission by the Agricultural Markets Task Force found:

“The current agricultural derogations as laid down in the CMO regulation are the result of a historically grown patchwork of ad hoc approaches and solutions, sometimes the result of institutional compromise, which lack a common organising principle. This is a far cry from the coherent and integrated policy framework that is desirable.”²⁰

- 3.23 The Task Force cited conflicting rules and uncertainty and confusion among farmers, the EC, the CJEU and national competition authorities as to what is allowed, especially in relation to joint selling by co-operatives.²¹ In its ‘Future of the CAP: Post 2020’ paper, Copa-Cogeca, the EU-wide body representing agricultural co-operatives and farmers’ associations, recommends:

“Without legal certainty regarding joint action farmers’ uptake and use of these measures will be minimal. In this context a modernisation of the competition law should be envisaged.”²²

- 3.24 In the UK farmers have never been given clear guidance on the design and functioning of this settlement for agriculture. And historical actions by UK competition authorities may have muddied the waters further. For example, the role of the Monopolies and Mergers Commission (as was) in the high-profile breakup of dairy farmers’ co-operative Milk Marque (in the late 1990s), is often cited as example of how competition policy has undermined confidence in co-operation among UK farmers.

Summary

- 3.25 In summary, we believe the biggest barriers to collaboration amongst farmers are

¹⁹ <https://www.uk.coop/promoting-co-ops/influencing-policy/legal-framework>

²⁰ https://ec.europa.eu/agriculture/sites/agriculture/files/agri-markets-task-force/improving-markets-outcomes_en.pdf

²¹ Ibid

²² <http://www.copa-cogeca.be/Download.ashx?ID=1655215>

- A cultural disinclination to co-operate among farmers
- Farmers' limited experience and understanding of co-operation
- An inadequate focus on co-operative excellence in UK food and farming
- The structural power of suppliers, processors and retailers in supply chains
- Limited and uneven government support for collaboration
- The 'co-operative option' not being as user-friendly as it could be
- Complex and inconsistent competition policy in relation to co-operation

4 Question: *What are the most important benefits that collaboration between farmers and other parts of the supply chain can bring? How could government help to enable this?*

Benefits of collaborative food supply chains

- 4.1 Supply chain collaboration is an agenda that has become markedly important for industry leaders and policymakers. It is increasingly understood that significant competitive pressures act on supply chains as well as on individual businesses. And commercially successful supply chains, that function well for all actors from end to end, are increasingly recognised as vital in the development of stronger, more sustainable and more inclusive economies. It is notable that the UK government's Industrial Strategy emphasises supply chain collaboration in many areas.²³
- 4.2 Experts such as Professor Jan Godsell argue that more genuine collaboration in our food supply chains will make them more efficient, competitive and ecologically sound, while also increasing fairness for more stakeholders, including specifically farmers. Academic opinion, borne out by evidence from other industries, suggests that collaborative food supply chains could help to deliver the key public goods Defra plans to prioritise: environmental protection and enhancement coupled with productive and profitable farm businesses.
- 4.3 However, such high-functioning and collaborative supply chains able deliver against these objectives will only develop if they include farmer-to-farmer co-operation of significantly enhanced scope, scale and impact. Farmer co-operatives and other similar collaboratives should be understood as a vital means for farmers to participate in truly functional collaborative supply chains.
- 4.4 Supply chain collaboration requires that different actors come to treat one another as indispensable partners rather than antagonists. With this in mind we recognise that in our new food economy the ultimate purpose of co-operatives should not be as a weapon in farmers' power struggles with processors and retailers. But Defra should certainly also recognise that some rebalancing in power is required if supply chain management is going to be more than the management of suppliers. Given the fragmented nature of

²³ <https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>

farm businesses and their position as price takers, more farmer-to-farmer co-operation and collaboration is going to be necessary to achieve this.

- 4.5 Thus farmer-to-farmer co-operation should be viewed as is a critical component in this agenda. This is in part because it can help farmers to retain an important degree of agency, autonomy, ownership and control and in part because it will help them to earn more of the value generated in these supply chains. Given that farmers are, to repeat again, overwhelmingly price-takers and mostly make a loss from agriculture,²⁴ activities and arrangements that distribute more of the value added by collaboration to farmers are surely essential.

Benefits of farmer-to-farmer collaboration

- 4.6 Co-operatives can provide farmers with what is sometimes termed ‘network-based competitive advantage’. In simple terms, this could be taken to mean that by working together for mutual benefit, farmers can generate value for their businesses that they would struggle to do on their own.
- 4.7 In its consultation paper Defra rightly highlights knowledge exchange, product development and investment in infrastructure and systems as key benefits for farmers who participate in co-operatives. And we have just discussed the role of farmer-to-farmer co-operation in enhancing vertical supply chain collaboration. But there are other significant benefits we think it is essential that Defra recognises and reflects it its farming and food policy:
- **Innovation** – There are many examples in the UK and around the world of co-operatives helping farmers to innovate, both on the farm and in their wider commercial activities. In the UK, some of the best examples of research and development and innovation through co-operation are to be found in the horticulture producer organisations established under the Fruit and Vegetables Aid Scheme.²⁵ And as mentioned in 3.10 above, the UK can also learn a lot from farmer co-operation in other advance economies when it comes to research and development and innovation.
 - **Productivity** – 20 years of intensive farmer co-operation in the Fruit and Vegetable Aid Scheme has delivered massive improvements in productivity for UK growers.²⁶ Furthermore, international comparisons show that agricultural economies that outperform the UK on productivity also outperform the UK on the scope and scale of farmer co-operation. While this is not evidence of a causal link, the other benefits of co-operation in terms of innovation, investment and supply chain collaboration, all of which Defra recognises as drivers of productivity, suggest the link is there.

²⁴ Defra [Evidence Compendium](#)

²⁵ <http://www.britishgrowers.org/assets/uploads/news/BG%20Producer%20Organisations%2028pp%20V8%20LR.pdf>

²⁶ <http://www.britishgrowers.org/assets/uploads/news/BG%20Producer%20Organisations%2028pp%20V8%20LR.pdf>

- **Competiveness** – Co-operation allows farmers to invest in and coordinate the infrastructure, processes and commercial relationships they need to trade in markets at home and abroad where they can maximise their comparative advantage. AHDB analysis suggests that for most types of farm in the UK, these are likely to be markets that value high standards in quality, welfare, sustainability and traceability. These are also likely to be quite specific markets that value produce processed into particular products (consumer or otherwise).²⁷
- **Profitability** – More productive and competitive farms stand a better chance of being profitable. These chances are enhanced further if farmers are able to improve their negotiation position on the prices they pay for inputs²⁸ and receive for their produce. Profitability can be enhanced further still if farmers can share a bigger stake in downstream value-adding processes and finished products.
- **Resilience** – Participation in co-operatives can provide farmers with sources of resilience they would struggle to access on their own. For example, Anglia Farmers facilitates a peer-to-peer lending scheme for its members.²⁹ Also some co-operatives, such as grain co-operative Openfield, allow farmers to mitigate volatility by allowing them to move their produce through complex market products.³⁰ While co-operatives such as Arla also allow farmers to own stakes in processed and finished products that tend to attract less volatile prices than raw produce.

What government can do

- 4.8 Government should build farmer co-operation into the architecture of its programmes of support for agriculture.
- 4.9 In doing so Defra should draw on what already works. For instance it should take the Fruit and Vegetables Aid Scheme as a useful blueprint that points the way for how collaboration policy could be designed across all sectors. Defra should retain what has been so successful in terms of focus and activity in the scheme: the promotion, incentivisation and use of collaboration; the use of match-funding; and the foci on research and development, innovation and consumer-focused product development and promotion.³¹ But we should also take Brexit as an opportunity to develop something that is broader in scope, less prescriptive and less bureaucratic. For example, this approach to collaboration policy could and should be applied in all sectors not just horticulture, though of course the exact calibrations in each sector will probably need to differ. And elements of this approach can be applied in ways that cut across sectors.

²⁷ AHDB (2017) '[Brexist Scenarios: an impact assessment](#)'

²⁸ For example, members of Anglia Farmers can expect to save on average £75 per hectare on their main farm inputs: <http://www.theafgroup.co.uk/membership/>

²⁹ <http://www.theafgroup.co.uk/af-finance/>

³⁰ <https://www.openfield.co.uk/farmers/grain/>

³¹ <http://www.britishgrowers.org/assets/uploads/news/BG%20Producer%20Organisations%2028pp%20V8%20LR.pdf>

4.10 Defra should also draw on the example of Scotland, where government has invested in farmer co-operation over the long term to great success. The foci in Scotland on developing co-operative excellence and supporting farmer co-operatives to play a key role in research, innovation and development, as well as food industry collaboration, demonstrate what can be achieved with even modest funding.

4.11 We recommend the following measures to promote and support high-value farmer-to-farmer collaboration:

- **Redefine a ‘producer organisation’ in a UK context** – We recognise that it might be useful for government to define the qualities and characteristics of farmer-to-farmer co-operation that can be eligible for policy support. We propose that a producer organisation be defined as any autonomous collaborative of three or more independent farm businesses seeking to add value to their businesses through joint action relating to inputs, production or outputs, where the participating farm businesses jointly own and control the venture. These collaboratives should have a legally binding governing document (for example society rules or articles of association) that defines who the members of the collaborative are or could be and how in broad terms they will collaborate, make decisions and share value.
- **Invest in a ‘collaborative option’ programme** – This programme should encourage farmers to collaborate with one another and in their supply chains. The programme should include awareness-raising campaigns involving professional communications and peer dissemination through existing co-operatives and other farmer organisations and networks. It is essential that government also provides some public-funded peer and professional support for farmers to explore opportunities in collaboration in detail. And such a programme should also provide accessible assistance for farmers to establish producer organisations, if they decide it is in their interests to do so.
- **Support the development of digital platforms for collaboration** - The recent step change in the power of digital tools to facilitate and record transactions and to allow large and dispersed groups to collaborate and make decisions together (commonly referred to as ‘platforms’ or the ‘internet of things’) has the potential to significantly lower the transactional costs of collaboration. Government co-investment in the development of such platforms could make a decisive impact on the attractiveness and viability of the collaborative option across all farm sectors.
- **Promote and support collaborative excellence** - Defra should resource programmes that promote excellence in collaboration. Here the work of SAOS in helping to develop the capabilities of Scottish co-operatives will be a great source of inspiration. Professional and peer support covering co-operative business strategy, governance and member engagement would all be very beneficial. We also believe government is uniquely placed to assist in the development of metrics in key areas of performance such as member value and governance. Again, the

UK can draw on a large and well-developed body of practice from countries where farmer co-operation is stronger.

- **Create an ‘innovation through collaboration’ scheme** – Defra should develop a significant scheme to support farmers to collaboration in research and development and other farm business innovation. This should include grants, match-funding and synergies with other more general innovation initiatives such as the Agri-Tech Fund as well as schemes to support research and development and innovation in specific sectors. Such a scheme should be open to supporting collaborative innovation in all sectors. New and existing co-operatives and collaboratives should also be able to participate in these schemes. While research and development and innovation tends to be very sector-specific, existing co-operatives that serve farms in a variety of sectors can still be very well-placed to help significant numbers of farmers to participate in these activities. These co-operatives should be able to participate. It will be important for any grant schemes to be made accessible and for farmer co-operatives to be able to apply for grants on behalf of their members.
- **Create a supply chain collaboration scheme** - Defra should develop a significant scheme to support farmer-to-farmer co-operation in downstream activities. This should include measures that support collaborating farmers to invest in and co-own infrastructure and ventures for the transportation, storage, processing, marketing and sale of produce, as well as finished product development. The scheme should also support farmers collaborating to respond to market demands domestically and abroad. There should be significant synergies with farmers’ participation in initiatives to ensure high standards for their produce in terms of quality, welfare, sustainability and traceability. Again, farmer co-operatives should be able to apply for grants on behalf of their members.
- **Ensure policies for environmental protection and enhancement, risk management and international trade include measures to incentivise and utilise farmer co-operation** - Co-operation can be an extremely useful strategy for farmers in all these areas. It is essential that policy develops in ways that enable and encourage collaborative solutions. Again, farmer co-operatives should be able to apply for grants on behalf of their members.
- **Make improvements to the corporate framework for collaboration** – Working with other departments such as BEIS and HM Treasury and public agencies such as Companies House, the FCA and HMRC, Defra should drive an agenda to ensure the process for being registered as a co-operative or other collaborative venture is as low-cost and low-burden as possible. For example, this will require investment to fully digitise the registry function for co-operative and community benefit societies, currently held by the FCA. Primary legislation will also be required to make much needed improvements to the Co-operative and Community

Benefit Societies Act so that farmers have a simpler, clearer more enabling legal basis for co-operation.

- **Review and where necessary reform the post-Brexit settlement for agricultural co-operation in competition policy** – We understand that Defra is working with BEIS to ensure the current settlement provided by the CMO derogations operates in UK law after Brexit. Given that this settlement is complex and possibly suboptimal, Defra should conduct a review to establish whether measures could be taken to provide create greater clarity and certainty for farmers and their co-operatives.

Reforming the CAP

5 **Question: *How can we improve the delivery of the current Countryside Stewardship scheme and increase uptake by farmers and land managers to help achieve valuable environmental outcomes?***

- 5.1 A leading agricultural co-operative has passed on the concerns shared by many of its farmer members, that farm support in the form of grant schemes with burdensome, complex and lengthy application and evidencing requirements will be unworkable.
- 5.2 We recognise that Defra has indicated an intention to streamline processes. Given that grant-based schemes with application and evidencing requirements will always create some level of burden for farmers, no matter how successful Defra is in streamlining, we believe it will be all the more important for schemes to be designed in ways that utilise farmer co-operation. Through co-operation farmers can share the administrative burdens involved in applying for and receiving grant support.

A successful future for farming

6 **Question: *How can we improve the take-up of knowledge and advice by farmers and land managers? Please rank your top three options by order of preference***

- 6.1 Our top three options are:
- Encouraging benchmarking and farmer-to-farmer learning
 - Working with industry to improve standards and coordination
 - Developing formal incentives to encourage training and career development
- 6.2 Improving the take-up of knowledge and advice requires a shift in culture and behaviour that can only really take hold when farmers themselves have ownership of the agenda. Interventions and incentives will only work when they are combined by an approach that enables farmers, which is what collaboration does. The bigger the role farmer

collaboration plays in this, the more the agenda can be driven on by trust, reciprocity and a constant adaption to circumstances on the ground.

7 Question: *What are the main barriers to new capital investment that can boost profitability and improve animal and plant health on-farm? Please rank your top three options by order of the biggest issues*

7.1 Our top three options are:

- Underlying profitability of the business
- Investments in buildings, innovation or new equipment are prohibitively expensive
- Uncertainty about the future and where to target new investment

7.2 Some types of co-operative are a means for farmers to pool capital to invest in the production and processing. This could boost the productivity and long-term profitability of participating farm businesses. If policymakers want farms to be more profitable and self-reliant, then more of the value-added needs to be captured by these producers. Thus their participation in these investments on favourable terms is essential.

8 Question: *What are the most effective ways to support new entrants and encourage more young people into a career in farming and land management?*

8.1 Given that prices for agricultural land are high and can act as a barrier to new entrants, developing policy for smaller farms is important. For example, Defra will need to ensure that the schemes it develops can be accessed easily by smaller farm businesses. And promoting and supporting co-operation between small farm businesses will also be important as this enhances their viability.

8.2 Defra should also encourage diversity in farm business models to provide more options for new entrants. For example, the co-operative model provides a practical means for a group of aspiring farmers to co-own a farm business, sharing decision making, risks and profits. Other models that Defra should develop policy for include community supported agriculture, Low Impact Farm Hamlets and peri-urban horticulture. Defra should consider the Landworkers Alliance's recommendations for post-Brexit agricultural policy.³²

8.3 A greater emphasis on sustainable, low-impact farming will also attract new entrants. Thus it is encouraging that Defra has made this a priority.

9 Question: *How can industry and government put farmers in the driving seat to ensure that agricultural R&D delivers what they need? Please rank your top three options by order of importance.*

9.1 Our top three options are:

- Bringing groups of farms together in research syndicates to deliver practical solutions

³² <https://landworkersalliance.org.uk/publications/>

- Encouraging a stronger focus on near-market applied agricultural R&D
- Accelerating the ‘proof of concept’ testing of novel approaches to agricultural constraints

9.2 The more farms there are participating in research and development the more productive these endeavours will be and the more rapidly the outputs can be adopted by a critical mass of farms. Co-operative approaches are essential in facilitating this participation.

9.3 Furthermore, through co-operation farmers can share a beneficial stake in the tangible and intangible assets being created. They can co-own more of the intellectual property and data that is set to become such a critical part of their business inputs, as well as the value-adding products being produced. Such an approach will ensure farmers can capture more of the value created in the process, enhancing their profitability and supporting further participation in these endeavours.

10 Question: *What are the main barriers to adopting new technology and ideas on-farm, and how can we overcome them?*

10.1 Arguably, direct payment farm support has created a disincentive for farmers to adopt new technology and ideas. Thus, a transition away from this model of farm support to one that targets public good outcomes, which we believe must include productive farms, will create fresh impetus for farmers to adopt new technology and ideas.

10.2 As Defra’s Evidence Compendium says, machinery tends to be the biggest of a farmer’s fixed costs. From this we can surmise that the costs of adopting new technology and processes could be a barrier for many farm businesses. Co-operation, in the form of machinery rings for example, provides a practical solution for farmers to adopt new technology on a more cost-effective basis.

10.3 We believe more farmers will also be encouraged to adopt new technology when they have better access to impartial, trusted, expert advice. Co-operatives, owned by and run for the benefit of farmers, can nurture this trust.

Enhancing our environment

11 Question: *How can farmers and land managers work together or with third parties to deliver environmental outcomes?*

11.1 Below we provide some examples where farmers co-operate with one another and other partners to deliver environmental outcomes:

- Aberdeen Grain, a co-operative through which farmers have co-invested in their own carbon-neutral drying facility, powered by 8MW biomass plant
- English Mustard Growers’ pollinator project, a farm bee and pollinator project on a landscape scale to map the availability of nectar and pollen throughout the year

- Farmer participation in catchment area partnerships

Supporting rural communities and remote farming

- 12 Question: *How should farming, land management and rural communities continue to be supported to deliver environmental, social and cultural benefits in the uplands?***
- 12.1 Government should promote and support ‘community economic development’ in rural places. This is an approach that brings together local businesses, civil society and local government organisations to develop and resource a place-based economic strategy. Community economic development involves helping stakeholders to understand how their local economy operates and how it could be changed through their own actions. Collaboration between locally-owned businesses, such as farms, is often a key tool in community economic development.
- 12.2 Co-operatives UK recently published the findings of two years’ action research into community economic development, funded by MHCLG.³³ We are currently managing a five year, multi-million pound community economic development programme for Power to Change. Meanwhile we will soon begin management of a third community development programme for DCMS called Place Based Social Action. These pilots are generating valuable learning for policy design and good practice for community economic development.
- 12.3 We believe community economic development should be a significant feature of local political economies in the UK. It should be funded through the UK Shared Prosperity Fund.

Changing regulatory culture

- 13 Question: *How can we improve inspections for environmental, animal health and welfare standards? Please indicate any of your preferred options below.***
- 13.1 We would particularly like to make the case for a greater use of earned recognition and increased options for self-reporting. There is more that farmers can do together to protect and enhance shared standards. By co-operating to keep standards high, farmers will reduce their regulatory burdens.

³³ <https://www.uk.coop/CED>

Risk management and resilience

14 **Questions: *What additional skills, data and tools would help better manage volatility in agricultural production and revenues for farm businesses?***

- 14.1 Some types of co-operative are tools to managing volatility and revenues. For example, 'committed grain' models are designed to help farmers do just this. Meanwhile other co-operatives give members a stake in value-added products being sold into markets where they can maximise their comparative advantage. Value-added products in targeted markets are also subject to less volatility than less finished produce on world markets.
- 14.2 We are pleased to see Defra recognises the benefits of farmers participating in futures and options contracts. As these are complex arrangements involving heavily regulated activities that require particular expertise, it makes sense for farmers to access such services through co-operatives. We believe it is better for futures and options to be brokered by co-operatives that are accountable to their members and are not operating for their own profit.
- 14.3 Defra is also right to highlight that with better access to market data, farmers can do more to match production to demand and thus mitigate some aspects of volatility. Farms produce considerable amounts of very valuable data that, if properly collated at scale, can inform farmers' commercial decisions. There is growing evidence of the benefits for farmers in sharing and using their data through co-operatives.

International trade

15 **Question: *How far do you agree or disagree with the broad priorities set out in the trade chapter?***

- 15.1 We are in broad agreement, especially in terms of identifying farmers' comparative advantages in markets. Expert analysis suggests that farmers will find these advantages in relatively niche markets that value high standards and products that have gone value-adding processes. Farmers will also have to be flexible and adaptive to market change. Co-operatives can be a means for farmers to do this.

16 **Question: *How can government and industry work together to open up new markets?***

- 16.1 Farmer co-operation can play a key role in helping farmers to access international markets where they have a comparative advantage, efficiently on favourable terms. This includes co-operation in the maintaining high standards, promoting produce, and developing the infrastructure to process and exporting value-added, niche products.
- 16.2 It will be essential for farmer co-operatives to be given opportunities to work with the Department for International Trade.

- 16.3 Government will also need to promote and support farmer co-operation in value-adding production and processing.
- 17 Question: *How can we best protect and promote our brand, remaining global leaders in environmental protection, food safety, and in standards of production and animal welfare?***
- 17.1 Defra should draw inspiration from Scottish Food and Drink, a model of food industry collaboration that promotes Scottish produce and products and includes a key role for farmer co-operatives.

Legislation: the Agriculture Bill

- 18 Questions: *How far do you agree with the proposed powers of the Agriculture Bill? What other measures might we need in the Agriculture Bill to achieve our objectives?***
- 18.1 It is notable that TFEU39 sets out high-level objectives for the CAP, which can then be used as a reference point in the design of more detailed legislation and regulation, such as the CMO regulation and the competition settlement for agriculture. The Agriculture Bill should provide a similarly clear mission statement for the UK, perhaps in the form of a statutory duty for the Secretary of State. This could establish the importance of resilient domestic food production, environmental enhancement, high welfare standards and an enabling settlement for co-operation in the UK competition rules.

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About Co-operatives UK

Co-operatives UK is the network for Britain's thousands of co-ops. We work to promote, develop and unite member owned businesses across the economy. From high street retailers to community owned pubs, fan owned football clubs to farmer controlled businesses, co-ops are everywhere and together they are worth £35.7 billion to the British economy.