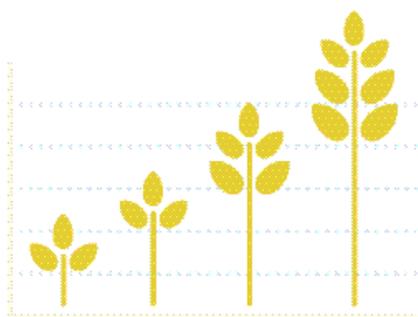


# Agricultural co-operatives

Report on the co-operative farming sector





# Agriculture co-operatives

**Agricultural co-operatives play an important role in the UK's agricultural sector. They give farmers greater control over the supply chain, help them cut costs on key inputs through economies of scale and allow the sharing of innovations that can boost output and productivity.**

**This report reviews the current state of, and support for, the agricultural co-operative sector, the issues it faces and some of the challenges and opportunities looking forward.**

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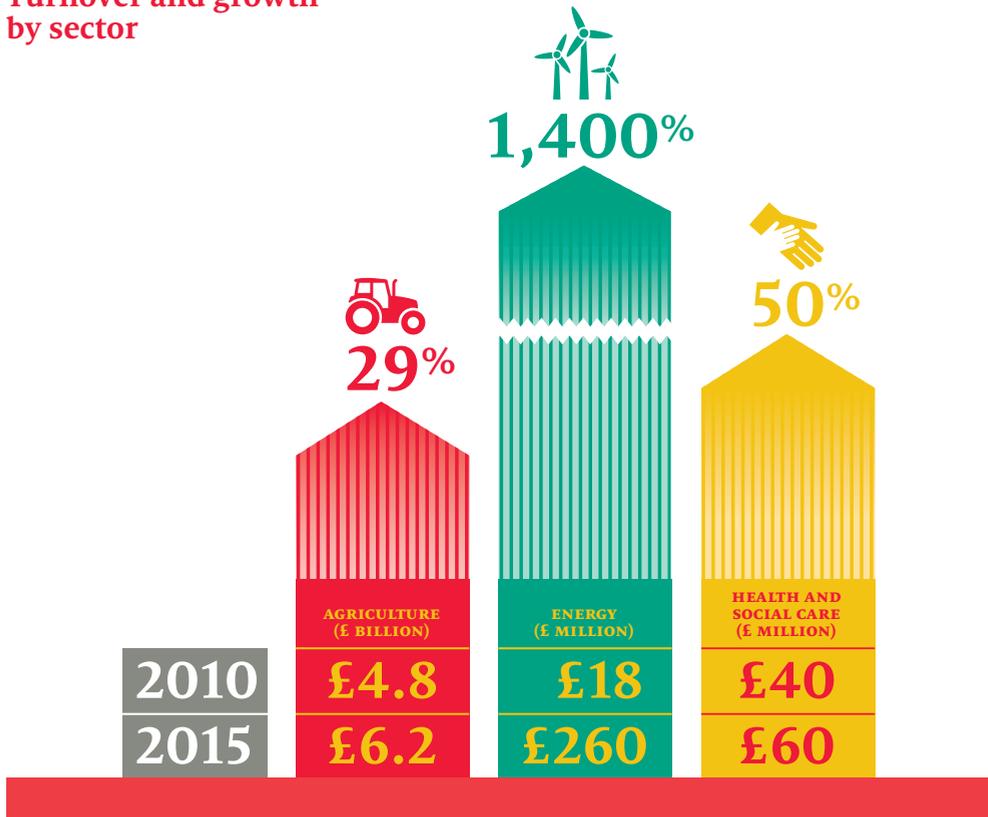
## Agricultural co-operatives: a growing market

Co-operatives are an important part of the UK's business landscape, contributing £37 billion to the British economy in 2014. From employee owned enterprises like John Lewis to farmer controlled businesses like Anglia Farmers, the co-operative sector is diverse, with nearly 7,000 independent co-operatives across the country.

Constituting the second largest part of the co-operative sector, there are 621 agricultural and farmer co-operatives listed in the UK today. 155,000 farmers (approximately half of the UK's farmers) are members and co-owners of these businesses. The sector has grown by a third since 2010 with a current annual turnover of £6.2 billion.

This section of the agricultural industry has a positive message in terms of growth and sustainability with a wide variety of farmer co-operatives across the UK achieving success globally with large-scale respected enterprises.

### Turnover and growth by sector



## Sub-sectors

The agricultural co-operative sector has a particular focus around four key sub-sectors:

### Dairy

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Milk marketing and processing. Examples include Arla Foods UK and Organic Milk Suppliers Co-operative.

#### **IN FOCUS: Arla Foods UK**

Arla is one of the country's biggest dairy cooperatives and owned by 3,200 British dairy farmers which are responsible for supplying more than a quarter of the nation's milk pool. The firm dates back to 1881 and is home to leading dairy brands Anchor, Cravendale and Lactofree.

Since 2007 Arla's milk pool has grown considerably – through mergers and organic growth – to make it Britain's largest cheese producer and the leading supplier of fresh milk to the UK's major retailers.

Arla UK Director Jonathan Ovens said: "Our co-operative principle of standing shoulder to shoulder means that we fundamentally believe that any benefits that are derived from our business are shared equally amongst every single one of our farmer owners, for the benefit of all."

### Crops

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Grain, potato and wider arable crops storage, processing and marketing. Examples include Openfield Group Ltd and United Oilseeds Ltd.

## Agricultural suppliers

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Input and retail suppliers. Examples include Mole Valley Farmers Ltd and Fram Farmers Ltd.

### IN FOCUS: Fram Farmers

Fram Farmers was formed in the 1960s and purchases farm inputs and markets combinable crops on behalf of more than 1300 farming businesses who collectively farm over 400,000 hectares across the UK.

Richard Anscombe, Chief Executive Officer, said: "Fram Farmers is an innovative leader amongst farmer co-operatives, one which operates ethically and transparently for the sole benefit of our members.

"We aim to deliver the best service and information supported by the best value and unbiased advice to optimise the performance of our members' businesses whilst promoting the cooperative ethos. The success of this approach has been reflected in the group's strong performance over the last 12 months."

## Horticulture and fresh produce

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Produce marketing co-operatives and producer organisations (POs). Examples include Berry Garden Growers and Green Pea Company.

The other two smaller categories of farmer co-operatives are livestock marketing and machinery rings.

**Table: largest English, Welsh and Northern Irish agricultural co-operatives by sub-sector**

Sub-sector	Total*
Agricultural supply	21
Dairy	10
Horticulture	11
Crops (storage & marketing - mainly grain)	11
Other (eg livestock and eggs)	5

\*Includes Scottish co-ops with UK-wide reach

## Twenty-five largest agricultural co-operatives by turnover

Co-operatives UK publishes an annual list of the nation's top 100 co-operative businesses by turnover. It is dominated by the retail and agriculture sectors. In the 2015 report consumer owned retail co-operatives account for 11 of the top 100 with a £14.9 billion combined turnover. Half of the top 100 are agricultural co-operatives.

**Table: top 25 agricultural co-ops**

Position	Name	No of members	Turnover
1	Openfield Group Ltd	2,693	£743,751,000
2	Fane Valley Co-op Society	2,020	£553,888,000
3	First Milk Limited	1,317	£460,087,000
4	Arla Foods UK	3,200*	£454,263,000
5	United Dairy Farmer Ltd	1,619	£421,482,000
6	Mole Valley Farmers Ltd	8,000	£407,793,000
7	Anglia Farmers Ltd	3,500*	£247,446,783
8	Berry Garden Growers Ltd	59	£212,851,452
9	Fram Farmers Ltd	1,126	£184,536,378
10	GrainCo Ltd	1**	£165,587,658
11	ANM Group Ltd	5,000	£149,866,000
12	Woldmarsh Producers Ltd	793	£113,484,182
13	United Oilseed Producers Ltd	2,861	£110,093,731
14	Agricultural Central Trading Ltd	4,086	£101,460,072
15	United Farmers Ltd	21	£100,123,470
16	Organic Milk Suppliers Co-operative Ltd	179	£87,823,000
17	Ballyrashane Agricultural & Dairy Society	232	£81,461,730
18	Brandsby Agricultural Trading Ltd	4234	£78,399,633
19	G's Growers Ltd	25	£78,193,000
20	Scotlean Pigs Ltd	89	£68,068,951
21	Tarff Valley Ltd	1019	£64,011,648
22	Yorkshire Farmers Livestock Marketing Ltd	267	£59,378,937
23	Long Clawson Dairy Ltd	126	£54,860,000
24	Clynderwen & Cardiganshire Farmers Ltd	6,521	£47,533,453
25	Speciality Produce Ltd	13	£45,828,686

\* Membership data sourced from individual organisationa (January 2015)

\*\* GrainCo is controlled by the co-operative Tynegrain Limited which owns 100% of the company's share capital

Collective turnover for the top 25 agricultural co-operatives (using provisional accounting data, 2015) is £5.09 billion with total membership just over 49,000.

## Support for agricultural co-operatives

European Union countries generally have thriving farmer co-operative sectors and a larger number of businesses and members than in the UK. France, for example, has 2,850 agricultural co-operatives with a collective turnover of 83.7 billion Euros. On a European level COPA-COGECA provide representation to agricultural co-operatives, but at present the UK has no formal representation on this umbrella body to influence relevant regulation and policy changes.

Representation and support of English, Welsh and Northern Ireland agricultural co-operatives has been inconsistent compared to Scotland in recent years. A framework of support for agricultural co-operatives in Scotland has helped to encourage a network of new and established farmer co-operatives. A larger number of farmers in Scotland are involved in some form of co-operation compared to the rest of the UK. The representative body in Scotland – SAOS – offers a range of events and training activities to support and develop Scottish farmer co-operation.

### IN FOCUS: Scottish Agricultural Organisation Society (SAOS)

SAOS has been influential in supporting the set up and development of various collaborative groups and projects including the Milk Supply Association (MSA). The MSA is a group of 141 dairy farmers based throughout south-west Scotland who supply a creamery in Stranraer owned by Lactalis, a leading global dairy business and the largest European milk processor.

MSA recently registered with the Rural Payments Agency to form the first EU Dairy Producer Organisation (DPO) in Scotland. James Graham, Chief Executive of SAOS said: "Dairy POs were introduced to improve both transparency and efficiency in the supply chain.

"Dairy farmers and milk processors are entirely inter-dependent and the formation of a PO enables a properly functioning interface amongst them. I expect to see several more follow the MSA's example, and I hope their move provides strong encouragement."

English Farming and Food Partnerships (EFFP) provided government funded membership services between 2004 and 2010. There are a number of organisations and individuals possessing specific skills and knowledge to cover the skills gap after these services ceased. Co-operatives UK provides structured representation and support in this area through its network of consultants.

## The future for agriculture co-operatives

The volatility and uncertainty facing many agricultural sectors currently means farmers will look to alternative business models. Joint-ventures, share/contract farming, Producer Organisations (POs) are all different forms of co-operation and will offer opportunities and benefits to different owners.

The agricultural industry needs a central body to act as a signposting or 'one stop shop' service to provide farmers with the information and advice required to assess these collaborative opportunities including forming or joining a co-operative. Government funding alongside a partnership approach with other organisations will be key to successful implementation and delivery of such a service.

It is likely that there will be a period of further consolidation across agriculture and global changes in markets, climate, regulation and institutions will push agricultural co-operatives to improve their understanding of supply chains, export opportunities, different marketing approaches and how to further add value to products and services. There has been a recent rise in interest in formation of Dairy POs and a horticultural association of POs which will provide further opportunities for co-operation.

### IN FOCUS: Lakeland Dairies and Fane Valley

Two joint ventures were announced in 2015 by Lakeland Dairies and Fane Valley. Their dairy joint venture will be the second largest processor of milk in Ireland, processing more than one billion litres of milk annually and enhancing the overall capacity of both businesses to maximise returns from the market in the interests of their milk producers. The projected annual revenues of the Dairy Joint Venture will be in the order of £480 million.

The second joint venture business is being established by a merger and pooling of both of the societies' feed manufacturing, sales and stores activities into a major agribusiness company to be managed by Fane Valley. Fane Valley and Lakeland Dairies currently have an annual animal feed manufacturing capacity of 310,000 tonnes and 190,000 tonnes respectively, with a broad range of high performance feed products sold throughout Ireland. The merger of both agribusiness operations will create a business with greater efficiencies, larger scale, buying power and the capability for future growth and service delivery across a larger geographic area.

There continues to be a steady growth in co-operative support and membership for the best co-ops as the positives outweigh the negatives. A big driver for this is the need to balance the rationalisation that is taking place both upstream of farming in the input sector and downstream from processors to retailers. Formalised, high performing co-operatives have made great strides in achieving balance of power and efficiency both in input supply and marketing.

Changes in the industry and growing levels of consolidation generate new governance needs which farmer co-operatives need to have in place in order to thrive. Furthermore, support for the next generation is imperative to provide a stable future for these co-operatives.

Technological advances in processing, production and applications mean that farm businesses continually need to find ways to adapt and the co-operative model can support this through sharing best practice and knowledge exchange among farmer members.

Innovation within dairy processing, crop marketing and export of fresh produce are all areas to demonstrate how this particular sector can compete internationally while achieving tangible benefits at home for their UK farmer members. Globally, agricultural co-operatives account for 32 per cent of the top 300 co-operatives and are the second largest sub-sector behind insurance – it is clear that this part of the agricultural industry has plenty of scope for the future.



# *Thousands of businesses, one network*

We are the only UK-wide organisation working to promote, develop and unite agricultural co-operatives.

Through our specialist agriculture package you can access governance and advisory support, network with other farmer controlled businesses in your sector and get a voice with national policy influence.

**Join the network. Join Co-operatives UK.**

For more information about our work with agricultural businesses contact the Co-operatives UK membership team on 0161 2141786 or email [membership@uk.coop](mailto:membership@uk.coop).

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