



Farmer co-operation in the UK

Opportunities for the industry

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A report for Co-operatives UK

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Introduction and summary

Farmers can benefit by co-operating. They can share risk, cut costs, increase resilience and gain more control over their supply chain. In some countries and sectors, co-ops dominate the market. So why not in the UK? If farmer co-ops have untapped potential, how can that be achieved?

We were posed these questions by Co-operatives UK, the UK network for co-ops. They are timely because the resilience and risk sharing attributed to co-ops could come into its own after Brexit, as farmers are exposed to new markets, and as policy priorities change.

In this report, we try to answer those questions. We focus on formal farmer co-ops, meaning legal entities that farmers own and democratically control. The report is about the whole of the UK although, as we outline later, co-ops have had more success in Scotland than the other nations.

We drew on previous research into farmer co-ops, particularly to understand how confident we could be about the benefits of co-operation, how co-op membership in UK farming compares with other countries, and the barriers to co-operation. Chapters 2, 3 and 4 set out what we found. We concluded that engaging more farmers in co-ops would likely benefit the UK industry. Farmers are less involved in co-ops here than some other countries due in part to how agricultural markets developed in the nineteenth century and post war, and in part an individualistic culture. You could see it as a cycle of scepticism: as farmers here have less experience of co-operation, it limits their confidence to give co-ops a go.

Chapter 4 compares views of co-ops from across the industry, from farmers, industry bodies and the leaders of some of the UK's best-known farmer co-ops. We interviewed the industry representatives and co-op leaders, and partnered with Proagrica Farmers Weekly to survey a panel of farmers.¹ This suggested more farmers could engage, but reiterated that individualism, alongside reputational challenges, posed a barrier.

In Chapter 5 we look in more detail at how co-ops are communicating with farmers. In particular, how are they making a business case that meets farmers' demand for autonomy, without undermining the distinctive advantages of co-operation? The co-ops we looked at mainly used a balance of messages, emphasising that co-ops offer strength in numbers.

Chapters 6 and 7 set out our recommendations. Government has proposed a £10 million 'collaboration fund'. We recommend that this provides development support for existing co-ops as well as seed funding and advice for start-ups. It should be supplemented by more substantial measures, potentially including business rate exemptions for co-ops and extending current match funding for producer organisations (POs) from horticulture to the wider farming industry.

The scale and reach of the UK's largest farmer co-ops means that they can also contribute to a surge in engagement. Helping them to collaborate could be game-changing, breaking out of the current cycle of scepticism. We recommend that Co-operatives UK brokers a small number of practical projects that involve co-ops working together. These should be open to non-members and for the good of the industry. As well as reaching new farmers and providing practical benefits, this would position co-ops as leaders in a wider collaborative movement. Opportunities include data-sharing, innovation groups and support for the next generation of farmers. Supporting Co-operatives UK to do this offers funders an opportunity for substantial leverage and direct impact.

Potential: the co-operative dividend

The potential benefits of farmer co-operation are important and well-evidenced. They include greater profitability, efficiency and resilience for the farmers involved, the knock-on advantages this gives their wider industry, and the public benefits that follow from communities working together.

Of course, these benefits are not guaranteed. Like any type of business or organisation, co-ops are set up in more or less challenging circumstances, and run with varying levels of competence.

Nor are the benefits exclusive. Think of anything that a co-op has achieved, and someone will tell you how some other setup – a sole trader, joint venture or consolidated supply chain, for example – performed as well in their view.

Some farmers and industry bodies told us these were reasons they were lukewarm about co-ops. But focusing on the exceptions – the co-ops that crash and the alternatives that do similar – misses the main thrust of the evidence and underplays the opportunity. It also shifts attention away from the most crucial question – not *whether* to co-operate but *how* to do so successfully.

A patchwork of evidence builds up a clear picture of the benefits and potential of farmer co-ops. The first layer comes from statistics and research showing how co-operatives perform in general, across all sectors. It shows that co-ops are almost twice as likely to survive their first five years compared with other UK companies, with 80% of co-operatives making it further.² Co-ops have also been more resilient through economic recessions.³

The second layer comes from a small number of large studies of farmer co-ops across different countries and sectors. One large project investigated 500 farmer co-ops across 27 EU countries and eight sectors, including dairy, lamb, pork, cereals and horticulture.⁴

This EU study concluded that co-ops are important in securing better prices for farmers and reducing volatility, helping to ease the cost-price squeeze. For example, dairy prices were higher in the regions where co-ops had more market share. Where co-ops protect farm-gate prices, this benefits farmers across the sectors and regions concerned, not just co-op members.

The same study found that co-ops improved efficiency, market access and farmers' bargaining power. These benefits are most important where there are large numbers of small-scale producers supplying a small number of processes, in places that are more remote, or where produce is highly perishable. Examples include sheep farming and fresh produce.

This research looking at the overall effects of co-ops suggests that they have a structural impact with substantial net benefits. That is despite the hassle and cost that joining or setting up a co-op can entail, and despite the fact that, like any form of business, some co-ops fail.

The third layer of evidence comes from a larger number of small studies that have looked closely at particular co-ops or sectors of agriculture. This research can say less about the overall impact, but fills in the detail showing the range of different ways co-ops work, what members make of them, and the aspects of being involved that they most and least value. Our own interviews with co-op leaders and our farmer survey add to this layer.

As well as reiterating the general findings that co-operative membership can reduce costs, and increase prices, efficiency and resilience, these studies highlight the social dimension. For supply and marketing co-ops, alignment came through as a crucial benefit in our interviews – that members

could trust the business was founded in their interests. Keeping this trust and commitment is key to a co-op's success.⁵ Being part of a co-op can also improve farmers' skills, knowledge and networks.⁶

There is little research on the environmental impact of formal farmer co-ops, but studies of farmer collaboration more generally suggest significant potential. For example, studies of environmental co-operatives in the Netherlands, and informal farmer and community collaboration in the UK, suggests that working co-operatively can yield substantial environmental benefits.⁷ Co-operation puts the spotlight on shared costs and benefits, potentially including environmental 'externalities' and public goods, and highlights collective opportunities for action, for example at a landscape scale.⁸

These layers of evidence build up a picture of the potential benefits of farmer co-ops, not only for their members, but for the farming industry as a whole, for farming communities and for the public. The benefits are clearest where co-ops have a big enough market share to shape the structure of a sector.

The types of benefit that co-ops can bring are particularly relevant as the UK prepares to leave the EU, as they directly address key challenges and opportunities presented by Brexit. Co-ops:

- Increase economic resilience in the face of volatility, uncertainty and the risk of recession.
- Consolidate bargaining power, in line with their members' interests, in a tough trading environment.
- Provide social capital that farmers will need in adapting to change.
- Offer established platforms for farmers to collaborate in providing and being paid for environmental public goods.

Reality: co-operation in UK agriculture

With 143,000 members, around half of UK farmers are members of a farmer co-op.⁹ There are 420 co-ops, including buying groups, machinery rings, and production and marketing co-ops across all major sectors.¹⁰ Their combined turnover in 2018 was £7.7 billion.

While this sounds like a lot, the co-operative sector looks small when you compare it with the overall size of the UK industry or the success of farmer co-ops in other countries. That turnover amounts to just 6% of business in relevant sectors, compared with 68% in the Netherlands, 55% in France, 45% in Spain and 17% in Germany.¹¹

The number of co-ops in the UK has also been falling each year since 2014, when there were 445. Farmer membership has been declining too. By contrast, membership continues to grow in other countries, for example in France, Germany and the US.¹²

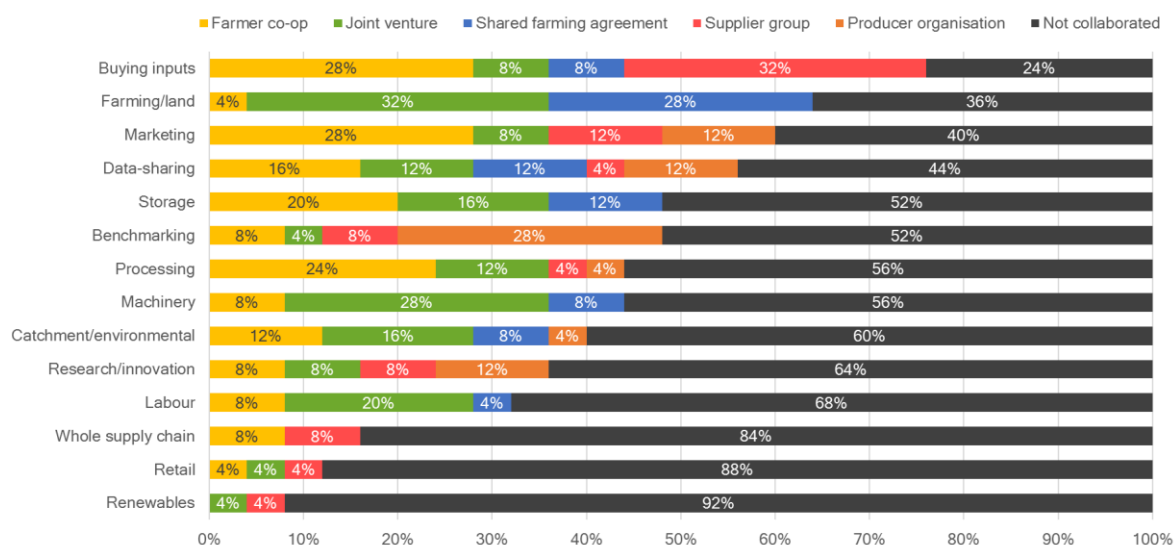
Farmers' involvement in co-ops varies across the UK and between sectors.¹³ Co-ops are particularly prominent in dairy, cereals, horticulture and agricultural supply, buying inputs for farmers ranging from seed to phone contracts. Also important but less widespread are livestock marketing co-ops and machinery rings, where farmers share the cost and risk associated with expensive kit. A larger proportion of farmers in Scotland are involved in co-ops than in the other nations of the UK.

We asked a panel of UK farmers about their experiences of co-operation, in partnership with Proagrica Farmers Weekly. Their answers broadly mirror findings from previous research, and add some detail.

More than half said they had collaborated with other farmers through some kind of formal arrangement. Rates ranged from three-quarters buying inputs collaboratively and two-thirds farming with others, down to about a tenth collaborating when came to retail or renewables.

Unpacking *how* they collaborate on different activities is revealing (Figure 1). Across every area of business apart from processing, co-operatives accounted for less than half of the formal collaboration that farmers were doing. Joint ventures were more popular arrangements for sharing farming activities or land, machinery and labour, and for catchment or other environmental collaboration. Producer organisations played the biggest part in benchmarking, research and innovation, data-sharing and marketing. Producer organisations played the biggest part in benchmarking, research and innovation, data-sharing and marketing.

Figure 1: farmer experience of collaboration by activity and type¹⁴

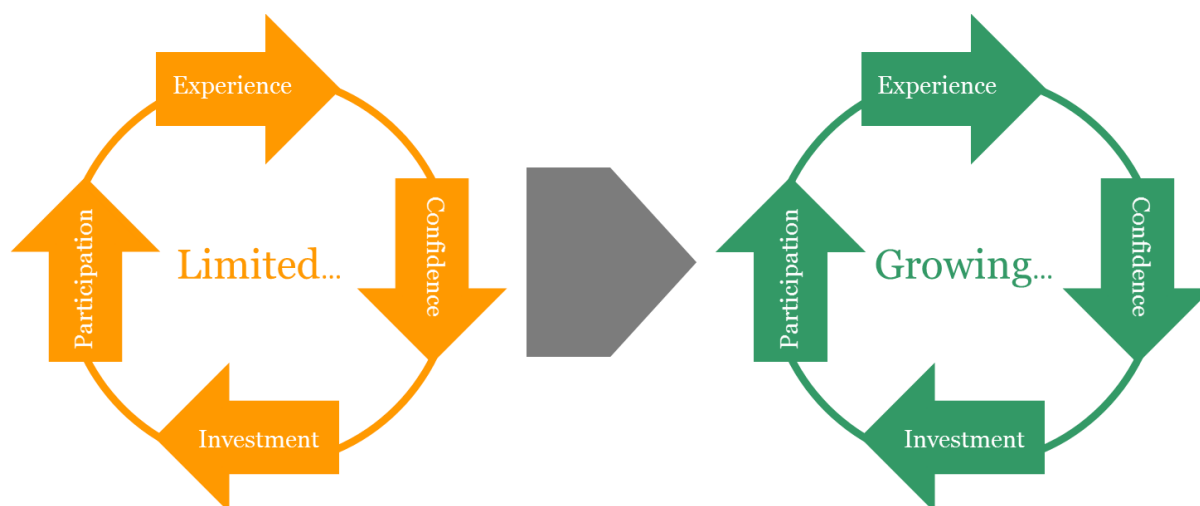


Barriers: past and present

The evidence above suggests that co-operation has untapped potential to benefit farmers and the public in the UK. Yet farmer co-ops are in decline and, except in Scotland, have had only sporadic and muted support from the farming industry and government.

One way to see this is a cycle of scepticism (Figure 2). The UK has a shorter history of participating, promoting and investing in co-ops which limits experience and confidence in co-operation, in turn curbing the appetite for participation, promotion and investment.

Figure 2: shifting from a cycle of scepticism to a cycle of confidence



The Rochdale pioneers of the 1840s were among the founders of the international co-operative movement. Yet co-ops have played a more central part at formative moments in the emergence of modern agriculture in other countries. The agricultural industry here was already able to access local and international markets by the mid-nineteenth century, whereas in Denmark and the Netherlands, for example, the birth then of co-operatives coincided with the period when its agricultural markets developed. Later, after the Second World War, governments in part of mainland Europe relied on co-ops to rebuild markets and infrastructure, while the UK had statutory marketing boards until these were deregulated from 1980s onwards.¹⁵

So, while the UK has a long tradition of co-operation, co-ops have always been unusual in agriculture. There has been less experience of co-operation among UK farmers and policy-makers than in many other countries, and less confidence in its potential. The exception is Scotland, where the Scottish Agricultural Organisations Society (SAOS) was founded in 1905, and has provided consistent support for farmer co-operation.¹⁶

There have been successive efforts to help the rest of the UK catch up. The most concerted recent drive came in 2002, when the Curry Commission recommended setting up English Food and Farming Partnerships to provide publicly funded support to develop farmer co-ops.¹⁷ Though small, it provided dedicated and effective advice on this issue until its public funding was withdrawn, requiring it to diversify into wider business consultancy. Co-ops established with support from EFPF are still trading. Others, particularly in livestock marketing, struggled to gain a foothold in the face of opposition from established processors and supply chains.

A small number of large farmer co-operatives in the UK have collapsed. The best known was Dairy Farmers of Britain, which was formed by a merger in 2002 and became the third largest milk

processor in the UK, but went in to receivership in 2009.¹⁸ Its high-profile failure lost many members money, and overshadows UK farmers' views of farmer co-ops today.

The risk of such failures is one of several concerns farmers in the UK have about joining co-ops, according to previous studies. Research for Defra found that while only half of farmers were co-op members, as many as 80% collaborated informally.¹⁹ Why the gap? Other reasons farmers gave for not joining co-ops included previous bad experiences with sharing equipment, biosecurity concerns about lending breeding sires, mismatched expectations, and mistrust of other potential members. For some forms of co-op, the cost of entry was also a barrier. That research painted a picture of joining costs and commercial risk aversion inhibiting a latent willingness to co-operate.²⁰

Researchers used to put the relative reluctance of British farmers to co-operate down to a strong independent streak, and losing independence shows through as a concern in farmer surveys.²¹ Yet the Defra evidence showing widespread collaboration suggests the issue is more subtle and, of course, co-ops can make a good case that membership increases independence in the face of financial pressures from buyers and suppliers. A more recent study makes sense of this by distinguishing independence from individualism.²² Though often used interchangeably, independence is about achieving your own objectives, while individualism is the belief in doing so by your own effort. That researcher suggested, when it came to co-ops, farmers might increase their independence by relaxing their individualism.

As individual co-ops take root and mature, their relationships with members and other stakeholders evolves, and the challenges of retention and recruitment therefore change. One researcher found that while members initially joined for the economic advantage, other aspects of their relationship grew more important.²³ Another study, focused on machinery rings in Scotland, painted a different picture, where commercial success shifted the co-ops' focus from collaboration to service provision.²⁴

A final theme that comes through in research on the barriers facing UK farmer co-ops concerns their leadership. According to a survey of co-op members, poor leadership and weak bargaining skills are seen as obstacles.²⁵ This is sometimes put down to the UK's limited history of farmer co-operation meaning that there is less experience among farmers, and a smaller pool of relevant professionals.

Perspectives: views across the industry

Farmers

Our survey with a panel of farmers backed up this picture, suggesting that those with experience of co-ops were more enthusiastic about co-ops than those without that experience. They valued membership for a combination of financial and social reasons.

Half of the farmers who told us they had collaborated formally with other farmers had done so through co-ops – just over a quarter of all the farmers in the survey. Over half of those were serial co-operators, having experience of co-ops across more than one area of business.

The farmers with experience of co-ops, which included former co-op members who had left, mostly said they had advantages over other forms of collaboration. Most felt that more co-ops would be good or very good for the UK farming industry as a whole.

Even most enthusiasts for co-ops saw trade-offs. When we asked about disadvantages, they highlighted:

- Being “tied” or “not your own master”.
- The rigidity of co-operative business structures.
- Concerns about the commitment or loyalty of other farmers, undermining the co-op by shopping around rather than sticking with it through ups and downs.
- Questions over the quality of management, particularly for smaller co-ops run by farmers rather than staff.

When we asked why farmers in the UK used co-ops less than in many other countries, they suggested independence and individualism as factors, alongside the smaller scale of farms in some other countries and the established market share of co-ops leaving little alternative.

Farmers who had not been in co-ops described the potential pros and cons of membership in similar terms, and gave similar reasons why co-ops were more widely used by farmers in some other countries. The differences came when we asked them to rate co-ops. Mostly, and on average, this group saw no advantage in co-ops over other ways of collaborating, and felt there would be little or no benefit to the UK industry from more co-operation.

When we asked farmers with no experience of co-ops what might persuade them to join, the replies fell into three main groups, with:

- Just under a quarter saying that nothing would persuade them (“Under no circumstances would I join a co-operative. Sell up is the better option.”)
- Just under a quarter focusing on prices (“Price!... Most places I buy from ask if I am a buying group member. I always say I can be if it’s cheaper. They always answer no. I would have to be convinced on savings...”)
- Over half saying they could be persuaded by other factors, recognising a potential business case but wanting greater local availability or contact, clearer communication about the offer, or services more directly relevant to the type or scale of their activities.

Industry bodies

Industry bodies representing farmers are in a position to advocate for co-operation, both in the support and advice they offer members, and when they lobby government. We interviewed people representing four leading farming bodies to understand their views and activities.

They supported collaboration among farmers, seeing it as essential to meeting market pressures, improving productivity and delivering environmental benefits. However, they were lukewarm about backing co-ops as vehicles for such collaboration.

While recognising that co-ops could significantly benefit their members and their wider industry, they were equivocal for five main reasons.

First, they saw co-ops as rigid, in tension with farmers' demands for flexibility and autonomy. This implied a preference for informal collaboration, bespoke arrangements such as joint ventures or share farming agreements, or simply leaving it to the market, ahead of the commitment and standardisation they associated with co-ops:

"I think the issue is people still feel they're in control – I can share my combine this year, but I can buy my own next year, or I can buy my fertiliser through [a co-op] this year, but I can go elsewhere next year. I'm not saying that's good or bad – it's where people's heads are."

Second, they worried that by focusing on 'horizontal' collaboration among farmers, to increase their bargaining power, co-ops missed opportunities to benefit members through 'vertical' collaboration along supply chains. While it could be argued that co-ops can collaborate vertically on behalf of their members, the underlying concern was that marketing co-ops struggled to strike a sustainable balance between the interests of their members and their customers, which left them vulnerable:

"I think the real problem is, if you are in a co-operative, how much do you try and do stuff that is for the benefit of your members, and how much do you do stuff to the benefit of your customer? And I think that obviously co-operatives have to face both ways – they have to benefit the members and the customers – but there is still a sense in which the way in which co-operatives have tended to work in the past, that they have too much benefitted the individual members rather than the customers – so the customer feels intimidated or squeezed or treated badly, and therefore not wanting to use that route to achieve their particular ends."

Striking this balance, third, was ultimately about good governance:

"The grain co-operatives for example, some of them have folded and people have felt that they've been let down by the governance... If the supply chain isn't up for it, then [the farmers] can't be members."

"The failures are not because they were co-ops per se, but because they were badly run. And therefore I think it's making sure you've got the right governance in place. It's vital."

"I think a lot of the reason for the general malaise is... that co-operatives are difficult to run. Because they are member facing, run by farmers who aren't necessarily best placed to be in positions of responsibility and that's where they find themselves – on co-op boards... just because you happen to be good at growing flowers or raising cattle doesn't mean you're going to be good on a board of a co-operative."

A fourth, more specific concern, was whether co-ops were vulnerable to challenge under competition laws against price setting. Two of the representatives contrasted co-ops with POs, which they knew to be exempt and had strongly endorsed, both in their lobbying and providing practical support to their members.

According to Co-ops UK, this concern is confused. While POs have specific competition law exemptions under EU legislation, key exemptions also apply to co-ops. In practice, large co-ops pre-date the PO exemptions. Furthermore, forming a co-op is one way that farmers can create their PO.

Ultimately, the industry bodies attributed their tepid support to their members. They saw themselves as member-led. Where members were divided on the benefits of co-ops, except for specific requests for support, their efforts focused elsewhere:

“At a local level we will always work with farmers creating co-ops or joining co-ops without prejudice.”

“We don’t offer support for that, but then we’re not being asked for it, and we’re a member-led organisation.”

Co-op leaders

We asked leaders of some of the UK’s best-known farmer co-ops for their views on the same issues.

They described multiple benefits of co-op membership, from sharing risk, to equipment, to routes to market, to knowledge. While membership needed to make business sense, they stressed that their members had diverse needs and priorities, and the case for membership rarely hinges on the economics alone:

“We have some members who signed up to reduce their costs by sharing the combines with other farmers. A lot of our members choose to be members actually because of their farm. Those members that don’t have particularly good grain drying facilities or other equipment, and so therefore being a member helps to cover some of their risks... You know, to some people being part of the co-op is part of a risk management plan.”

“We can’t have the approach that we need all members to join for just one reason, and likewise, we know that a whole load of members will also stay with us for a number of different reasons.”

“In my experience, people generally want to be part of something that looks like it’s going somewhere. And that, I think, is what drives it. But sometimes it’s hard to get the chairman or directors to understand that that’s what their members are looking for. They’re not necessarily looking for perfection or massive returns over and above what anybody else in the market can deliver.”

We talked particularly about barriers to co-operation in the UK. They highlighted cultural or reputational barriers, and structural challenges relating to the shape of the UK industry.

They saw farmers’ individualism as the main cultural barrier to collaboration:

“The attitude of a lot of farmers is the competition isn’t the farmers in USA, France or Germany, or anywhere else – their competition is the guy over the hedge here. If they can do better than their neighbour then they’re doing a good job. What that does mean is that it stifles best practise and intellectual sharing, efficiency and management. Farmers love to compete against each other rather than actually work out how they can work together in everyone’s best interest.”

However, they also felt co-ops had particular reputational problems in UK agriculture:

“Co-ops have been seen as a bit of a club, and we’re trying to move away from that. We want people to feel part of the community, but it’s absolutely to the benefit of their business, not just a close-knit ‘secret club’ approach.”

“It’s a very traditional and old-fashioned ethos, because it was something that came about in the early 1900s, but the whole idea of co-operation in the UK needs a bit of reinvention and modernising in terms of the benefits.. [from] old and fuddy-duddy into modern and relevant to the marketplace.”

“Probably our biggest barrier is the negative perception about farming co-operatives, which I would argue is unfair. To the lay person in the industry, you talk about co-operatives and they think it’s all left wing Kum By Ya, sit around the campfire having a singsong and being happy clappy, rather than actually co-operatives can be just as focussed, commercial, ruthlessly business-like as a commercial company.”

“There’s also unfortunately a graveyard full of failed co-operatives – that doesn’t help very much...”

While they saw some practical challenges associated with running a co-op, such as the demand that raising capital potentially made of members, the main structural barriers they described related to the shape of the wider UK farming industry. They felt that Basic Payments through the CAP, coupled with the larger scale of farms and established routes to market, meant UK farmers had been insulated from pressures that had driven co-operation in other countries:

“I think our farmers sit here with 65 million hungry mouths in a fairly tight geography – so there’s a plethora of options for supplying and where to market their produce to, and they’ve never had the necessity to co-ordinate together to access markets. See in New Zealand there was clearly a logic because you’ve got to export 85% of the milk you produce so therefore you’re better off processing it... Whereas in the UK there’s a range of people going up every farm drive offering to buy your milk, your beef, your grain, your potatoes, and you’ve never had a [...] shortage.”

“If you’re, you know, a 10 hectare grower in the middle of rural France the idea that you can go to the market place on your own is bonkers – so they’re more inclined to be in larger co-ops.”

Most saw Brexit changing that:

“I think the thing that’s going to drive people to look more closely into collaboration will be the reduction in the BPS payments... You can bumble along making profit some years and not making profit other years on your farming, but comfortable in the knowledge that come December or January you’ve got £20k coming to you... So I think without that money, suddenly farmers are going to think ‘Oh Christ, I’ve got to make a profit out of this farming activity, what am I going to do?’ It will make farmers not all buy individual things. It will push that much harder than it’s been pushed before.”

“I think that co-operatives are going to be more resilient, and that there’s more security and stability within the co-ops... I do think that co-ops will become even more important, as they offer that security, credibility and strength, through scale, essentially.”

Communication: individualism and co-operation

The research literature and our own interviews show that farmer co-ops face a communication challenge. The evidence suggests that farmers in regions and sectors with more co-ops generally benefit, and farmers with experience of co-op membership tend to be supportive. However, farmers who have not been involved in co-ops are sceptical. Once you account for ‘accidental’ members – for example farmers who join a co-op as the default route to farm assurance in their region – the number with co-op experience falls short of a critical mass.

This affects policy support, which has been important in continued development of the co-op sector in other countries, as well as farmer recruitment. Policy makers only want to introduce support schemes that will get used. Farming industry bodies say that their members have other priorities.

In an individualistic farming culture, the co-ops have difficult message. How can they get across that a potential benefit of teaming up with other farmers is to *increase* your autonomy? How can they entice people to join for better prices, without discouraging the commitment that their risk-sharing model relies on?

Research in social psychology suggests this is an uphill struggle. Experiments show that people given individualistic cues (being addressed as consumers or advertised financial benefits, for example) behave less collaboratively than those given social cues (being addressed as citizens or members of a community, for example).²⁶ This is a triple whammy for communication by farmer co-ops: not only are they trying to reach self-styled individualists, but they do so in part through farming media brimming with adverts promising financial benefits, and selling membership on its economic strengths could backfire.

The co-ops we spoke to were already grappling with this challenge in their communications with current members and prospects. They described how they tried to make the business case for membership while getting across why co-ops were different from other suppliers or buyers. Some focused on the power, control and strength in numbers that membership could offer, others the benefits of joining a supportive community:

“The only reason businesses are consolidating is by consolidating they reduce competition and therefore they’ll take more money out of your pocket – whether it’s in the supply for products to you, or marketing products from you. So the underlying piece we try and drip in all the time is by co-operating you’re maintaining your own supply chain in order to make sure you’ve got some negotiating power.”

“We have shifted from a product-focused offering... I can understand that for some people there is a feeling that being part of a co-operative is that we’re farmers and that we’re getting in together. And that has been some of our messaging that we drip through: the more you commit to [the co-op], the more scale we have and the more power we have, the better it is for all of our membership.”

“It should be more centre stage, why you need to co-operate: in order to make sure you have got some control over the supply chain, and if you don’t co-operate today your children won’t have that in the future.”

“[Co-ops] need to spend time on engaging with their members, communicating with them. And do the community bit as well. If ever a member thinks of the co-op as just another business, then you’ve lost... then somebody can just think “I won’t use them, I’ll use [a merchant], they’re just the same’. If your members think like that, you’ve lost. Yes, and

we've done stuff with that. We've changed our customer service desk to a member service desk. Subtle changes to try and get the thinking away from us just being seen as another input-supplier, rather than a farmer-owned business."

"I think we've actually... moved away from talking about the co-operative to moving on now to the partnership and letting them understand that we are more than just a grain marketing business. And not just about the product. It's really about the holistic approach and about the partnerships."

"Our farmers are hard-nosed businessmen. There has to be a commercial proposition. But it's also this social capital. That's really important. It's about people. A community of people – but we have these co-op values. Seven principles of co-operation. These seven principles and values of self-help and integrity and trust and transparency. Farmers don't know about them, so if you speak to them about [those] and about co-ops they really value it.

"Farmers believe they can do it themselves – they've always done it, they know how to deal with people and they can sort it out. And once they've got over the belief that they can do it better than anybody else, they're often whole-hearted members of the group and they do realise that they can't necessarily do it all themselves. So how do you overcome that? I think that the way we've overcome it is to simply to always be there... and always prepared to talk to them. And eventually they start to see that we're there for the long-haul and we might be worth a conversation... We've found that two years is not uncommon for somebody to start a conversation and then ultimately decide that they want to progress with an application."

We asked the co-op leaders to review examples of recent literature from other co-ops with these issues in mind. They counted how many times the material used 'intrinsic' and 'extrinsic' messages (Figures 3 and 4), scoring seven examples. Except for one example, heavily weighted towards extrinsic messages, most were evenly balanced. This backed up what they told about how they tried to make a clear commercial case to farmers while also underscoring the wider benefits.

Figure 3: how intrinsic and extrinsic messages motivate and engage people differently

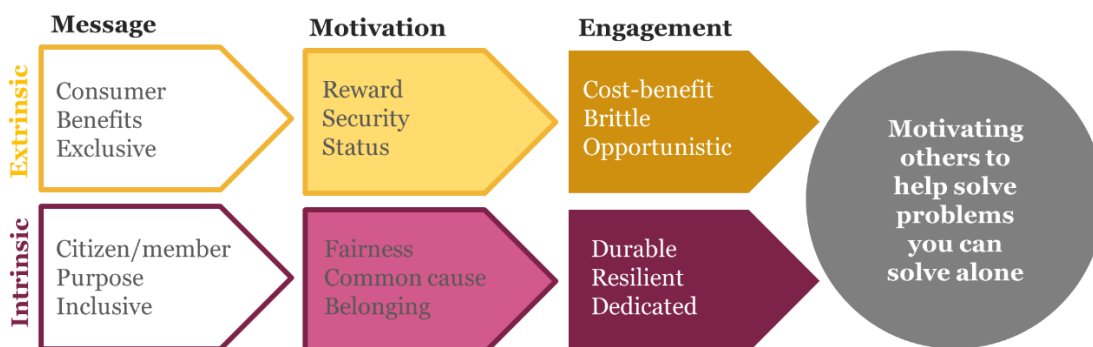
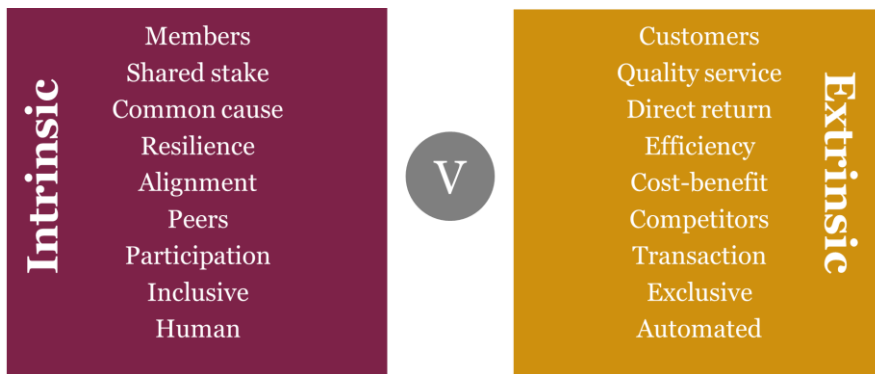


Figure 4: examples of intrinsic and extrinsic messages



Policy: priorities for increasing farmer co-operation

Enabling co-ops to form, thrive and achieve critical mass is likely to benefit UK farmers substantially, particularly through the upheaval and restructuring that will accompany Brexit. As well as increasing farmers' economic resilience, co-ops can support government's efforts to improve environmental performance and encourage innovation, providing vehicles for landscape-scale collaboration and data sharing.

In 2018, Defra announced a £10 million 'collaboration fund' to help farmers navigate the transition after Brexit. While still it is in development, the fund was initially proposed to overcome the barriers farmers faced in working together. Announcing the fund alongside measures to support fair farm-gate prices, Farming Minister George Eustice said the package was designed to "improve transparency and integrity within the food supply chain and to support collaborative business models where producers can come together to strengthen their position or work jointly on specific areas of work".²⁷

This fund could make a crucial contribution to helping farmers benefit from co-operation. Our research suggested several ways such funding could be effective. As well as seed funding for farmers wanting to establish new co-ops, it could pay for advice, development funding and innovation support for existing co-ops, particularly at smaller and mid-scales. This could help them get 'over the hump' of transitioning from being run by their farmer members, to having professional staff. Given the concerns about co-ops failing, strengthening governance should be a priority for advice and development. Advice could also extend to busting myths about co-ops, including by clarifying their status in competition law for farming industry bodies and advisors.

However, while £10 million would be welcome, it is little compared with the turnover of the farming industry as a whole or even the scale of existing farmer co-ops. The co-op leaders we spoke to suggested other ideas that could unleash engagement on a larger scale. One was to exempt or reduce business rates for co-ops. While agricultural activities are already exempt, co-ops involved in processing or other non-agricultural activities are not.

Another proposal, recommended by the RSA Food, Farming and Countryside Commission, is to extend the match funding available to horticulture POs to other sectors.²⁸ While other sectors have already been extended the legal facility to form POs, they have not been offered the same match funding. The match funding available for POs in horticulture has encouraged collaboration on a transformative scale, restructuring the sector and enabling it weather a very challenging market.

The RSA Commission initially recommends a short project to develop and test the impact of extending match funding for POs. As government currently invests £35 million per year through POs in a horticulture sector that accounts for around a tenth of agricultural output, it estimates that "that an industry-wide scheme could grow to co-invest nearer £350m per year".²⁹ It also suggests:

"The current fruit and vegetable scheme is UK-wide, and the devolved governments may wish to consider an aligned approach to this issue, to encourage collaboration among producers across the four nations."

In this light, £10 million is the lower end of the range government should consider investing in developing farmer co-operation. Larger investment could yield proportionately larger improvements in farm performance and economic resilience.

Recommendations to Co-operatives UK and partners

While government backing has been crucial to the success of farmer co-ops in other countries, and could provide a vital boost here, the UK's larger co-ops could also contribute to a surge in farmer engagement. Their annual marketing spend outguns even the more ambitious asks of government, and their current members are the movement's most effective advocates. What could they do differently, and how could Co-operatives UK help?

Simply changing communications, in marketing and with members, will make little difference. We found that co-ops had already developed nuanced messages to address issues that were front of mind for many farmers, while highlighting why co-operatives were different.

What was striking, however, was how little they worked together, bilaterally or as a movement. When we convened leaders of some of the best known farmer co-ops for this project, it was the first time some had met. Others knew each other primarily as competitors.

Enabling the co-ops to collaborate could be game-changing, complementing and amplifying Defra's collaboration fund. We recommend that Co-operatives UK brokers a small number of practical projects where farmer co-ops work together. These should be generous and inclusive in helping farmers collaborate, benefitting and open to non-members. Doing this would have multiple benefits:

- Positioning co-ops as champions and leaders in a wider collaborative movement in farming, rather than the stick-in-the-muds being left behind.
- Encouraging government to co-invest by demonstrating their confidence in co-operation.
- Reaching the large segment of farmers interested in collaboration but sceptical of co-ops.
- Directly benefitting in their own operations, to the advantage of their members.
- Reigniting co-operation as a movement in agriculture, not just an institutional form.
- Creating authentic shared stories that contribute to a 'drum beat' in communications across the sector, and that demonstrate the economic and social benefits of co-operating in practice.

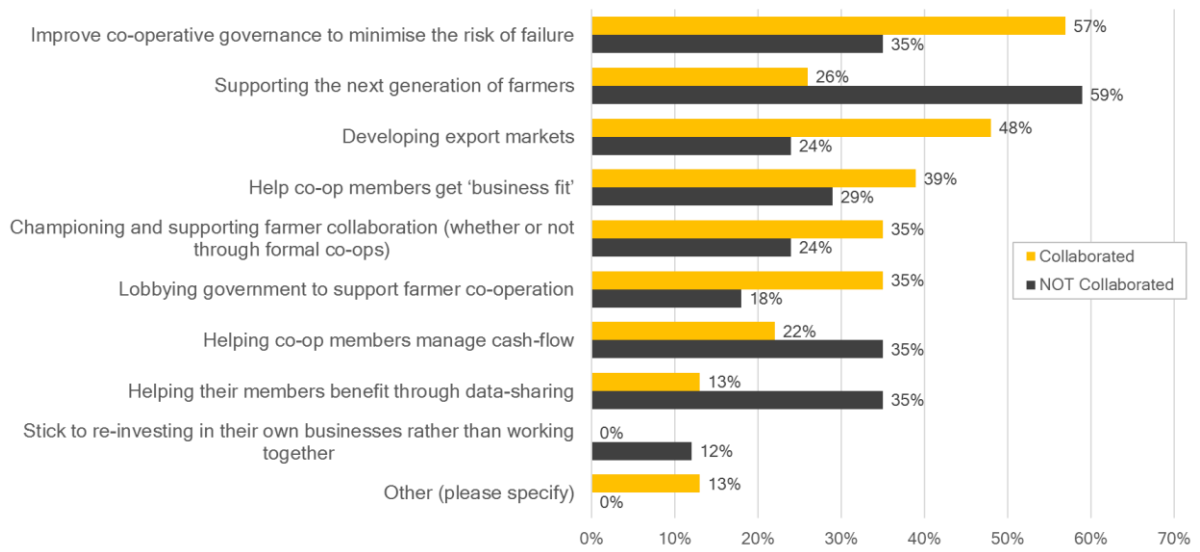
The responses to our farmer panel survey give an initial steer on possible priorities (Figure 5). Working together to improve governance was most popular with farmers who had experience of collaboration, while others preferred joint work to support the next generation of farmers. Potential projects that fit the bill – benefitting the wider industry as well as members – include:

- Pooling data to generate new market or technical insights, and *publishing* the findings, potentially in collaboration with a platform such as Map of Agriculture.
- Funding collaborative benchmarking and innovation groups that are open to members *and* non-members, for example working with Innovative Farmers or the Yield Enhancement Networks.
- Funding advice and support for new co-ops, and improvements in governance for existing co-ops, through Co-operatives UK – taking the lead in developing a service that Defra can co-fund.
- Funding collaborative work to help the next generation, for example via farming partnerships.

Our understanding is that Co-operatives UK would need external funding to make these projects happen. Supporting Co-operatives UK to work with farmer co-ops to develop and run such projects offers funders a way to achieve a substantial direct impact and very significant leverage, guiding investment from larger co-ops and in turn inviting co-investment from government.

With the right preparatory work and support, the UK's largest farmer co-ops have the potential to champion initiatives such as these over time on a scale that matters, and that warrants attention. By working together, they put co-operation at the centre of the story

Figure 5: where farmers would like to see co-ops invest, by experience of collaboration³⁰



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Endnotes

¹ Proagrica Farmers Weekly have a panel of c.150 farmers who regularly take part in in-depth surveys. We asked the panel about their experiences and views of co-ops and other approaches to collaboration. Forty-five farmers responded, covering a diversity of farm sizes and enterprises. The main purpose of this small sample was to gain qualitative insights into the range of farmers views, rather than to draw any statistical conclusions. However, the broad patterns we found echoed previous surveys, so we have used some charts by way of illustration.

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⁴ Bijman, J. *et al.* (2012) Support for farmers' co-operatives: final report. European Commission. Accessed online: https://ec.europa.eu/agriculture/sites/agriculture/files/external-studies/2012/support-farmers-coop/fulltext_en.pdf

⁵ English Farming and Food Partnerships (2014) *Conditions, attitudes and structures of successful POs and cooperatives*. Accessed online: www.ec.europa.eu; Hansen, M., Morrow Jr., J., Batista, J. (2002) The impact of trust on co-operative membership retention, performance and satisfaction: an explanatory study. *The International Food and Agribusiness Management Review* 5:1, 41-59.

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⁹ Co-operatives UK (2018) *The co-operative economy*. Accessed online: <https://reports.uk.coop/economy2018/>.

¹⁰ Cogeca (2014) *Development of agricultural cooperatives in the EU*. Report PUB(14)9112:2. Accessed online: www.copa-cogeca.eu/cogeca.

¹¹ Cogeca (2014) *Development of agricultural cooperatives in the EU*. Report PUB(14)9112:2. Accessed online: www.copa-cogeca.eu/cogeca.

¹² Cogeca (2014) *Development of agricultural cooperatives in the EU*. Report PUB(14)9112:2. Accessed online: www.copa-cogeca.eu/cogeca.

¹³ Co-operatives UK (2016) *Agricultural co-operatives: report on the co-operative farming sector*. Accessed online: https://www.uk.coop/sites/default/files/uploads/attachments/report_on_the_co-operative_agriculture_sector_-_2016.pdf

¹⁴ Proagrica Farmers Weekly panel survey, August 2019: "We would now like to understand a bit more about the types of collaboration you have had with other farmers. Please can you let us know if you have

collaborated on each of the following, and if so, was it via a Farmer co-op, Producer organisation, Joint venture, Shared farming agreement or a Supplier group.” Base: all those who have collaborated with other farmers (25).

¹⁵ Bijman, J, Iliopoulos, C. (2014) Farmers’ co-operatives in the EU: policies strategies and organization. *Annals of Public and Co-operative Economics* 85:4, 497-508.

¹⁶ SAOS (2019) History and governance. Accessed online: <http://www.saos.coop/about-saos/history-and-governance/>.

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²⁷ Defra (2018) New measures to help farmers and growers in the food supply chain. Press release, 16/02/2018. Accessed online: <https://www.gov.uk/government/news/new-measures-to-help-farmers-and-growers-in-the-food-supply-chain>

²⁸ RSA Food, Farming and Countryside Commission (2019) Our future in the land. Accessed online: <https://www.thersa.org/globalassets/reports/rsa-ffcc-our-future-in-the-land.pdf>

²⁹ RSA Food, Farming and Countryside Commission (2019) Our future in the land. Accessed online: <https://www.thersa.org/globalassets/reports/rsa-ffcc-our-future-in-the-land.pdf>

³⁰ Proagrica Farmers Weekly panel survey, August 2019: “UK farmer co-operatives turned over £7.7 billion in 2018. IF the biggest farmer co-operatives were to work together to benefit UK farming, where would you like to see them invest? Please tick your TOP 3 areas from the list below...?” Base: all respondents who have collaborated formally with other farmers (23); have not collaborated (17).