Do smaller multi-purpose Farmer-owned Co-ops in Ireland have a future?

Sustainable and profitable Co-operation within and between Multi-purpose Co-ops during an era of expected rapid growth

A report for

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Contents

List of Pictures

List of Tables

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Figure 1: Bahia, Brazil, Soya Plantation of 8000 Ha, nice kit

Foreword

As a keen Co-operator this author was lucky to be part of the senior management team of Barryroe Co-op from 2000-2015 inclusive. Since undertaking the study Seamus has joined Dairygold Co-operative as Supplier Development Manager. Though the largest Co-operative in Ireland it might still be seen as a medium size in international terms processing 1 Billion litres in 2014 with 3000 suppliers. The author has a background degree and Masters in Agricultural Science and Diplomas in Environmental Science and Corporate Direction (Food Business). Attaining a Nuffield Scholarship has been a long held goal inspired by Jim McCarthy, who was Irelands first Nuffield Scholar (1995). The author’s role profile with Barryroe Co-op included:

- Managing the farm input needs and harvest intake of farmers and facilitating post milk quota expansion of our suppliers in 2015.
- Participation at Co-op Board level with CEO to advise directors on strategic choices.
- Director of Staunton Foods www.stauntonfoods.ie - 12% of Irish Pig Kill.
- Director of Shinagh Estates Ltd. www.shinaghdairy.ie - collaborative Greenfield demonstration dairy farm and a new Share farm to be operational in 2015.
- Director of www.munsterai.ie bull stud & milk recording services and Co-op.
- Representative to Carbery Technical Steering Committee. www.carbery.com

Barryroe Co-op is a good example of a mid-size Co-op with 200 suppliers operating as part of an alliance of other farmer owned multi-purpose agribusiness Co-ops through Carbery Milk Products (i.e. Federated Milk Processing Structure). Barryroe Co-op was set up in 1925. Like many Co-ops, both in Ireland and abroad, it was set up in troubled times, just after Ireland won its independence and fought a civil war. Its range of business includes the purchase of milk, grain and pigs from its farmer shareholders. It is also involved in the manufacture of feedstuffs, supply of farm inputs and building materials. The group employs 230 people and has a turnover of €122 million (Report, 2014). Its goal is to service the needs of its owners providing goods and service at least cost and purchasing their produce at the best available price. Barryroe Co-op has a history of paying the top milk price in Ireland against bigger players (see Appendix 1). Through its Staunton Foods subsidiary it is directly involved in the processing of 350,000 pigs per year. It also has a 42% share of Clona Dairy Products Society, a liquid milk operation, owned jointly with two other Co-ops.

Milk processed through Carbery, is operated under the federal ownership of four west cork Co-ops and their members including Barryroe Co-op since 1992. The CEO and Chairman of each Co-op are directors of this successful international dairy company. The Co-op investments include forestry, commercial properties and a portfolio of holdings in agri/food companies (www.barryroeco-op.ie).

While the Co-op has performed remarkably well to date, in part due to the federated ownership of Carbery, it is limited by local geography. To one side, the Atlantic Ocean and on the land side it is bounding two other equally successful Co-ops of Bandon and Lisavaird. The four West Cork Co-ops as an entity have always worked well together in Carbery, while operating independently otherwise serving the needs of their members. Surveys carried out across the four Co-ops in 2011 and 2013 have indicated a massive demand by dairy supplier members to expand post EU quota abolition in April 2015. Carbery have put a plan in place to deal with the extra volume.

Table 1: Summary of Milk Surveys across West Cork (Dineen & O'Mahony 2012)

	Total Milk Suppliers No.	Cow No. Increase by 2020 %	Yield Increase By 2020 %	Milk Increase By 2020 %
Barryroe	215	29.22	5.95	35.39
Bandon	258	38.48	5.01	43.37
Lisavaird	274	32.22	8.98	42.33
Drinagh	620	33.82	5.69	39.48
Total	1367	33.72	6.48	40.19

This author's instinct is that events may quickly overtake some Co-ops in Ireland who may not have the cash flow, product mix, infrastructure or strategic vision to deal with such change and the face of the Irish Co-op sector will look dramatically different in 2020. PLC and International concerns are already looking at the Irish dairy industry as an opportunity.

"events may quickly overtake some Co-ops in Ireland who may not have the cash flow, product mix, infrastructure or strategic vision to deal with such change and the face of the Irish Co-op sector will look dramatically different in 2020"

The author also feels that farmers will be best served where the industry has a strong Co-operative base where the members are in control rather than models where profits are repatriated abroad or to outside investors.

Executive Summary

Introduction: Supply growth of dairy produce in Ireland by 50% post the abolition of EU milk quotas in 2015 is envisaged in the Irish policy document "Food Harvest 2020". This will put existing small to mid-tier farmer multi-purpose dairy Co-operative models under pressure. A clear strategic vision with goals now needs to be put in place to deal with milk processing, marketing and the financial management of such growth. Already a number of mid-size Co-operatives in Ireland, seen as successful models in their own right up to recently, no longer exist with others likely to come under scrutiny in the near future. This is an international trend which will accelerate during periods of growth.

Scope: The purpose of this study is to see whether in fact there is a future for existing mid-tier multi-purpose farmer owned Co-operatives in Ireland given the globalisation of milk marketing. The research involved travel to a number of countries to study the Co-operative sector during phases of growth and interviewing senior industry figures as well as a literature review of the topic.

Conclusions While recognising the global success of global players like Fonterra, Friesland Campina, Glanbia and Kerry to mention but a few, this author feels **there is still room for the small to mid-tier local Co-operative that creates value and maintains its relevance in a supply chain fully controlled by its members. The model of federation for milk processing can provide scale of processing, flexibility of product mix and strength of marketing in the global market place for small to mid-tier Co-ops without loss of sovereignty**.

This and other key findings from the author's travels include:

1. **Collaborative Business models suit the small to mid-size Co-op especially in milk processing**

   Cohesive collaborative or federated groups of Co-operatives evident in Valio, Finland; Carbery Creameries, Ireland; or indeed the Irish Dairy Board, Ireland offer the most sustainable model for the small to medium size Co-operative. With good leadership and structure, as well as trust and clear communication in place, a federated structure should secure scale in the global market place, while allowing each member Co-op to focus on its key area of service. Fusion of the milk processing structures of a number of regional Co-operatives into one structure under shared ownership to create scale in the global market place should be put on the agenda of Co-op boards.

2. Small to mid-size Co-ops need to work harder on Membership Development Initiatives

The viability of the small to mid-size agricultural Co-operative is dependent on the economic, social and environmental sustainability of its members. Economic sustainability of its members and the ability to attract new ones is the lifeblood of Co-op. Co-operatives in Ireland are communicating the shared message with Teagasc promoting technologies such as grass measuring and the EBI breeding index to mention but a few through joint programmes such as Greenfields and Better Farms. **Co-ops will, however, need to take more responsibility for development within their own catchments by leading mind-set change and connecting with members in areas like share-farming and contract rearing and sustainable expansion.** There will be a role for a specific farm development manager in many Co-ops who can assist new entrants or existing dairy farmers directly in new projects or major expansion, or more importantly the efficiency of the existing unit. A Co-op's goal should always be to create or preserve the maximum amount of economic activity to build wealth in its catchment area and promote engagement and betterment of its members through education, one of the key principles of Co-operation (see Appendix 3).

3. People Development at executive and board level needs to become a key focus

In a predicted era of unprecedented growth in the Irish Co-operative Sector, skills development of both directors and senior executives will need to become a key focus for all Co-ops and may involve ICOS in its role as the apex organisation for the Co-operative movement.

<u>Executives</u>: "**There is a war for talent out there**". Skills development of Co-op executives will become a critical limiting factor during a prolonged period of expected growth in the industry. The implementation of a 3 year graduate training program to attract the best young graduates offering experience in a number of sectors across a number of the ICOS members should be a priority. This has been the secret ingredient of the Kerry Group and is now part of the Dairygold and Glanbia "people" policy.

<u>Directors:</u> ICOS in conjunction with UCC offer the excellent *Diploma in Corporate Direction, Food Business* to **educate board members on their responsibilities**, corporate governance. However, it is not compulsory across ICOS members. Furthermore the process of electing the best board members for senior positions could be improved by putting a **"talent matrix"** in place assessing potential board members going **for senior positions** in a similar fashion to Co-operatives such as

Fonterra and Arla. Co-ops are going to need stronger farmer leaders than ever before during a rapid growth phase.

4. **Engagement through stronger communication with stakeholders to encourage Co-operation**

A Co-op's survival is based on a new generation of engaged Co-operators who trust in the model and being connected with the people is one of the key strengths of the small to mid-size Co-op. Directors and senior executives of Co-ops must make every effort to have an "open door policy" and be available to listen to the needs of existing members and potential young farmers during a rapid period of growth to maintain or earn loyalty. Otherwise Co-ops risk losing one of the key advantages of the small to mid-tier Co-op where the member feels someone in the Co-op is "answerable" which in itself confers loyalty and engagement.

5. **Co-opetition, commitment, forward planning and tools to manage price volatility are principles by which farmers members could reduce cost of farm inputs**

The further development of "Co-opetition" in true Co-operative spirit should allow for economies of scale in the purchasing of material inputs, while removing duplication costs benefitting both farmer and the Co-operative model. Farmers "committing" and "forward planning" with their Co-op can also help with costs and tools to manage volatility need to be put in place.

6. **The role of good government policy is paramount to support the efforts of Co-operative movement in the local economy. Good policy is needed to facilitate exports, R&D, knowledge transfer, farm schemes and a progressive tax system to facilitate farm and processor expansion. This should be of highest priority to the Irish Co-operative Sector in its lobbying capacity through its apex organisation ICOS.**

This author's travels have demonstrated the varying level of success or failure of government but ultimately the important role of government to facilitate a nation's culture of food production and wealth creation. The author also feels that Irish government in general has helped to facilitate future co-operative advantage in food production and export growth through policies like Food Harvest 2020, Bord Bia initiatives and favourable fiscal policy

Introduction

There is a positive long-term outlook predicted for global dairy markets despite recent events in Russia (Kennedy, 2014). Global consumption of dairy products is growing at 2.5% per year until 2025. Almost 1 billion extra people are expected to inhabit this planet during this period with the fastest growth rates in Africa and South East Asia. There are new and emerging middle classes with higher incomes in China and the Middle East and a general reduction in global poverty (Appendix 2). It is against this background that Ireland Inc. (government, farm organisations and food companies) has laid out its "*Food Harvest 2020"*strategy for the growth of the dairy industry by 50% to 2020 post EU quota abolition. This is backed up by results from supplier surveys from Co-ops around the country and the belief that Ireland has a natural grass-based competitive advantage.

This rapid growth assumption set against a background where milk volumes were static in an EU supply management quota system. To put this in perspective Ireland produced 5 billion litres in 1983, and approximately the same in 2014, some 31 years later. In the interim period New Zealand, our main competitor has grown its supply base from 5 billion litres in 1983 to almost 19.4 billion litres in 2014. West Cork has been seen as a model of Co-operation within this country and has supported the highest milk prices within the country for 19 of the last 22 years. (Appendix 1) based on a static supply, and the innovative diversified growth strategy of Carbery internationally. Looking forward Irish Co-operatives with a dairy base, including those in West Cork, are facing a period of unprecedented growth and opportunity with the abolition of quota in 2015, but many challenges also. These include:

1. Rapid growth expectation in dairy industry and the need for new markets.
2. Rapidly changing supply chain needs of the dairy industry.
3. The balance between service and profit across the Co-op business departments.
4. Fostering Co-operative Ethos and the communication of same.
5. The supply of Farm inputs at least cost to member and a high milk price.
6. Ensuring the Co-op has top line people and top line people development.
7. Ability for Co-op and its members to withstand extremes of volatility in both output and input prices.

The Irish Co-operative Sector will need to build on existing industry strategies. The Major strengths that the relatively small co-ops in west cork have in building this plan have are:

1. Guaranteed milk availability from its owner members with a long history of milk production.
2. Its integrated grass-to-glass value chain.
3. Connected to members through a wide range of services and community involvement.
4. Global customer base through Carbery Creameries and strong product portfolios.
5. Location and image of Ireland as one of the purest (and cheapest) places in the world to produce food and loyalty of its members.
6. Already operating in a federal milk processing structure through Carbery and selling all cheese through the Irish Dairy Board.

Many previous reports including those from Nuffield Scholars, ICOS Annual Reports and Industry Prospectus Reports (2003 and 2009) rightly point to the **need for consolidation in the Dairy Processing Sector.** The key hypothesis of this author, while agreeing with the basic principle, is that **there can be a different model for how it can be achieved.**

It is against this background that the author poses the Question "Do Smaller multi-purpose Co-ops in Ireland have a future. For the purpose of this paper a "small" Co-op to me, has a turnover of less than €400 million and includes most milk processors in Ireland outside of the "Big Three" of Glanbia, Kerry and Dairygold (See Appendix 5).

Figure 2: With Gary Lynch Carbery, Whey plant in construction, Brazil

Objectives

- To study sustainable Co-operative models in other parts of the world including collaboration and Co-opetition.

- To study alternative or complimentary models of agribusiness that might benefit or affect current Co-operative models.

- To chart the key sustainability indicators across economic, social and environmental platforms of relevance to both a Co-op and its members.

- To look at developing members to ensure critical mass of Co-op in a small geographical catchment.

- To lay out some of the strategies by which smaller Co-ops can move to be more effective to maximize returns to their members.

This report will not go into detail on recommendations on flows within the milk processing sector as there are already many relationships in play but will set out some of structures by which it could be facilitated.

Figure 3: Barryroe Co-op catchment area in the centre of a green sunny West Cork

Methodology

"The World is a book and those who don't travel only read one page" – St Augustine

My study involved a Literature review and travel to a number of countries including the following:

Canada

- To understand the supply management structures in place by government in the dairy industry and its effect on innovation and survival of industry.
- To see a Co-operative model structure during a period of growth.

USA

- To see large scale and corn & dairy farm business and logistics across the "corn belt" of America and study the effect of "Bio-ethanol" on world grain prices
- To understand the working of international trading markets at the Chicago Board of Trade
- To appreciate the value that four small co-ops working together can have in establishing a valuable ingredients business in the USA**.**

New Zealand

- To study simple repeatable low cost high margin dairy systems applicable for Irish farms.
- To appreciate corporate governance of business including Co-op structures.
- To develop confidence in leading mind-set change: share farming and contract farming models.

Finland

- To study Co-operative culture and ethos of a federated Co-op structure at Valio and Pellervo.
- To look at Co-op farm development program and government policy.

UK

- To compare the success and failure of Co-op models and models for centralised purchasing.
- To study alternative models for milk supply expansion at farm level.

Holland

- To examine how private companies grow by making strategic alliances around the world.
- To look at whether or how European dairy farmers will react to milk quota abolition.

Brazil

- To understand the scale and logistics of scale in commodity grains affecting dairying across the world.
- To understand the scale of opportunity within this country with a growing middle class.
- To see at first hand where government can be a limiting factor to a country's wealth creation.

Chapter 1: Collaboration and Federated Co-op

> ***"We must, indeed, all hang together or most assuredly we shall all hang separately (Benjamin Franklin at the continental congress just before signing the Declaration of Independence 1776)***

In this chapter the author will discuss knowledge of Federal bodies gained in visiting Valio Finland, Carbery Ireland, USA and Brazil, Hensall District Co-op in Canada and CCF in Wales and meeting a key director of Fonterra Shareholders Council in New Zealand. The author also has had the opportunity to interview staff from ICOS and Ann Randles IDB. The conclusion should be to find application for these experiences at local Co-op level for small to mid-size Co-operatives in Ireland or further afield. As a baseline I had two basic questions.

1.0 Is there still a need for multi-purpose Co-ops in Ireland?

Most Co-ops in Ireland and elsewhere are a function of their environment and have evolved to match their member needs, Aurivo in the Northwest for example have a marts, feed mill, biomass business and a radio station as part of their portfolio, while also catering for their dairy suppliers and community (Aurivo, 2014). Boherbue, a small independent Co-op in North Cork, operates a Super Valu (supermarket) as a community need in the area in conjunction with its dairy and farm input operations. Drinagh Co-op operates a number of pharmacies in conjunction with its dairy and farm supplies business. One of the main reasons for such diversification was the imposition of milk quotas in 1983. This restricted growth in Irish Co-ops. This had two outcomes. Larger Co-ops like Avonmore/Waterford formed a hybrid PLC model to drive international growth. West Cork formed a federated model giving Carbery scale in processing while still tending to their own member needs and looking for growth, firstly within their own communities.

1.1 Are smaller multi-purpose Co-ops heading to "shotgun" mergers or sale?

Indeed in Ireland one could argue that this is the case and recent examples demonstrate same such as the sale of Newmarket Co-op to Kerry in the southwest (Ryan, 2010) and the sale of Wexford Co-op to Glanbia in the south east (O'Brien D., 2014), or the accession of processing facilities of Fivemiletown Bridge Co-op (to Glanbia) in the North. Many of the members of these Co-ops felt disenfranchised and let down with some bad feeling (Dealer, 2014). Headlines like this may become more even more common in the future.

"One of Ireland's oldest creameries, Fivemiletown, has been sold - and 50 jobs are to be lost" (Bromie, April 2014)

In the UK, one has also seen even big Co-op causalities with Dairy Farmers of Britain break-up and the continuing fall of the Co-operative Group leading to a lack of trust in Co-ops in the UK. Both Co-ops in UK lost focus on their central purpose (Prichard, 2014). Internationally the literature notes that larger farmer Co-ops like Friesland Campina, Arla and Fonterra continue their growth through accession of smaller Co-operatives with loss of local economy.

In this chapter we will examine three case studies of where collaboration is functioning well for multi-purpose Co-ops who also want to serve their own community needs.

1.2 What is a Federation?

A federation is formed when two or more independent Co-ops set up a secondary Co-operative to perform some of their existing functions or else completely new functions. The federal Co-op is managed on an agreed basis by its member Co-ops and is fully answerable to them (Ward M. B., 1982). A Co-operative federation is a means by which Co-operatives can fulfil the sixth Co-operative Principle *"Co-operatives serve their members most effectively and strengthen the Co-operative movement by working together."* (See Appendix 3)

The model is not new, nor is it guaranteed to be successful, but that is the same as any business model. Many countries like USA, Canada, Brazil, Australia and even Germany operate as a federal union of partially self-governing states with a common purpose and constitution. Indeed Rabobank, ranked one of the largest and safest banks in the world is set up as a federation of local credit unions and is Co-operative in its own right.

1.3 Carbery Group Limited and the four West Cork Co-ops

Together, Bandon, Barryroe, Drinagh and Lisavaird have formed a federal milk processing Co-operative known as Carbery Group Ltd. It processes the milk collected by the individual Co-ops in their own trucks, which are decked out in the individual livery of each Co-op. Each Co-op is free to decide on the milk price it will pay to its own members. Despite this, or perhaps because of this, they typically pay among the top milk prices in the KPMG price league (Ward M. a., 2012). The Carbery Group has approximately 530 employees (220 based in Ireland), not including the employees of the individual Co-operatives. Carbery reported a total turnover in 2013 of €318m and a group operating profit of €13m (Barryroe Co-op, 2014).

Carbery is a leading cheese manufacturer (Dubliner Cheese is its best known brand) with some involvement in food ingredients. It operates its own dedicated R&D facility. The board of Carbery is comprised of two representatives from each of Bandon, Lisavaird and Barryroe and three from Drinagh Co-op on account of its greater share ownership.

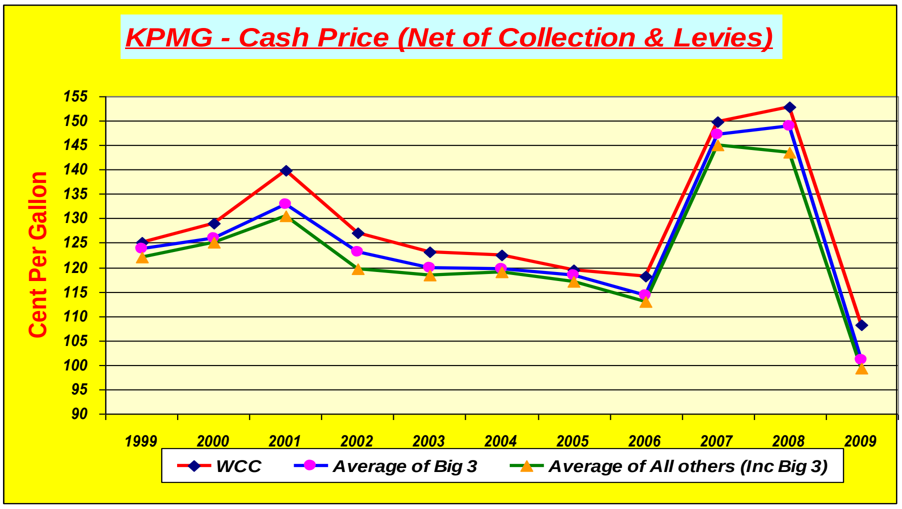
> ***"Carbery enables the Co-ops to retain local ownership and control while enjoying the benefits of being part of an international business and allows the Co-ops to 'avail of scale ….impossible if they were acting alone'***

According to Byrne & Ward, Carbery enables the Co-ops to retain local ownership and control while enjoying the benefits of being part of an international business and allows the Co-ops to "avail of scale which would have been impossible if they were acting alone". Cheese is sold through the Irish Dairy Board under the Kerrygold brand.

The individual Co-ops which own Carbery, continue to operate independently for the provision of farm stores and services to their members. Indeed, they have separately embarked on diversification programmes, depending upon their members' needs and interests. Barryroe Co-op has since developed a pig processing facility processing 350,000 pigs per year and a profitable property portfolio, Lisavaird Co-op has developed wind farming business, Bandon Co-op has developed a cheese packing facility and extended its mini-pack butter line and Drinagh has initiated a pharmacy chain in conjunction with its retail stores. The key similarity between all four Co-ops is that being limited by geography and milk quota they have looked for profitable growth opportunities within their own communities. **They are also catering for the needs of their own members and enjoy the enthusiasm and support that goes with it**. This is not always possible with larger Co-operatives.

As with most other Co-ops in Ireland and elsewhere each Co-op is a function of their unique environment and the needs of their members which may not be fully catered for in the "Super Co-op" or PLC model. More recently, individual suppliers, who are members of the individual Co-ops, have been allowed to take a direct shareholding in Carbery, independent of their Co-op affiliation in line with their milk supply. It could be argued that this copper-fastens active milk supplier control of Carbery (O' Brien 2014).

Table 2: Comparison of milk price 2000-2009 between West Cork Co-ops, Glanbia, Kerry and Dairygold and against average of all others (including big three) worth 1.6 c/l to suppliers in 2009 or €4800 to a 300,000 litre supplier.



The model in Carbery is focussed on delivering a high milk price to its user owned user controlled members and this is demonstrated in milk prices over the last 20 years (See Appendix 1). This is generally the aim of most user owned milk business rather than investor owned models. Dairygold, the largest Co-op in Ireland has improved its position significantly since it began to focus primarily on milk price and since 2009 has been paying a comparable price to West Cork with only minor differences with a renewed focus on member needs.

1.4 Valio Ltd, Finland – Core Mission "to look after the business of the producer"

Valio (Finnish for "excellence in quality) itself was founded in 1905 as a Co-operative to export high-quality Finnish butter. Valio itself operates under the federated ownership of the processing and marketing structures by 18 smaller Co-operatives, eight of whom supply milk (Huhtala, 2013), (See Appendix 6). This federated ownership structure is broadly similar to that of Carbery Milk Creameries in West Cork. Valio Ltd is one of the biggest companies in Finland. Valio mostly produces dairy products such as cheese, powdered ingredients, butter, yogurt and milk. Valio is Finland's biggest milk processor with 85% of Finland's milk pool. (Wikipedia, 2014). Valio Group's net turnover was 2 billion euros in 2012 with a milk intake of 1.865 billion litres. Valio is the market leader in key dairy product groups in Finland and a pioneer as the developer of functional foods. Valio Ltd., with about 7,700 milk farmers as members and 4,600 staff, has about 1,000 dairy products (Kontunen, 2013). Valio subsidiaries operate in Russia, Sweden, the Baltic, United States and China. International operations account for one third of Valio net turnover. (Kontunen, 2013)

Comparison of Valio Progress to Irish Co-op Sector in the current day

In the 1990's Valio and member dairies were going through a period of very strong structural changes where subsidiaries and affiliate companies were being established outside of Finland. At this time milk production in Finland began to drop and a reorganization of Valio and its member dairies began to take place to avoid overlapping in operations. The mergers of member dairies made larger Co-operatives more influential but increased the need for share capital. (Kontunen, 2013). Customer orientation was also becoming more important as Finland prepared to join the EU, which it later did in 1995. On 30th September 1992, Valio Finnish Dairies Associated executed a decision to establish a "One-Company Model" under the ownership of member Co-operatives.

The Valio strategy implemented at this time:

- Increased share capital.
- Concentrated marketing and sales of all dairy products into Valio.
- Restructured the administration of the business while operating to Co-operative principles.

In 1994 Valio Ltd and its members had three alternatives by which their mutual Co-operation would be based:

A. Merging the manufacturing (and marketing) function(s) into Valio.
B. Hiring manufacturing functions to Valio.
C. Marketing agreement with Valio.

Most member dairies decided to merge their manufacturing functions but options B and C were taken up too. Member dairies continued to operate independently for milk procurement (Kontunen, 2013) and farm inputs similar to the West Cork Model. 40 manufacturing plants were rationalized into 11 and the focus of the group became to invest into R & D and new products.

1.5 The Irish Dairy Board

In October 2013 the author had the opportunity to meet Ann Randles the Secretary of the IDB and Mark Flaherty trade analyst. As a Co-operative, owned by Ireland's dairy processors, and in turn by Ireland's dairy farmers, **IDB's core aim is to deliver a sustainable high return for the Irish dairy farmer**.

Consumer dairy products are marketed primarily under the Kerrygold, Pilgrims Choice, MU and Beo brands and the Consumer division activities are supported by cheese packing facilities in the UK and butter packing in Germany (Randles, 2013).

The Dairy Trading & Ingredients division sells and trades products across the globe and its facilities include powder blending and packing in the UK and ingredient cheese processing in the UK and US. The Group also owns DPI, a specialist food distribution network in the US offering refrigerated, frozen and dry food distribution to both local and national food retailers.

The IDB also announced details of a new €30 million investment that will create 50 new jobs in Mitchelstown, Co. Cork. The 50,000 tons capacity, fully integrated butter production and packing facility, will also serve as an innovation Centre for Kerrygold which has ambitious expansion plans post the abolition of milk quotas in 2015. (Irish Dairy Board, 2014). This is also the first time the IDB has entered the Irish Dairy processing industry. The new entity will be known as Ornua "new gold." This effectively transforms the IDB into a company similar to Danone or Nestle (Kennedy, 2014). This is an important development for Irish Co-ops in the scaled production of grass-fed butter at a high operational efficiency and points the way for further collaboration in the industry. IDB highlights are:

- Turnover in 2013 up 5% to €2.1 billion and Operating Surplus of €25.8 million
    - No. 1 butter in Germany (17% market share and 55% branded share).
    - No. 1 imported butter in the US.
    - Top three whole milk powder position in Angola, DRC and Congo.
- IDB responsible for 60% of total Irish Dairy Exports.
- 3,100 staff globally.
- Exports to 90 countries globally (Irish Dairy Board, 2014)

The marketing success of the IDB is based on the unique provenance and quality of Irish milk from grass fed cows. Irelands' reputation for traditional family farms and of our sustainable, low-carbon grass-based dairy system is also a major selling point (Irish Dairy Board, 2014). This will be backed up by the new Bord Bia National Quality Milk Assurance Scheme (Bord Bia, 2014). With the abolition of EU milk quotas in 2015, Ireland will be able to produce up to 50% more milk.

Ann Randles went on to detail IDB strategy for growth which is a roadmap for the Irish Dairy Industry in export markets. It is about running your shop well without waste, to "up value" on new or existing product while developing new routes to market underpinned by “having the right people to make it happen” (Randles, 2013).

Table 3: Irish Dairy Board Strategy for Growth 2010-2020 (Irish Dairy Board, 2014)

1.6 Key Learnings on collaboration

- The post-quota period of 2015-2020 will bring growth, opportunity and cash flow problems not experienced heretofore with some rapid change in the structure of the Co-op sector. Events may overtake some Co-op boards quicker than they may realise as they react to short term
- Modern farmers have not had the same connection to co-operation as their fore fathers that built the movement. Farmers will have less loyalty as they increase in scale and take on debt and will be even more focused on issues central to all Co-op agendas: - milk price and inputs cost. This will force change as members may serve notice to join another milk processor which will become a new reality in the co-operative sector.
- A strong Co-op equals strong negotiation. In Finland, no retail store can skip Valio as there would not be milk in the store. Nestle operate in a similar fashion in the private sector and supermarkets cannot afford not to have Nestle products on the shelf as seen in markets all

over the globe while travelling. The Irish Dairy Board offers medium size Co-operatives in Ireland their best chance of a strong negotiation when dealing with the supermarkets. The Kerrygold brand should be embraced more fully by the Irish dairy industry if they want to secure milk price at the higher end and all Co-ops should commit fully or risk undermining it.

- The alternative to the Carbery or Valio model is of course amalgamation or takeover by a PLC or a larger co-op who will have the necessary cash for investment. This will happen much more quickly than many Co-op boards realise as they burn value trying to satisfy increasingly difficult shareholders in the short term. The author has seen this happen in New Zealand (appendix 4), Finland and the UK.
- Individual Irish Co-ops not anxious to amalgamate could continue to exist as separate entities with centralised milk processing, research and marketing under a number of arrangements, especially on new investments in a similar fashion to Carbery or Valio or by agreeing a long term strategy with another processor. The structure of milk processing in Carbery, West Cork allows it to focus on processing efficiency and developing value added, leaving dealing with farmers and milk transport to its individual members and the sale of cheese to the Irish Dairy Board.
- The face of Irish Co-operation in 5 years from now will look dramatically different as happened in New Zealand in the late 90s (See Appendix 4) during a period of rapid dairy growth post quota

There is now an opportunity with real leadership for a "One-Company" dairy processing model operating according to the principles of a true Co-op sustaining the needs of the smaller Co-ops using the original Valio template.

1.7 Discussion and Conclusions

The Carbery approach has given smaller west cork Co-operatives much needed scale, allowing for diversification into higher value products and a scaled R & D profile, (O'Brien J., Former Chairman of Carbery Group and Barryroe Co-op, 2014) while maintaining local ownership, communication and control (as in Valio model). Other small to mid-size Irish Co-ops (< €400 million turnover) have not aligned themselves in this way. This strategy of Co-op collaboration to date has proved itself in higher average prices in West Cork (Appendix 1). The independent strategy of other Co-ops in Ireland in a quota situation, where there has been a limit to the amount of milk produced has also worked well to now. This is because it was possible to negotiate a competitive price for members where demand was high and supply was curbed (McCarthy, 2012).

In the post 2015 scenario, where restrictions on milk production are lifted, this is likely to alter considerably. Furthermore smaller Co-ops that are not processing some or all of their milk will have to negotiate as price takers on behalf of their supplier for increased supply. Many Co-ops will experience "growing pains" of simultaneous increased capital expenditure and cash shortfalls to pay for extra milk. John Moloney, Glanbia agreed with the author on the fact that the Glanbia strategy of lifting a "stainless steel" contribution from new suppliers was in fact "a game changer" for milk procurement in Ireland post quota which might put Co-op models under pressure (Moloney J., 2014). Now is the time for other Co-ops to apply the original Valio template towards a federated processing structure and secure their relevance or look at merging entities with other Co-ops but losing some local connection to members.

I have concluded that there can in fact be a future for the smaller multi-purpose dairy Co-op provided it is operating efficiently and within an efficient federated structure… using the Valio template"

While recognizing the benefit of the hybrid Co-op plc model in Ireland or big food companies looking to invest here, all farmers might be better served in the long term with milk price where the Co-op sector is still strong rather than an industry owned by investors rather than by user (farmer) owned and controlled Co-operative models. From this author's travels, there are significant opportunities for collaboration for Irish Co-ops in other sectors also; operations like feed milling and liquid milk to mention but a few.

This author has conducted a detailed study of the literature and financial accounts and held interviews with key people. As a result I have concluded that there can in fact be a future for the smaller multi-purpose dairy Co-op provided it is operating efficiently and within an efficient federated structure as demonstrated by the success of the West Cork Model, The Valio Case Study Visit and our meeting with the Irish Dairy Board and by further reference to the Irish Cattle Breeding Federation (ICBF), one of the most advanced centralized breeding databases in the world (www.icbf.com, 2014) which is a combined industry and government collaboration.

Chapter 2: Membership Development Initiatives

"Better Farming, better business, better living" Sir Horace Plunkett Pioneer of the agricultural Co-op, 1906

A smaller Co-op will not be viable without the sustainability of its members and its ability to attract and develop new ones. In this chapter the author will look at lessons learned from other Co-ops and farmers around the world that could be implemented in an Irish context to develop membership.

2.1 Farm Development in New Zealand

New Zealand has seen the most dramatic development in dairy from 5.3 billion litres in 1983 to 19.4 billion litres in 2014. The author was anxious to learn the positive and negatives of this expansion while visiting this country. The best farms on this author's travels had some or all of the following characteristics and there are a lot of applicable lessons for the Co-operative sector:

- Simple repeatable low cost dairy systems that operate a high margin/ha.
- Carry out benchmarking of all key parameters.
- Carry out budgeting comparing actual and expenditure.
- The owners tend to network well in industry with confidence in their own decisions.
- Communicate well with the bank at all times.
- Will take on board a mentor, where needed.
- Are managed by couples (O'Meara, 2013).

While having the opportunity to visit and be impressed by the best operators in New Zealand from multiple farm owners, owner operators, to share milkers to contract milkers, contract calf rearers and Co-op protagonists, the author was struck by the almost unsustainable lifestyle and level of debt and risk being carried by some. It occurred to me that there were only two types of farm in New Zealand, the one for sale and the one that will be for sale. The graphs overleaf show how debt profile on kiwi farms has increased radically in the last 10 years and is now an actual farm cost amounting to $2 per kg MS with farm costs approaching $4 per Kg MS and milk price approaching $6 per kg Milk Solids from a high of $8 per kg in 2013. Effectively interest on this debt is now a real cost of

"It occurred to me that there were only two types of farm in New Zealand, the one for sale and the one that will be for sale"

production and many farmers are only capable of making interest only repayments. This is not a solution for Irish farmers. While borrowing is important for growth, Co-ops will need to encourage expansion only if the farmer is already efficient and follow this up with consolidation. It is for this reason, financial farm planning will be a required skillset for both the Co-op manager and his farmer. The second graph also shows how New Zealand is losing its low cost position as a medium term outlook for cheaper grains is making high input scaled operations more competitive. It is this author's opinion that an expanding Irish dairy farm must be mindful of increasing debt significantly and exposing the farm to the globalised volatility phenomenon. Co-op managers will need to mindful of the need for a sustainable expansion for their suppliers.

Table 4a Farm Debt Profile in New Zealand 2003-2013

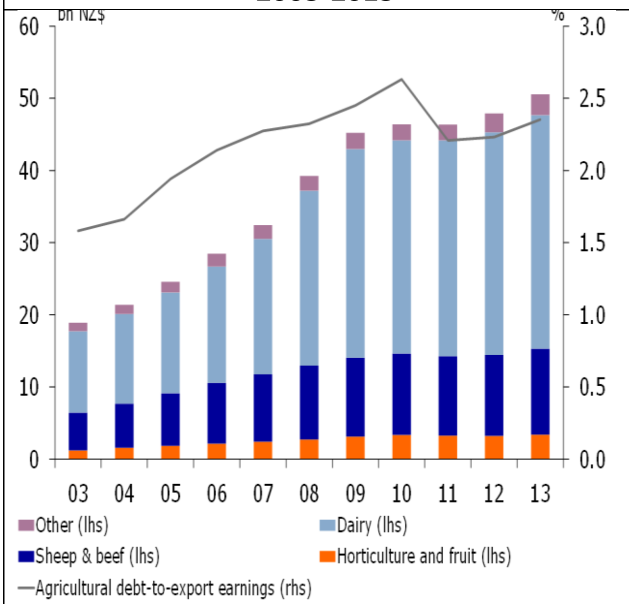
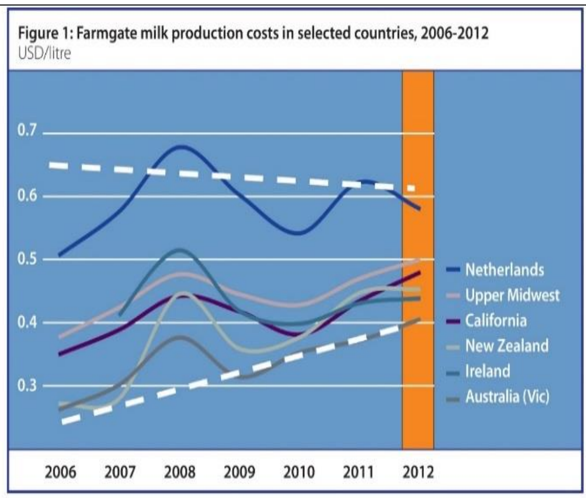


Table 4b Farm Gate Milk production costs in selected countries, 2006-2012 $USD/litre



Source: OnFarm Consulting, DairyNZ, LEI, Teagasc, FADN, Genske Mulder, Rabobank, 2013

Note: Ireland data for 2006 unavailable

Whole farm planning in New Zealand

A highly engaging process, I was involved with this process on John Lynskey's farm in New Zealand was a whole farm assessment process. Governance and financial planning on New Zealand farms are generally will ahead of Irish farms partly because of the level of debt. "It gets you up in the morning"

The assessment is first given to the farmer to study with his family and then his advisor, accountant, family and any considered mentors are invited with a nominated facilitator. The farm business is then studied under various headings including financial, personal and succession. Questions are asked with emphasis on how and when – facilitator sums up and a farm statement with a vision and goals is brought together with timelines and financials. This could be a useful tool on many farms, but is not currently part of the ordinary farmer mind-set in Ireland. Teagasc have a financial version of it in their 2014 “Financial Planning” workshops but it might be more useful to start with the family and their goals first and something for a Co-op to be cognisant of.

2.2 Valio Farm Development Team, Finland

The author had an opportunity to study a Greenfield dairy farm hosted by Jaana Kiljunen M.Agr.Sc Farm Services Development Manager, Valio Ltd. The average herd size of the 7,700 Valio dairy supplier is 30 cows but with an attrition rate of 6% per annum herd numbers are declining fast. Milk supply however is holding as new larger units are being built with new units being 60- 300 cow units which correspond with the output of the many robotic milking units being installed.

We were driven along a dairy corridor to a new Greenfield build 30 miles west of Seinajoki. This set-up for 100 cows cost €1 million to put in place excluding stock (€10,000 per cow). The family hoped to produce in excess of 1 million litres (10,000 litres per cow) and felt this number will carry two families at the moment but that there is growing opportunity to take this to 2 million litres. This trend was not unique as we came across two more dairy farms being built on the way back to Valio Maitosuomi. Interestingly a team of people are involved in any new farm build with farm families. Farm Plans are drawn up by Pro-Agria (National Advisory Service). Valio Development Staff play a key part. On the negative one wonders whether such expansion could be carried on at lower cost. Severe climate and milk price respectively, are the obvious reasons that such investment is required and that they can be justified. Banks are anxious to lend to progressive expanding dairy farmers in Finland provided they have completed a full business plan with their Co-op and Pro Agria. Given the 68% coverage of land mass in forestry in Finland, the banks are even happier to take a security charge on plots of forestry a dairy farmer might have.

Milk price during our visit was about 47 c/l during the time of visit in July 2013 with costs at 35 c/l. Generally herds are less than 50 cows and are housed indoors with high quality silage and concentrates. The interesting note from my point of view as an Irish Co-op Business Manager was that the Co-op/Valio was providing three specialist advisors to lead the development of farm plan team needed to make such significant investment. Visits by Valio staff with New Entrants or developing farmers to other EU countries to see the latest technologies was not uncommon either.

2.3 Comigo Co-op Brazil, Farm Development Team

Comigo, the fifth largest Co-op in Brazil was set up in 1975. This highly organised multi-purpose Co-operative operates across a 200km radius from its HQ and had a $3.0 billion Reals (€1 billion euros) turnover in 2014. While its business is mainly in the procurement and processing of soya (1.2 million tons), corn and retail farm stores and feed mill, it also has a growing interest in milk procurement in the Rio Verde area. Across its business it employs 40 agronomists, 42 vets and 10 consultant advisors to aid and educate farmers in the development of best farm practices and they see good demand for dairy produce as Brazil is in a 1.2 billion litre deficit for milk in a protected market. Currently only 300 of 6,000 shareholders are involved with dairying but numbers are growing all the time as higher margins are possible with the application of the correct technology. Comigo play an important role in the application of new technologies through their "technoshow", farm visits, open days, Co-op seminars and technical literature.

In one case study, Comigo advisor Eduardo showed how they helped a dairy farmer double his production over two years to 15,000 l/ha by the implementation of best practice with soil fertility, forage management and paddock establishment. They believe that it may be possible to double this again by introducing irrigation (which is subsidised by a tax rebate). Production Costs per litre vary from about $0.65Reals/litre to $0.93 Reals/litre with a milk price of $1.20 reals per litre. Increasing stocking rate by production of more grass or corn silage was seen as the main avenue to dilute fixed costs. The overall learning was that dairying in Brazil at the current time is a long way off its full potential. The staff of Comigo Co-operative hopes to educate and grow dairying in their catchment in the medium term. They allow for two visits per month to development farmers and reduce this to once per month once a good operating system has been established. **In this way they have grown both the business of the farmer and that of the Co-op while securing the loyalty of farmer also.** They are relevant to farmer by keeping farmer central to their purpose

2.4 Membership Development Initiatives for Irish Co-ops

During the period from the accession of Ireland to EEC in 1973 to the commencement of quota system in 1984, the Irish dairy industry grew at an exciting 5.99% per year. It has been stagnant since. Dr. Pat Dillon, Moorepark noted at a co-op Dairy Meeting in 2014 "for the first time in 30 years, we can now plan to exploit our competitive advantage in milk production within a truly global market place, fuelled by expansion on existing dairy farms and the entry of youthful new entrants to dairying."

Pushing on from this statement Irish Co-ops will have to push their farm development agenda under the following headings:

> ***"For the first time in 30 years, we can now plan to exploit our competitive advantage in milk production within a truly global market place, fuelled by expansion on existing dairy farms and the entry of youthful new entrants to dairying." -Dr Pat Dillon, Moorepark***

- **Grow more grass.** Ultimately grass is our competitive advantage. Co-ops will need the technical back-up to push the issues of soil fertility, grass measuring and reseeding with the ultimate aim of increasing average stocking rate from about 1.8 LU/Ha (Barryroe Co-op, 2011) to about 2.5 LU/ha. The average farm is growing less than 9 ton DM/Ha, where the best are growing up to 15 ton DM/Ha – one of the key profit drivers of a dairy farm.
- **Increase Milk Solids sold per cow.** This can be achieved mainly by improvements in fertility and calving cows early to grass. This could be easy for Co-ops to track and monitor with existing IT infrastructure.
- **Contract rearing***:* This is the rearing of replacement stock on contract by another farmer to maximise the production from the grazing platform, allowing all the available grass to be fed to the milking cows. This was a key feature of the dairy areas I visited in New Zealand, with the dual advantage of outsourced labour and more focus on the dairy herd. Co-ops could play a key part in identifying potential rearers.
- **Importing feed from outside:** During my New Zealand visit and visits to beef feed lots in Brazil or the intensive dairies in Canada or Finland a key factor in increasing output was bought in forage or feed. In New Zealand and Brazil feed is bought on a per Kg DM delivered. This will become a feature of already intensive milk pools in areas like West Cork and where Co-ops may need to work with farmers on cost benefit or optimising nutrition.
- **Improved Breeding:** Big strides have been made in recent years with improvements being made in the fertility of the national herd due to the introduction of EBI. These improvements will help with getting cows calved earlier in the year maximising milk from grass on the home platform. (Irish Cattle Breeding Federation, 2014). **With increased numbers of cows on some farms it will be important to breed a cow to suit both the farmer and the farm.** A Holstein is not going to walk 2km and produce milk efficiently, nor will a jersey maximise a fragmented platform where bought in feed is a big feature. Fertility however is key to profitability of both systems. Co-ops in Ireland play a large part to play

through their ownership of some of the breeding companies. This author served as director of www.munsterai.ie for a period of four years (2012-'15)

- **"An investment in knowledge pays the best interest" – Benjamin Franklin:** The best way for farmers to keep up to date with these is to join a discussion group. In Brazil, BRF thought it worthwhile for a Co-op to set up discussion group to maintain focus on what help dairy farms needed at a particular point in time. Co-ops will also need to be pro-active with organisations like Teagasc to provide training for young farmers and trainee staff on key skills. A key learning from New Zealand was the provision of mentors who had the experience both good and bad and could help a young or developing farmer. This could be facilitated by the Co-op in identifying mentors for different situations.
- **Winter milk:** An increased proportion of winter milk production would allow farmers to stock the farm with more cows. During late summer, autumn calving dry cows can be moved off the grazing platform. This increases output per hectare on the grazing platform. However it must be remembered that high input systems by their nature are more capital intensive, need a high level of stockmanship and are more sensitive to changes in milk or feed price. It will also be more difficult for milk processors to find high margin markets to justify a bonus for same into the future. Despite this some farmers will choose this option especially where fragmented holdings are a feature (Coleman, 2014).

2.5 Share Farming as a means to develop the Irish Co-operative dairy sector

Land is the most limiting factor in dairying despite the fact that less than 20 percent is in dairy farming. Land in Ireland is suitable for dairying with its rainfall and ability to grow grass. However, land mobility is the big issue. There is a lot of land in the hands of people not farming the land to its full potential. Ireland also has young people trained and capable of dairy farming who have gained experience on dairy farms both at home and in New Zealand (French, 2014).

For these young people there are a number of options to access land:

1. **Inheritance**
2. **Land purchase** but land prices do not justify same.
3. **Long term Land leasing**: There have been 3 or 4 CAP reforms where the land owner has lost out to the active farmer which has put a disincentive to land lease with all policies catering to the active farmer. (French, 2014). There are also issues in handing over to the next generation with inheritance taxes for the farmer leasing out the land.

4. **Short term leasing** or con-acre (11 month lets) is not sustainable for dairying.
5. **Partnerships** – 200 registered in dairying in Ireland, most to circumvent quota restrictions. The fundamental principle of a partnership is to share profit but this brings joint and several liability for debts of each partner. This issue, which is a disincentive, means it is only suitable for a family long term based on trust.
6. **Share farming** is another model to overcome some of these barriers where two farmers farm the same land and divide costs and outputs. 34% of dairy farming in New Zealand is operated in this way and the author had the opportunity to visit a number of successful set-ups while travelling in New Zealand in 2013. The key advantage for an existing operator is that it would allow the land owner to be an active farmer and capture the Single Payment while gaining all the tax incentives of being an active farmer especially on land transfer. For the industry it brings the energy of youth, innovation and growth in a cost-effective way. Quota, education and mind-set have been the limiting factors to its uptake in Ireland up to now.

Leading Mindset Change in Share Farming

Shinagh Estates Limited Bandon is a collaborative 200 cow commercial demonstration farm owned by the four West Cork Co-ops and set up to demonstrate the practical realities of expansion post-quota and the application of the latest grassland technologies. An executive and farmer director from each of the four west cork Co-ops are on the board. In 2014, the author as a director, was involved in a proposal set up a second demonstration dairy farm and identify a young person to provide labour and stock to farm the 82 acres available. The young share-milker will gain a contract with Shinagh Estates for 4-5 years supplying milk to Bandon Co-op, with the milk cheque split between owner and share-farmer. Costs will be split on the following logical basis:

Resource employed on an Irish Share farm	*Split of revenue and production costs*
Labour Land Cows Sheds/CapitaL	35% 25% 20% 20%
Lower order share milker supplying labour only and no cows Variable order share milker supplying half the cows Full Share-milker owning all cows and supplying all labour	35% 45% 55%

New share milkers, having invested in cows, are looking to build capital fast. They will borrow to buy stock over the five years with the aim of walking out at the end of five years owning 100 cows, creating a track record for them to develop elsewhere possibly on a bigger scale and give another new entrant a chance. Capital cost will be approx. €160,000 (€2,000 per cow) to set up a basic set-up with a focus on return on capital for Shinagh Estates as there is currently no infrastructure in place.

A key output from project for the West Cork Co-ops would be to prove to farmers close to retiring without a successor that there is another option, where everyone benefits. It is fitting also that the platform involved (33 Ha) is close to the West Cork Average (Barryroe Co-op, 2011).

Figure 4: Nuffield Ireland meeting with Jason and Lisa Suisted NZ Sharemilkers of the Year 2011

2.6 Discussion and Conclusions

In an Irish context, all farmers are lucky to have a research-based knowledge transfer organisation like Teagasc to provide objective advice to farmers. In visits by foreign groups to Irish Co-ops, they were heartened to see that Irish Co-ops and Teagasc are promoting the same message to provide a clear direction for their farmers. The issue with the farm development agenda is that the Co-op has a vested interest in a farmer going well and Teagasc do not have the full resources, hence the need for Co-ops to develop. In current Joint Programmes with Teagasc and Co-ops, the best farmers are picking up these messages. There is, however, room for the other 50% of farmers to benefit by a co-ordinated approach from Co-op staff to help the supplier achieve efficiencies. Less than 10% of farmers are undertaking a "Profit Monitor" and less are measuring grass, both key indicators of profitability. With the emphasis on grass technologies, cow fertility and financial planning, Co-ops will need to lead the agenda in supporting new or developing dairy farms as a key partner. The focus however should always be on efficiency before expansion, and expansion at low cost. (French, 2014).

Knowledge extension is a "contact sport" to effect real impacts at farm level and the next five years will be a vital period for farmers who will need strong advisory services from public, private and Co-operative sources. Co-ops getting involved in membership development initiatives has been shown to be best practice in other countries visited and will be discussed further in Chapter 6 in relation to government policy on the issue. The key farm development focus of Co-ops should be leading a mind-set change in areas like contract rearing and share-farming. Models such as the newly proposed share-farm in Shinagh will provide comfort for established operators without a successor who want to retire from dairy farming but want to protect their single farm payment. It will also provide an opportunity for young people looking to get on the first rung of the ladder in owning a farm. The authors suggested actions for Membership development initiatives include:

- Subject to milk price in excess of 30c/l there will be an increasing number of Greenfield conversions of beef and tillage farms to dairy. These "new entrants" will need a lot of development help from the Co-operative which will need to be catered for.
- Like Finland, it might be a healthy development for farmers considering expansion to submit their farm plan to the Co-op and bank advisors to ensure sustainable growth with controllable debt levels that can absorb inevitable price shocks.

"We need to be low cost and capable of coping with expected volatility. Low cost is twice as important as prediction"

- Farm Development Programs co-ordinated by the Dairy Co-ops of Ireland will be a key factor in developing members to their full potential post quota abolition. This will also involve demonstration Greenfield farms and share-farm arrangements.
- Co-ops need to recognise that any new farm developments need to be low cost and capable of coping with expected volatility.
- Co-ops must lead a mind-set change to encourage youth into agriculture through share-farming or contract farming and/or other collaborative arrangements.
- Each Co-op or regional area should have an overall "farm development" manager to manage supplier relations and farm development.

Chapter 3: Talent Development within a Co-op

"You don't build a business, you build people and people build the business" – JW Marriott

Smaller Co-ops in Ireland do not have the highly developed HR systems employed by the PLCs or multinationals to develop staff or identify potential in their organisation. This has been borne out by the fact that recent (2014) senior appointments in a number of local Irish Co-ops such as North Cork Co-op, Town of Monaghan and Bandon Co-op came from outside the organisation and outside the Co-op sector. While this may be healthy in itself, it does highlight weakness in the Co-op sector to develop its own talent. Over the course of this author's travels with Nuffield, one has had the opportunity to meet some of the top leaders of their time including John Moloney, Glanbia twice, Denis Brosnan formerly of Kerry and leaders and directors from Brazilian, Finnish, Canadian and New Zealand Co-operative Sector. The purpose of this chapter will be to examine separately how talent development of both executives and directors is vital for the future progress of the smaller Co-op so it is useful to study of the best leaders and their organisations.

3.1 Executive Development

3.11 The Glanbia Way

There is a war for talent out there!
- John Moloney speaking at Nuffield Ireland Conference 2013

At the end of 2013, John Moloney stepped down as CEO of Glanbia, a company he had been with for 25 years. He was involved with many of the key developments of the company, including the merger between Waterford and Avonmore, the development of the US cheese business and since 2001 as CEO, the movement into the performance nutrition sector with the Glanbia share trading at €11 (from a few cents in 2001) (Renwick, 2014).

According to Moloney, talent development of executives was key to his success of Glanbia. He cited three tenets of his philosophy of "The Glanbia Way" summarised overleaf.

3.111 Planning

"Plans are nothing and planning is everything" is a quote by war hero and former president Eisenhower, meaning while you can make a plan, you must also consider the challenges and opportunities as you meet them while achieving or surpassing the original objective. Each business unit should have a rolling 3 year plan and budgets for same should be built from the ground up not from top down and updated as conditions change.

Figure 5 The Glanbia Way of Talent Development (Moloney J., 2013)

Planning	▪ "Plans are nothing; Planning is everything"
Projects	▪ Getting it done ▪ Breakdown the programme ▪ Clarity on the goals
People	▪ Talent. Performance ▪ Support and Challenge ▪ Measurement ▪ Feedback ▪ Deal with under performance

3.112 Projects

Projects are a good way to get things done and test management skill. Leadership is about making a difference and getting it done. Managers need to learn to give clarity on goals and break down the project into tasks where responsibility can be assigned. **By achieving tasks, you build a team and develop individuals as leaders.** Managers need to learn to be straight and direct.

3.113 People Matter

Good people are still a challenge to find – "There is a war for talent". Good Managers need to be supported and challenged and get and give good feedback.

3.114 Performance or Talent review techniques used by Glanbia

- Here is what you are good at, but you need to improve here.
- What are your developmental needs?
- Talent reviews need a paper trail to be of use and need to be twice annual.
- SWOT of manager including demonstration of delivery on commitments made.
- Graduate program: graduates should be high energy, commercial and mobile.
- Top 100 managers are invited to an annual leaders meeting to discuss how to move the organisation on.

On leadership style, Moloney cited

- Developing people involves bringing them along on a shared vision and giving them more responsibility to see if they can develop their scope and capability.
- Managers should have the ability to simplify and clarify strategy and roles.

- Good leaders establish good routines and act on information and will always keep their finger on pulse of an organisation.
- Good leaders need to learn to be persuasive and resilient to communicate vision through an organisation, to its members and to the wider public.
- Good leaders facilitate the debate with their team and call the decision and most importantly under-performers must be "moved on".
- Ultimately leadership must recognise and encourage ability and talent.

> ***"Good feedback is the breakfast of champions" – John Moloney***

3.2 Development of Director Skills of a Co-operative

A key principle in Co-operation relates to the education of its members, directors and employees, "both economic and democratic" (International Co-operative Alliance, 1967). According to McCarthy and Ward (2012), one of the key weakness of Co-ops they studied as part of a wider case study was the insufficient appreciation of applying Co-operative ways of working and ensuring that users always remain in control. Dairygold Co-op are only now recovering from their foray into the DIY and property business, while Newmarket lost control because of a vulnerable processing dependency to an investor owned model and poor structural reform of their shareholder register where non-active members had the deciding vote. This demonstrates the point that it is important to keep the needs of the users central in any strategy. Again McCarthy and Ward (2012) note that the boards may not have had the necessary confidence, skillset and education and overly relied on senior management to set the strategic direction. In this section we look at how other Co-operatives tackle talent development of directors to prepare the directors of the future. In more recent times Dairygold board and management have focussed clearly on delivering on two values; milk price and economy in farm inputs. This is already providing results to members and proving attractive to those on the outside with reports of recent merger talks with neighbouring Arrabawn Co-op (O'Keefe, Merger Contact, Edition 30th August 2014).

3.3 Education of Directors and Executives of Co-operative Governance

A suitable course undertaken by forward-thinking Co-operative directors and executives has been run by UCC in association with ICOS for the last 17 years i.e. UCC Diploma in Corporate Direction (Food Business). Other universities now have similar or related courses. The basic programme is directed at management in large organizations in the food and drinks sector but is particularly suited as a baseline course for directors and executives of Co-ops studying the following topics:

- Corporate Governance.
- Communication and Presentation Skills.
- Leadership, Organization Development and Change.
- Strategic Management.
- New Technologies, Future Food Developments.
- Policy and Regulatory Environment for the Food Sector.
- Financial Appraisal for the Food Industry.
- International Marketing for the Food Industry.

ICOS make Co-op boards aware of this program but it is not compulsory. Having completed the course a few years ago and having interviewed a number of Co-op directors since then, this author believes that it should be mandatory that directors at the very least complete something similar in line with best practice in Co-operatives in Europe and New Zealand.

3.4 Candidate Assessment for senior Co-operative Positions

Having the chance to interview Lloyd McCallum, Fonterra Shareholders Council, Invercargill, New Zealand helped provide the author with insight as to how directors are elected in a large Co-op.

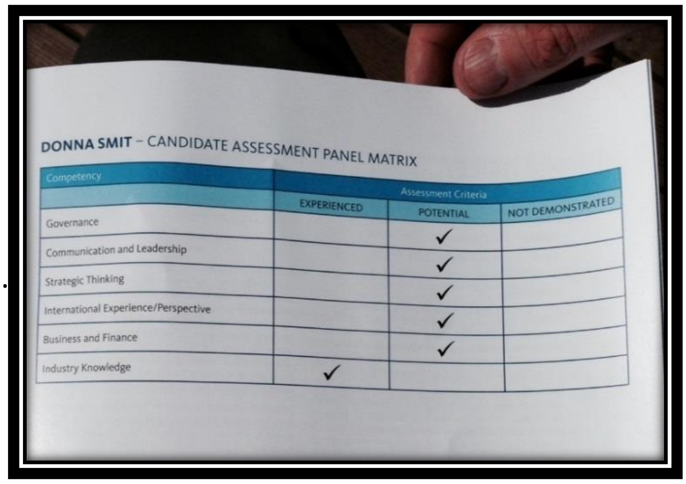
Figure 6 "I'm six foot by the way"
Lloyd McCallum Fonterra Shareholders Council

According to (McCallum, 2013), farmer members who are interested in becoming a director, to be even considered, need to demonstrate the following:

1. Have undertaken a governance development training program.
2. Show involvement in community and council and developed a good network system.
3. Other directorships and proven in business.
4. Make themselves known in the media e.g. use of the dairy exporter to profile themselves.

Having the very best people directing your business means using a formal evaluation of skills by an independent panel under the following headings: ***Figure 7: Candidate Assessment Matrix***

1. Governance
2. Communication and leadership.
3. Strategic thinking
4. International Experience/Perspective.
5. Business and Finance.
6. Industry Knowledge.



DONNA SMIT – CANDIDATE ASSESSMENT PANEL MATRIX

Competency	Assessment Criteria		
	EXPERIENCED	POTENTIAL	NOT DEMONSTRATED
Governance		✓	
Communication and Leadership		✓	
Strategic Thinking		✓	
International Experience/Perspective		✓	
Business and Finance		✓	
Industry Knowledge	✓		

People are scored on actual and potential performance by an Independent panel and results are available for all voters to see. The results for each skill are rated experienced, demonstrating potential or not demonstrated. People can be weak or strong in particular areas. The incumbent may be strong on achievements or experience. A full candidate profile or Curriculum Vitae is given to members at shareholder meeting roadshow, where they give a short presentation and answer questions. The aim is that elections are based on meritocracy rather than politics.

Figure 8: Hensall District Co-op, Ontario, Canada, Corn, Beans & Soya (non GMO is niche)

3.5 Discussion and Conclusions

In an era of growth, opportunity and some challenges, the following points are worth considering:

a. To build a business, you must first learn to build people and this may be a limiting factor to smaller Co-ops without a formal HR system (internally or outsourced).

b. A formal system of HR is needed in all Co-ops to ensure a ladder of progress for young executives, identify potential or developmental needs of staff and to deal with poor performance. This is one of the "secrets" of the success of Glanbia and the Kerry Group.

> "Co-ops are going to need stronger farmer leaders than ever before during a rapid growth phase"

c. All Co-op directors and senior executives should undertake a formal education program on Co-op governance or have adequate demonstrable experience.

d. The implementation of a 2-3 year graduate training program to attract the best young management graduates offering experience in a number of sectors across a number of the ICOS members should be a priority (similar to the bigger Co-ops and PLCs). In the current model, graduates entering a small to mid-size Co-op are offered limited scope in international business development or international best practice. This is borne out by the fact that many of the mid-range Co-ops are failing to recruit from within for senior management positions.

e. For senior director positions at the very least a talent matrix should be put in place to allow shareholders to vote on directors on the basis of meritocracy rather than politics. Co-ops are going to need stronger farmer leaders than ever before during a rapid growth phase.

The key focus at all times for an executive or director, should be to keep values of farmer needs central to any Co-op strategy. Co-op leadership needs to be cognisant of medium and long term consequences to any proposed strategy and its effect on both shareholders and community.

Chapter 4 Communication of Purpose to Stakeholder

*The single biggest problem in communication is the illusion that it has taken place." **- George Bernard Shaw***

One of the advantages of the small Co-op is that all shareholders can walk in and talk to the "Manager" and clarify or deal with issues as they arise or talk to someone directly connected to the core business including directors. As Co-ops get bigger communication of the Co-op message becomes more important as the ordinary member may not feel connected. In this chapter the author will make a few observations on how Co-ops in other parts of the world deal with this issue which can become a major barrier to progress in Co-operation.

4.1 Valio, Finland–Member Co-op Communications "to promote the business of the milk producer"

In Seinajoki I met with Antii Tukeva, Managing Director of Valio Osk Maitosuomi, the third largest Co-op in the Valio group with a 300 million litre catchment, 1,400 suppliers, broadly similar in size to Carbery but without the intricate level of services built up by the West Cork Co-ops. Some key learnings I gleamed from meeting were:

- Chairman does a mail shot every couple of weeks updating suppliers on current events to keep connected with suppliers, people can reply directly and Chairman will ring them directly if necessary.
- All directors contact details are on the back of Co-op newsletters.
- Services such as farm inputs from Co-op help to keep members connected so the more services the better and the Co-op are actively looking at same.
- 80 % of farmers are using extranet Valio website and key personnel in both technical and processing are encouraged to write blogs to keep members up to date.
- Information on the sustainable nature of the milk product and quality assurance under which farmers operate was available for the public to discuss at all public events and **agricultural shows with both managers and directors** of Valio processing facilities available to discuss any issues with Co-op staff.

Our final meeting in Finland was with Pia Kontunen, Valio Communications Director. Some of the take-home messages included:

- Pride in that Finnish milk is GMO-Free ("from pure Finnish grass silage, cereals and rape as well as top quality fresh water") (Kontunen, 2013).
- Linking of Valio brand with each regional Co-op is achieved by crowning Co-op name with Valio's familiar logo. (Kontunen, 2013).
- Brand is the most valuable asset of Valio so ethics are important: - Valio is considered one of best companies in Finland.
- A lot of effort by Valio is put into making sure products are not commoditised.
- Milk Tankers run 24 hrs/day on a similar truck and trailer set-up as used by Fonterra in New Zealand and the branding/safety/pride in the fleet is seen as important.
- Milk return to farmer is made up of milk price and a dividend paid to the Co-op at end of year which is subsequently passed on to the supplier and the aim is to have this transparent to maintain trust.
- Valio undertake a bimonthly newsletter and Co-ops themselves have a monthly newsletter with production news and commercial service material. At the end of newsletter to all suppliers all farm advisory staff, executives, directors and chairman contact details are printed on back page to keep communication channels open at all times (Tukevva, 2013).
- Blogs from Valio personnel are now being posted since May 2013. There are 30 farm advisory staff with Valio.
- Valio wants to improve communication further with their suppliers in reasoning why a particular event/action is derived each month (such as change in milk price) and the factors influencing it to ensure transparency and connectivity with member (Kontunen, 2013).
- Three of the Valio Advisory team are assigned to aid strategic growth planning process by farmers linking up with the National Farm Advisory Agency "Pro-Agria" to form a farm development

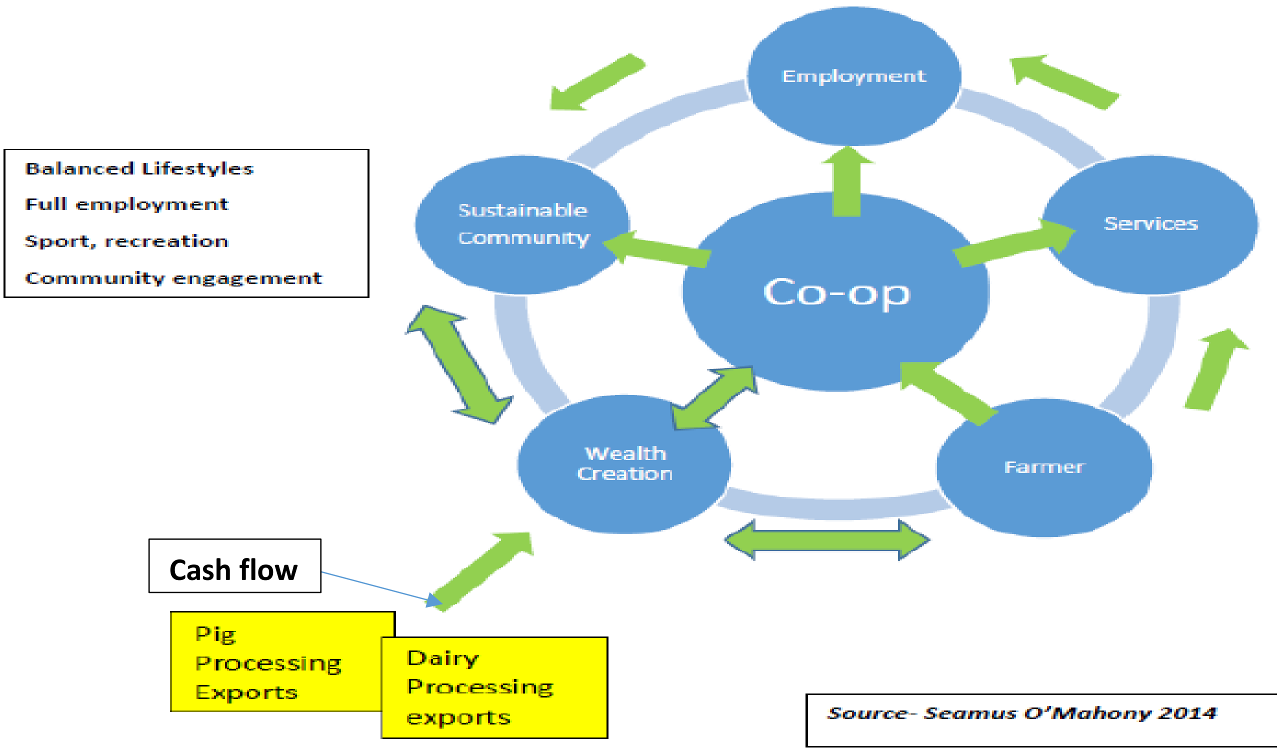
4.2 Listening to user needs to develop Co-op goals

In a book called *Making Farmer Co-operatives Work*, the Indian economist Tushaar Shah developed a theory that the success of a Co-operative depends upon how effectively it serves the purposes central to its user member; and how effectively the Co-operative does this depends critically on how well it gets designed to do so. Successful Co-operatives change the economies of their members, so that they become more central to the members than before (Shah). They are an 'ever-expanding presence', creating new opportunities for their members to prosper. They seek to become central to their members, and when they expand it is only in order to increase the allegiance of members and potential members. He goes on to say "Protecting the integrity of the member-Co-operative relationship is central to success, and this is the job of the board of directors". An example of this in West Cork was the set-up of a pig processing facility by Barryroe Co-op (a multi-purpose dairy and grain procurement Co-op) to secure the interests of the many pig suppliers in the area (Barryroe Co-op, 1996). This would not have happened in a bigger Co-op focussed on dairying for example. The facility now process 350,000 pigs and is generating wealth for the wider membership and is an important employer in the wider community (Barryroe Co-op, 2014). Similarly Aurivo in the Northwest have developed a biomass unit to supply cheaper energy.

4.3 Communicating Co-op contribution to economic and social sustainability of the community

We have all seen rural decline, where there aren't enough resources to sustain a community, leading to closures of post offices, shops, pubs, a depletion of services available and ultimately the emigration of youth to a point where some communities are finding it difficult to field a GAA team. This is the depletion of the social capital of an area. The multipurpose Co-ops around Ireland including those in West Cork contribute to their community by purchasing farm commodities from their farmers and exporting them out of the area bringing money in. They are usually the major employer in the area also. They prevent leakage of money by contributing to both the purchase and sale of goods and services. Profits also are repatriated locally. A vibrant strong community is sustained by having a strong Co-op in the area with both wealth creation and social capital values in mind. This should be appreciated and emphasised by those involved in Co-op boards, management, farmer members and the wider community and is represented overleaf in the info graphic.

Figure 9: The importance of Co-op to the successful ecology of rural community e.g. Barryroe



4.4 Discussion and Conclusions

a. The important lesson to commuicate is the benefit of a multi-purpose Co-op that maximises the number of macro-economic units (farms, employees and services) within an area or community which is the essence of a sustainable vibrant rural community.

b. Key rural services keep Co-ops connected with members and serve as an important communication tools in their own right as observed right across the world although few areas in the world have Co-ops providing so much services as those in West Cork that operate a federal dairy processing model. Co-op boards have to balance the needs of all shareholders and community values.

c. We have up until recently been totally underselling the natural advantage of our climate in Ireland with grass fed cows and Co-ops like IDB need to sell this internationally.

d. There is further opportunity in Ireland for Co-ops to come together to optimise resources "to promote the business of the milk producer" as a key mission for Co-ops management and directors when making decisions.

e. Valio branding and communications function as an umbrella across the nine independent Co-ops that supply its processing facilities. This promotes both belonging to a big stable and independence of serving local Co-op needs. Loyalty is one of the key positive points seen in both Valio, Finland and in West Cork, Ireland. This vindicates the West Cork model of federated ownership of a milk processor by independent Co-ops in a sustainable fashion and serving the central needs of their respective communities by providing the services needed, being answerable and delivering on milk price.

f. In newsletter and websites, all farm advisory staff, executives, directors and chairman's contact details should be available to suppliers to keep communication channels open at all times. A communications Director should be a requirement of most mid-size co-ops or co-operative federations to keep co-op connected with its members.

g. Chairman should be available to be a conduit for direct communication with members at key times. Email updates from chairman were also seen as useful by farmers

h. Brand and reputation is the most valuable asset of companies like Valio, the Irish Dairy Board or Fonterra so ethics are important.

A Communications Director should be a requirement of most co-operatives to keep co-op connected with its members

i. Fonterra's 2013 wide scale recall of product due to a botulism scare (wikipedia, 2014) underlies new trends in social media communications – "truth or lies, millions will know in seconds" In this case one of the big mistakes that was seen to be made at the time was the fact that the Chairman of Fonterra was not the first out to communicate the "bad news" which might have made it more palatable.

j. Valio branding and communications function as an umbrella across the nine independent Co-ops that supply its processing facilities which could be taken on board by some of the medium range independent Co-ops in Ireland, perhaps using the Kerrygold brand.

k. Communication and belief of Co-op ideals through from board to management to employees to suppliers is vital. Co-op leadership (directors and senior management team) need to be contactable and give stakeholders ownership of the business they own.

In summary, the key learning for this author is that all communications at Co-op level both as executives and directors should be around staying connected and relevant to the farmer member and wider community to retain one of the key strengths of the small to mid-tier Co-op

Chapter 5: Delivering Value in Farm Inputs

"We have never thought that anything is impossible with thought, energy and effort" – Denis Brosnan, Former Kerry Group CEO at Farmer of The Year Competition 2014

As milk and grain prices become more volatile, the only sound advice for a farmer is to farm efficiently and control his input costs. For the purpose of this chapter, the author will look at options to secure value in farm inputs and the value of Co-opetition to improve member benefit in the small to mid-size Co-op. Research for this chapter included speaking to Clarke Willis, the CEO of Anglia Farmer, a friendly society in the East of England and Keith Gosney, Managing Director of Clynderwen & Cardiganshire Farmers a mid-size farmer inputs Co-op in Wales as well as a review of the current structure of the Associated Trading Co-operatives (ATC). This will now become a central purpose to Co-op boards as we face into a new era, where volatility will be the new norm.

5.1 Anglia Farmers, United Kingdom

In 2013 Anglia Farmers was the largest agricultural farm input member owned and controlled society in the UK with a turnover in excess of £250 million. It has a growing membership in excess of 3,500 shareholder members. Effectively it is a professional farm inputs procurement Co-op that has expanded to meet demand. It has now also set up three subsidiary companies, AF Finance (crowd funding, short term finance), AF Affinity (employee procurement and payroll management) and AF Biomass (pool marketing of member wheat, OSR, linseed and miscanthus straw).

Business Operating Platform of Anglia Farmers

- Members are surveyed on scale of their business and full input requirements to set targets.
- Members are encouraged to forward plan their requirements, enabling AF to collate bulk orders and negotiate prices based on accurate volumes.
- Placed orders are confirmed by email to member automatically.
- A Membership card can also be used directly with registered suppliers e.g. discount with builder provider invoiced through Anglia Farmer Account.

  All products are categorised and online statements correlate with farm accounting packages e.g. feed, fertiliser, fuel and seeds to mention but a few. Most members receive their AF invoice with all supplier invoices attached in an e-billing format to keep administration costs low.

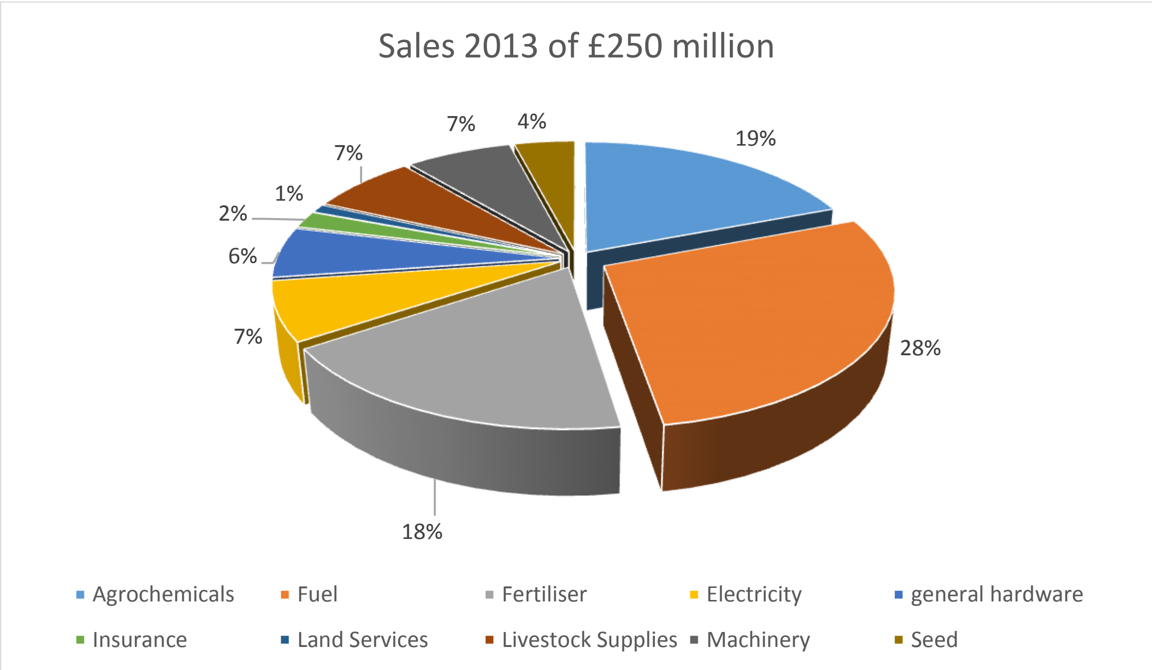
Anglia Farmers do not handle physical product. Specialist buyers are available in each category.

There is a "commitment principle" and new members are expected to commit fully in at least two key categories. The categories are Fuel, Feed, Fertiliser, Seeds and Agrochemicals (Willis, 2013).

A sliding scale of levy or discount depends on commitment status. RDI in New Zealand operate in a similar manner. Credit terms are 30 days by direct debit with a further discount for 14 day payment in some items including feed (Willis, 2013). This growing Co-operative procurement business has also diversified its procurement activities to include the following:

- Excess of 1.5 million litres of bulk fuel each week.
- Sources more than 450 vehicles each year for members at least cost.
- Handles over 13,000 mobile phone accounts (Anglia Farmers, 2014)

Table 5: Anglia Farmer society Turnover by Category in 2013



My Key learning from this visit is that the mid-size Co-operative grouping of ATC in Ireland has ample opportunity to apply some of the techniques demonstrated in Anglia Farmers and

Agrii, also based in UK (Agrii , 2014) which is applying innovation and science to growing its business. Farmer members could also help to take costs out of their business by "committing" and "forward planning" with their Co-op in a mutual effort to reduce costs of procurement. Also credit terms of 14 and 30 days keep credit costs to supplier at a minimum and this will become more important in the future.

5.2 United Farmers – Federal Co-operative trading platform

On my trip to Wales, I had the opportunity to meet Keith Gosney CEO of Clynderwen & Cardiganshire Farmers with his Vice-Chairman and Nuffield Scholar William Prichard. The Co-op had overcome past difficulties and is now growing on a secure footing with similar challenges and opportunities to other mid-size multi-purpose Co-ops in Ireland and UK. We discussed how the local Co-op secured volume discount in input purchases as a member of United Farmers (similar function to ATC in Ireland). Established in 1971, United Farmers is a federal Co-operative organisation with 22 members operating on a not-for-profit basis, with the clear aim of bringing together the combined purchasing power of its members and promoting inter-member Co-operation. United Farmers undertakes trade negotiations on behalf of its members with selected suppliers, to bring the benefits of consolidated volumes and sales growth to both its suppliers and members. Similar to ATC in Ireland, it has made many gains for members but is limited by the trust and commitment of its members in some product categories. Keith also made some interesting observations about farmer behaviour with inputs:

- If farmers "committed" more Co-ops could take out costs that would give more value to the farmers themselves by collating bulk orders.
- Having a sales team to sell to your own members is a necessary cost because farmers don't commit.
- Co-ops should be an extension of a farmer's business and are a benefit to the area in keeping inputs competitive.
- Having a developed advisory team to partner member farms to develop their business is central to Co-op and member interests.

5.3 Co-opetition and learning from Toyota

In 2010, Bord Bia commissioned Harvard University to conduct a high-level assessment of the Irish food and drink industry. One of the items highlighted in this assessment was the potential for Irish food companies to pursue "Co-opetition" opportunities. Co-opetition is used to describe Co-operation among competing companies that decide to work together in specific areas. One of the best known examples of such Co-opetition is a joint venture car making plant in the Czech Republic owned by car making giant's Peugeot-Citroen, France and Toyota, Japan (Wikipedia, 2014). These two competitive companies have built a shared production platform on which they build their own individual cars. Production is fairly evenly split across three models the Peugeot 107, Citroen C1 and the Toyota Aygo. Beyond the factory gate, the individual models are sold and marketed separately by the individual companies (O'Callaghan, 2013).

For local Co-ops in Ireland, in the agribusiness farm inputs sector, larger and some lower cost operators as well as new platforms for doing business are eroding margins and the viability of stores business. Neither does the modern farmer have the same loyalty which also adds cost. The development of "Co-opetition" should allow for economies of scale in the purchasing of material inputs, while removing duplication costs benefitting both farmer and the Co-operative model.

5.4 Associated Trading Co-operatives "Co-op Source" Ireland

ATC (Associated Trading Co-operatives) is an established 20 year old business operating as a buying platform for its 18 Co-operative members, who are of varying scale and geography from Drinagh Co-op in the south to Innishowen Co-op in the north. It is operating in the very important agricultural hardware category under the "Co-op Source" brand. It has been particularly well established in veterinary medicines, detergents, mineral supplements and grass seeds. It had purchases of €26 million to 2012 with minimal structure. It is forecast that all input categories will grow after the removal of quotas on April 1st 2015 (O'Brien J., ATC Strategic Review, 2014). ATC members combined have a turnover 2/3 the size of Dairygold and Glanbia Agribusiness combined. In the current year (2014) a strategic review has taken place as to how members of ATC under the "Co-op Source" brand can better align themselves in a business model to deliver real value for their members in reducing business costs.

Some of the strategic review recommendations include:

- Appointment of an ATC operating board of Co-op CEOs to develop appropriate strategy and review performance.
- Appointment of a full-time buying team and an upgraded IT system.
- Centralised billing to be extended on a phased basis to all categories to give better control and improved purchasing power to Co-operative members.

5.5 Discussion and Conclusions

- There is a big opportunity for the local Co-operatives in Ireland operating under the banner of ATC "Co-op Source" brand to improve and develop their farm input business performance by committing to recommendations made in its recent strategic review. **This can be achieved by ensuring CEOs are answerable through rotating directorships on the ATC board itself to follow and apply true Co-operative spirit to strategy execution.**
- A more close study of how the large retailers co-ordinate their purchasing and its applications for Co-operative may be warranted at a future date.
- The growing use of IT to reduce administration costs offers opportunities and challenges to reduce costs that need to be embraced. Most Co-ops are working from the same platform so a central billing unit with linkages to member Co-ops might be the best overall solution.
- The level of service and value enjoyed by Irish farmers with rural Co-op branches within the community is not enjoyed by farmers anywhere else in the world. In Brazil farmers travel 350km to meet their farm inputs suppliers. In UK it could be 40-50km, Finland 80km, New Zealand 40km, etc.
- **A key learning from this authors travels was the commitment and forward planning principles needed also from the farmer, particularly evident in Anglia Farmers allowing the society to collate bulk orders at least cost and to just take costs out of system.**

Chapter 6: Role of Policy in Co-op progress

> ***"Here is my first principle of foreign policy: good government at home" – William Gladstone***

While government does not create wealth, it should serve to facilitate wealth creation and the fair taxation of its people to provide the facilities and infrastructure needed without losses associated with inefficiency or corruption. In this section the author will just comment on observations made during his travels and on how the role of policy has affected the agri and food sectors in the countries visited.

6.1 Observations on government and Co-op in Finland

Co-operation formed in Finland with the birth of the nation through its struggle for independence when poverty and social demand helped push it forward. Finland finally declared its independence from Russia in 1917 following the October Revolution (Huhtala, 2013). Finland is still, the most Co-operative nation in the world. There are almost 4 million memberships (population is 5.3 million) (Pellervo, 2013). In a similar way many Irish Co-operatives were formed during the period leading up to or just after the War of Independence from Britain in 1919.

Responsible policy on agro-forestry:

68 % of Finland land mass is covered in timber and lakes. A highly developed rail network traverses the country (we travelled on it). Timber mills and transport are mainly based around the train corridors that traverse this challenging forested landscape. However there were no vast clear felled areas but intermittent felling and planting of 3-10ha plots evident which to me equated to a lower more sustainable environmental impact than clear fell forestry as we can see here. This is called "ecological" forestry and is a responsible sustainable policy that is facilitated by Co-operation to have enable bulk deliveries for the market. The forestry Co-operative Metsalitto (Turnover €5.4billion in 2010) is one of the largest Co-operatives (125,150 members) in Europe after Friesland Campina, Vion and Arla (Huhtala, 2013). My key learning here is that small forest owners are afforded the same benefits as the bigger forest owner in true Co-operative spirit. A good rail and road network provided by the government facilitated exports in a timely fashion and ecological forestry policy of government sustains the environment.

My final meeting in Finland was with Pia Kontunen, Communications Director with Valio Ltd who met us concurrently with the Ministers for Justice and Health. Nuffield certainly brings its own interesting outcomes. Being brave enough to ask, they told us they were present to assess the impact of the Co-op to the local and wider economy to allow them to formulate policy for the "municipalities" (county councils). Recession across the wider European economy and the flagging of Finnish giant phone maker Nokia meant that government was looking at cutting costs across the municipalities while recognising centres for wealth creation. Like Ireland and Canada agriculture is finding a new found respect in this country also, by society and government and government wanted to work with Co-ops in wealth creation.

Figure 10: Valio Meeting with Seamus O'Mahony Nuffield Ireland, Paula Risikko, Minister of Health & Social Affairs, Mrs Anna-Maja Henriksson, Minister of Justice, Andrew Gow Nuffield Ireland and Antii Tukeva, CEO of Valio Osk Maitosuomi

On our discussions with Pellervo, the apex organisation for Co-ops in Helsinki, Valio and our discussion with the government ministers the following points were observed:

- There are benefits for Co-op membership in taxation policy; it is considered as equity: capital tax is lower tax than income / corporate tax. (Huhtala, 2013).
- One can invest more in one's Co-op; corporate investment considered as capital. This policy encourages farmers to keep equity up in Co-op with a straight link to farming enterprises. In Ireland there is no such corollary to a tax efficient policy to allow farmers to invest in their own Co-op in this author's opinion. A lot of investment will be needed in Irish Co-ops (2014-2020). Such investments could be done as a pension for example and such policies should be researched by the Irish Government to facilitate a platform for growth by mid-range Irish Co-operatives.
- Farmers are encouraged to invest in their own industry through the Co-op because:

- They recognise the benefits of ownership.
- Of the marketing of product such as milk.
- The Co-op offers good return on capital.
- Services are provided that members value.
- Of the taxation benefit policy advocated by government recognising the contribution of Co-operation to society (Huhtala, 2013).

6.2 Observations on role of government in Brazil

Having travelled more than 5,000 km of road network and many internal flights, the role of government in the development of a progressive export focussed nation could not have been more apparent to me. Our journey began in the south in the Rio Grande (about 4 times the size of Ireland) progressed to the area around Brasilia to Goias touching across the states of Matto Grosso Bahia and finishing towards Sao Paulo and Rio de Janeiro. My key observation is that while Brazil is the 5th biggest country in both size and population and the No. 1 commodity producer in many agri-food categories it is still a sleeping giant as far as exports go in many categories, especially in dairy (thankfully).

Here are the reasons why Brazil is a sleeping giant:

- Each state acts like a country in its own right with some protection in tariffs against both imports from abroad and from a neighbouring state. This adds cost to business.

Commodities are shipped by road with severe bottlenecks sometimes lasting 8 weeks closer to ports at peak times. Roads themselves are variable in upkeep; key learning government facilitates export capacity

- Rail Network to facilitate the cheap efficient movement of commodity products like coffee, soya and corn is undeveloped due to differences in specifications between states. This also limits high value fruit and vegetable exports as 2,000km on a poor road network is not cost efficient.
- Most commodities are shipped by road with severe bottlenecks sometimes lasting 8-10 weeks closer to ports like Santos. Roads themselves are variable in upkeep.

- Lack of a developed knowledge transfer organisation like Teagasc to give knowledge where it is needed.; “Embrapa” the state agri-knowledge agency seems to have traction in the Cereal Sector but little visible impact on the dairy sector

- Ports under the control of federal government have insufficient facilities including administration meaning ships wait for at least 6 days at port.
- Bureaucracy of business is onerous and plagued with corruption at local and federal government levels according to various people we met.

6.3 Agricultural Outlook in Brazil

Polices of protection have led to inefficiency in some areas, particularly dairying. A deficit of 1.2 billion litres of milk exists at the current time and consumption is relatively low. There are however some pioneers who are leading dairy development in

Brazil including some Kiwis (leitissimo) who have recognised the potential in Brazil. The author was lucky enough through the auspices of Nuffield to spend a number of days on the "fazenda" (farm) Simon Wallace and his team including Greg Lindsay who hosted us are implementing Kiwi grassland and labour management practices. Their model is being talked about across the whole of South America and beyond.

"Leitissimo" are utilising "Tifton 85" an African Prairie grass hybrid to grow 40-45ton DM/Ha of forage with irrigation to stock cows on an "all-grass" plus cake system 365 days/year at 10 cows/Ha. The key learning for me was that a well-resourced knowledge transfer Agency or Co-op support could give Brazil frightening potential to develop as a dairy exporter.

- With a middle class increasing by 2% per annum, this is adding 2 million more consumers who may purchase higher quality dairy products than are now available.
- Embrapa, the government agricultural research agency, is seen in a positive light but is not able to extend knowledge transfer to where it is needed most especially in the dairy industry at farm level.
- Big investment by the major seed companies like Monsanto, Syngenta and Pioneer has led to high yields of GM corn and soya and application of the best technologies from machinery to agronomy sciences in the crop and coffee categories on my travels.
- Having no proper traceability of cattle has two knock-on consequences:
    - Beef purchased at equivalent of €2.40/kg from farmer cannot be exported to markets like Europe, where it would be very competitive.
    - Appropriate breeding stock is a severe limiting factor in the dairy Industry. Unlike Ireland or New Zealand, there is no linked up database which is needed to drive genetic progress

Brazil has absolutely massive potential to produce more food with plenty of heat and water which is captured in aquifers from the six month "wet" season. The government have begun to recognise this by tax advantages to the installation of irrigation, which is leading to a lot of investment to increase production, which was evident on our travels.

6.4 Overview of government and dairy farming in Canada

The author visited Canada as part of a Nuffield Contemporary Scholars Conference in 2013 and made many Nuffield friends. Canada, as the second largest country in the world, has a modest population at 35 million people. There is lots of land but only some of it is fit for agriculture. Farm receipts in Canada are stable to good. Ontario where the author visited has access to 135 million consumers within a one day drive (mainly in USA) (Seguin, 2013) 40% of all food processing in Canada takes place in this state with its comfort of location with USA for exports and climate and soil. The authors observations on Canada

Supply Management Qutoas

The dairy supply management system was created to deal with chronic milk surpluses and low returns to dairy farmers. Supply management has reduced the surpluses and provided higher, more stable returns to dairy farmers. These benefits have come at significant cost to the industry:

- There are only 1 million cows despite the size of the country and a poor dairy co-op base
- No new entrant because quota costs are too high at $2.50 dollars per litre ($25,000 per cow) means a poor age profile with 75 % of farmers planning to retire in next 5 years.
- Concentration of wealth with existing dairy farmers who are buying up land with secured income.
- Stagnant dairy market with restrictions on Canada's exports to other markets especially the USA with poorly competitive industry if it were opened up internationally.

Some of the positive aspects of policy I encountered were:

- **"Agri-clusters"**: Planned cluster of academia (e.g. University of Guelph), Government funding bodies and major agri-business interests such as Bayer, Semex and Monsanto to mention but a few in one location to encourage collaboration, communication and innovation.
- **Society respect for farmer:** In Canada the farmer is considered and respected with doctors, firemen and nurses as an important contributor to society (Chandler, 2013).
- **Good rail networks** facilitate the cheap export of goods such as grains and import or movement of fuel and fertiliser (Hensall, 2013).
- **Food freedom day**: day of the year when consumer has paid for all his food for the year February 14th for Canada (Emmet, 2013) is publicised widely.

- **Crop Insurance is available to farmers**: An all-risk crop-insurance program is available to farmers under law designed to stabilise income by minimising at individual farm level, the detrimental effects of crop losses caused by natural hazards.

6.5 Overview of government and agriculture in New Zealand

The importation of two cows and a bull in 1814 marked the beginning of the New Zealand dairy industry. Since this date, dairying has gone on to become New Zealand's top merchandise export earner. For anyone in dairy farming or agribusiness one has to admire the can do attitude of the Kiwis. Even the Ministry of Primary Industries (i.e. Agriculture) has as its vision "Our vision is to grow and protect New Zealand. We do this by: maximising export opportunities for the primary industries." Its cutting of most government supports to producers in 1984 means that land use is dictated purely by farm economics. After an initial rough period, the rural economy is now more diversified and competitive. Success stories like Fonterra, Zespri and the growing wine industry are examples of this. New Zealand's ability to manage its own currency exchange is a boom for a nation focussed on exports.

New Zealand is becoming too reliant on China for its exports?

New Zealand was the first developed country that entered into a free trade agreement with China in 2008. Exports to China have more than tripled in the past 5 years. Given the outlook of China moving towards a more consumption-based economy, this is positive for the position of New Zealand as exporter of high-value agricultural products. But, on the other hand New Zealand's export products are highly concentrated, making the country vulnerable to a trade ban on specific products (like the one on milk powder exported to China in 2013) (Rabobank , 2014).

Figure 11 Steve Wilkins Nuffield New Zealand

6.6 Government Effects on Co-op business

Changing policies across world powers means the goal posts are always changing for farmer Co-ops and their members so farm and Co-op systems need to be resilient. Farmer Co-ops and their members alike should stack some reserves away when milk price is good and be able to capitalise on opportunity when prices are bad.

Why?

Travelling the continents has led me to believe that the policy of the major governments has one of the biggest effects on the wealth of our farmers. While governments do not create wealth, they can affect where and how wealth is accumulated. Reviewing the literature, for example, the biggest worry we had in 2005 was that food would become scarce as USA was setting its policy to energy security and subsidising a growing bio-ethanol industry. This had the effect of a transfer of wealth to arable farmers in USA at the expense of grain based dairy farmers around the world, making the grass-based dairy farmers in New Zealand and Ireland competitive. Ten years later for 2015 with a new USA policy on fracking for oil and gas as well as a deal with Brazil for sugar cane bio-ethanol means that USA is on its way to becoming self-sufficient for energy and not as concerned about subsidising the bio-ethanol industry. One unseen result is that grain around the world is now cheap, the grain fed dairy farmers are competitive and milk is flowing around the world leading to a period where milk prices will be low.

Recent events in a power play over Ukraine, Russia has banned most imports from the EU and we are worrying about how dairy product will be marketed in 2015 given that 1/3 of EU cheese used to be exported to Russia. It seems that despite growing demand for food, we can’t predict beyond six months what people will pay for it.

Relevant policies to progress and secure the future funding of the Irish Co-operative Sector

Riordan (2008) has shown that for every €100 of agricultural exports about €50 is added directly to GNP compared with only €19 for non-agricultural exports (Riordan, 2008). It is estimated that Irish Dairy Co-ops will need to invest €400 million to gear up for expansion (Irish Dairy Board , 2011). The reality is that a lot more will need to be invested. Farmers hoping to add approx. 450,000 cows to the industry will invest approx. €2500-€4,500 per cow which will need investment of another €2 billion. Debt will put farmers and their Co-ops under pressure when prices are low so expansion can only be based on a resilient high margin model. Funding Co-op growth means balancing milk prices and investment needed for growth so pressure will quickly arise when milk price drops, notwithstanding any other contribution a Co-operative gives in a region.

To solve this there should be a tax efficient way to allow farmers and possibly Co-op staff to invest in Co-op growth similar to the Finnish model. A model similar to the Business Expansion

> **"there should be a tax efficient way to allow farmers and possibly Co-op staff to invest in Co-op growth**

Scheme previously operated by Government or a pension model could be a highly efficient solution with the benefit of increased exports and employment to Gross National Product (GNP). **It also gives staff a vested interest in Co-op success which is often seen as a weakness when compared against the PLC model where executives can receive shares to incentivise performance**. Government policies related to the Co-operatives, farming and the environment need to be responsible and sustainable from an economic, social and environmental point of view to ensure steady growth. Actions for government should include:

6.7 Discussion and Conclusions

We probably have the best government sponsored agricultural research and advisory agencies in the world for dairy farming (including New Zealand) in Teagasc. This is one of my key observations from my travels. I believe it is false economy to be cutting back on any resource in this area when it will be needed so badly and return so much to the wider economy. The truth is, however, there are only 250 advisory staff and approximately 300 private consultants in the country. The United Kingdom has suffered badly with the loss of its independent advisory services which is only being acknowledged now. Key recommendations:

- Would be to encourage and extend the discussion group model.
- Extend provision of innovation vouchers to farmer (like Enterprise Ireland model) for initiatives that benefit the industry.
- **Focus on training those in the industry especially farmer owned Co-ops without fear or favour to ensure impact of the excellent research being undertaken at Teagasc Moorepark.**
- Extend uptake of technology and information sharing (such as the ICBF Co-op report) to allow Co-ops help their farmers more in achieving efficacies "what gets measured gets improved".

- Bring together a forum of stakeholders (government minister, Teagasc, Department of Agriculture, Private Consultants and Co-op Sector) to lay out clearly how knowledge transfer will be tackled to provide most impact during this critical period ahead.
- Outsource Environmental Schemes to the Private consultants.

Focus on a competitive export focussed industry.

The debate for consolidation in any manner must be led by industry. It could be facilitated by government ensuring the availability of resources to fund any change that would benefit the entire country. While there are other ways to consolidate, the option of federation has not been really debated in my opinion and the Valio or Carbery model provides a template that works.

Also the importance of a strong regulatory framework to maintain a clean green image and strong infrastructure in road, rail and port needed for competitive exports need to be a renewed focus for government.

Rural development measures needed

- Developing policy to give stock relief to new share-milker at a higher rate than currently available would facilitate a new industry.
- It has been proven previously through the Installation Aid scheme and Early Retirement Scheme, that incentives like these can have a big demographic change on age profile of the farming community.
- Removing barriers or disincentive to land-owners (and/or single payment holders) to lease land long term to younger farmers.
- Rural development measures should be around creating innovation and profitable farm operations.

Conclusion

The only thing we do know is that there will be more people on the planet to be fed by 2050 but nobody can predict beyond six months at any time what people will pay for the food they eat. Therefore any policy put together by a government, or indeed a Co-op at local level should be around building a competitive low cost industry based on comparative advantage that is resilient in times of price volatility. A growing agri-food industry provides jobs and wealth into the future for everyone.

Conclusions to my Nuffield travels

The questions I set out to answer when I began my travels were

Is there a future for the smaller farmer owned Co-op?

Yes, after much travel and more reflection, I absolutely believe there is still room for the smaller Co-op as long as they keep their purpose central to member needs by listening and interacting with members by all available means and be competitive in every aspect of their business model . A Co-op needs to be relevant to its members and be always creating a shared value (e.g. delivering on milk price) to build loyalty and I have demonstrated the strategies by which this can be achieved:

- Directors and Management must be available at all times to connect and communicate with all members to maintain values of trust, value and loyalty.
- Co-ops must take responsibility for sustainable growth and wealth creation in their own catchment areas which serves both member needs and builds connection and loyalty with the Co-op.
- Smaller diversified Co-ops operating within federated processing structures can have advantages in flexibility and responsiveness to market changes that bigger businesses may not have.

How will this be achieved in an era of rapid growth?

- Co-ops must take responsibility and be leaders in a mind-set change to encourage youth into agriculture through share-farming and/or other collaborative arrangements and help existing members progress their own operation.
- It is not an option for any Co-op to stay as they are. They need to be "driving on" in a co-ordinated way into the future and keeping Co-operative principles always in mind (Appendix 4).

In these ways a Co-op will grow both the business of the farmer and that of the Co-op. This is proven in the West Cork model and in the case of Valio members, in that being limited by geography and milk quota they have looked for profitable growth opportunities together. They are also catering for the needs of their own members and enjoy the enthusiasm and support that goes with it. This is not always possible with larger Co-operatives. As with most other Co-ops anywhere in the world each Co-op is a function of their own environment and the needs of their members which cannot be always fully catered for in the "Super Co-op" or plc model.

Recommendations

1. Federation is a feasible solution for multipurpose Co-ops

With rapid growth post-quota Irish Co-op boards will be faced with three options.

- Be independent, but need an outstanding niche to deliver value to members and be highly relevant in their communities e.g. Tatua Co-op in New Zealand or Boherbue, Cork.
- Be independent but operate their processing facilities as part of a federation like Valio or Carbery.
- Merge with a key Co-operative player but possibly lose local advantage or be bought out by a plc.

There is now an opportunity with real leadership for a "One-Company" dairy processing model operating according to the principles of a true Co-op meeting the needs of the smaller Co-ops using the original Valio template**. .**An economic analysis of a federal option should be undertaken taking into account the individual contribution of each Co-op to its own community as well as the national picture.

2. Membership Development Initiatives to grow business of the farmer and the Co-op

- Co-ops need to take full responsibility for the development of their members in a sustainable fashion post quota. In this way they will grow both the business of the farmer and that of the Co-op while securing the loyalty of farmer into the future.

3. **Communications is about connection with member, selling our advantages and ethics**

- The important lesson for Co-op to commuicate is the benefit of a multi-purpose Co-op that maximises the number of macro-economic units (farms, employees,and services) within an area or community which is the essence of a sustainable vibrant rural community.
- Key rural services keep Co-ops connected with members and serve as important communication tools in their own right and Co-op needs.
- Reputation and Brand are the most valuable assets of the Irish Co-op Sector and IDB member Co-operatives needs to protect their strong ethics.

4. Talent Development - "To build a business, you must learn to build people"

- To build a business, you must first learn to build people and this may be a limiting factor to some Co-ops without a formal HR system (internally or outsourced) and should be dealt with.
- All Co-op directors and senior executives should undertake a formal education program on Co-op governances or have adequate demonstrable experience.
- For senior director positions at the very least, a talent matrix should be put in place to allow shareholders to vote on directors on the basis of meritocracy.

5. Targeting Input costs by Co-opetition, commitment and forward planning

- Farmer chairmen and CEO must commit to Co-opetition in the industry to gain further scale in buying power and developing instruments to deal with input price volatility.
- Farmers who own and believe in the Co-op should commit and forward plan with the Co-op to take costs out of business provided co-op itself is being operated in a competitive fashion.

6. Government should facilitating growth and wealth creation

- Strong government should provide a good regulatory platform for exports of high quality food, the infrastructure including, rail, road and port to facilitate logistics and a fiscal tax advantage for those engaged in export orientated Co-operation as well as those farmers willing to invest in same. This will maximise wealth regionally and ensure medium size Co-ops can grow and prosper in the future.

- R & D and knowledge transfer are key functions of government and remain key drivers in innovation at farm and processing level that will drive expansion.

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Appendix 1

IRISH FARMERS JOURNAL/KPMG
MILK PRICE REVIEW

West Cork rules as Barryroe tops milk price table

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For the third time in five years, west Cork's Barryroe co-op has topped the annual *Irish Farmers Journal* KPMG milk price review.

More importantly, against a high-cost backdrop, 2013 was an exceptional milk price year for all dairy farmers; the weighted average net milk price of 37.71c/litre was 22% higher than the previous year's average of 30.81c/litre.

Yet again, West Cork led the country on milk price, with the four co-ops who own and supply Carbery Milk Products in Ballineen all paying a net milk price above 39c/litre (after the deduction of collection charges and levies).

Ireland's largest co-op, Dairygold, finished a creditable fifth, more than 1c/litre ahead of the chasing pack, which was led by the review's most improved performer – Tipperary.

In mid-table, Kerry, Glanbia and Aurivo paid a very similar net price, with only the second decimal place separating them at around the 37.4c/litre mark. Aurivo notably improved four places on the previous year, while Glanbia's total payout was reduced by their fixed milk price scheme lagging the open market in 2013.

In contrast, Lakeland, having climbed the rankings in recent years, slipped back to 10th, marginally ahead of Arrabawn. Wexford was second from bottom in its final year as a standalone business.

Town of Monaghan co-op paid the lowest net price in 2013. One mitigating factor is that it receives milk with the lowest solids content in the country, at 3.81% fat and 3.24% protein. It does, however, benefit from a year-round milk supply, with a peak to trough ratio of just three and 14% of their milk delivered in the three months, from November to January inclusive.

This year, to aid presentation, we have highlighted the proportion of annual manufacturing milk supply delivered during the winter months for all processors. Much of this milk qualifies for a winter bonus to reward farmers for the acknowledged higher costs of year-round production.

Barryroe has a relatively high proportion of milk qualifying for the Carbery winter milk scheme, adding to its milk payout.

The KPMG milk price review examines the price paid for manufacturing milk and excludes all milk bought for or used in the liquid milk market. For example, milk purchased as manufacturing by Lisavaird co-op but sold to Clona Dairies was excluded from the price review.

Table 1: Milk processors ranked on average manufacturing milk price paid for year ended 31 December 2013 (c/litre, after the deduction of collection charges and levies)

		Price	Winter milk*
1	Barryroe	39.49	13%
2	Lisavaird	39.45	10%
3	Drinagh	39.10	8%
4	Bandon	39.05	11%
5	Dairygold	38.85	7%
6	Tipperary	37.78	6%
7	Kerry	37.49	7%
8	Glanbia	37.42	9%
9	Aurivo	37.40	10%
10	Lakeland	36.77	13%
11	Arrabawn	36.45	7%
12	Wexford	36.18	10%
13	Town of Monaghan	35.42	14%

*% of manufacturing milk supplied from November to January (based on 2011-2013 average monthly supply)

■ ≥11% ■ 8-10 ■ ≤7

Table 2: Average milk price paid for year ended December 2013 and ranking (after deduction of collection charges and levies)

Participant	c/litre	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Barryroe	39.49	1	1	2	2	1	4	6	6	6	4
Lisavaird	39.45	2	2	1	1	3	2	1	2	2	1
Drinagh	39.10	3	4	4	4	4	6	4	3	9	6
Bandon	39.05	4	3	5	3	2	3	5	4	5	3
Dairygold	38.85	5	5	3	5	9	7	3	7	4	9
Tipperary*	37.78	6	11	8	11	10	10				
Kerry	37.49	7	7	7	8	8	9	9	9	8	8
Glanbia	37.42	8	6	6	6	7	5	8	8	7	7
Aurivo Co-op	37.40	9	13	10	7	12	12	7	10	12	13
Lakeland	36.77	10	8	9	12	11	13	11	11	11	10
Arrabawn	36.45	11	12	11	10	13	14	10	13	13	11
Wexford	36.18	12	9	12	9	6	1	12	5	1	5
Town of Monaghan	35.42	13	10	13	13	14	11	13	12	10	12
Average	**37.76**										

*Tipperary joined the milk price review in 2008.

Figure 1
Deviation of each processor from the top net milk price paid (expressed on basis of 5,000 litres)

Figure 2
Deviation of each processor from the average net milk price paid (expressed on the basis of 5,000 litres)

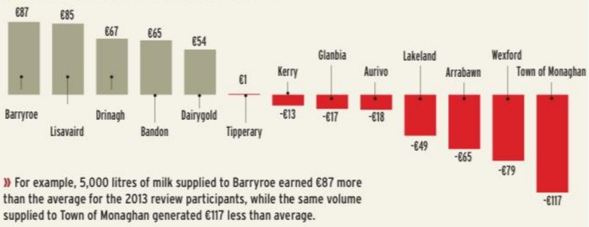


Figure 3
Volume of manufacturing milk processed in 2013 (million litres)

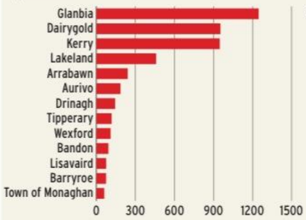
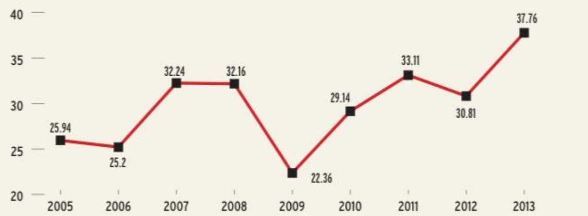
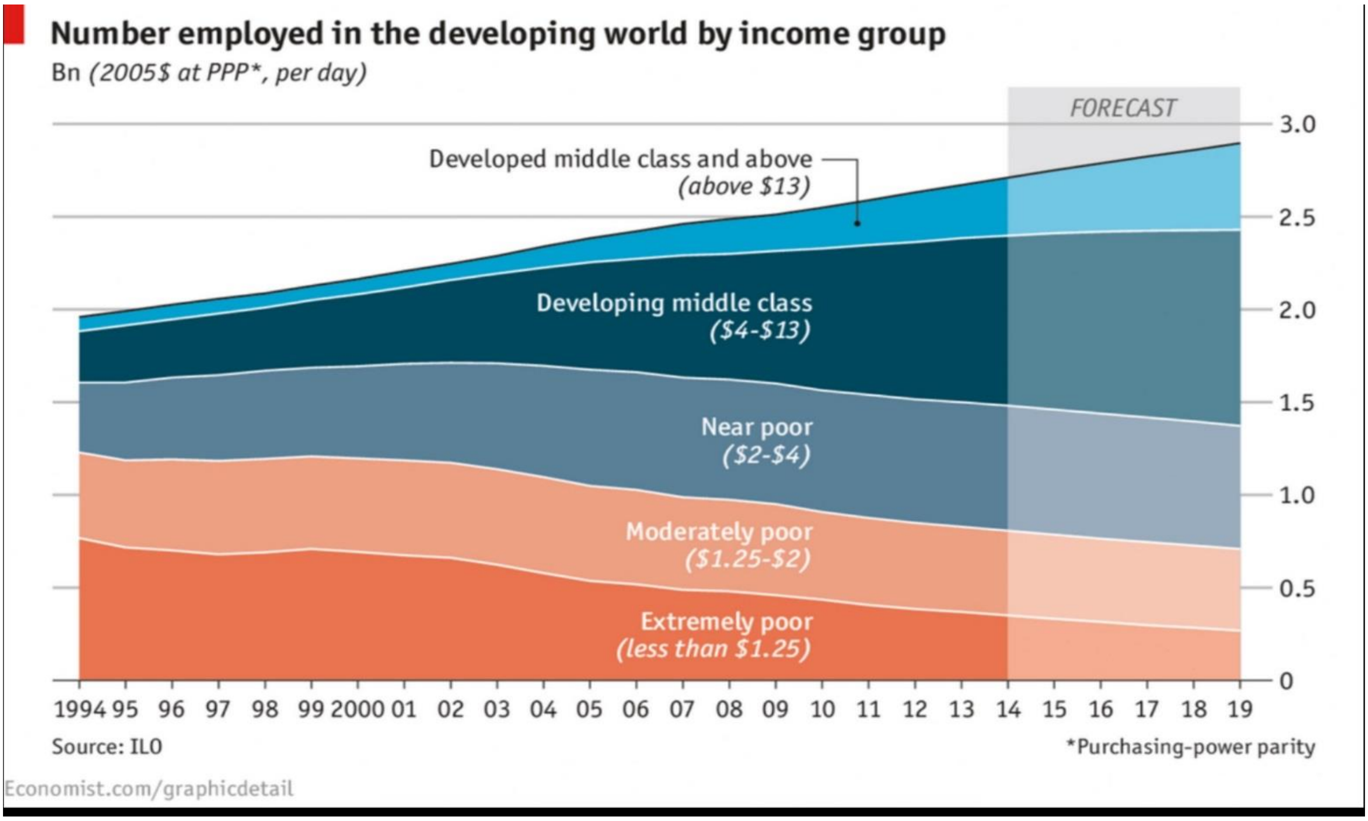


Figure 4
Peak to trough ratio - highest milk volume month divided by lowest volume month

Figure 5
Historical comparison of average price paid by KPMG participants (cent /litre after deduction of collection charges and levies)



Appendix 2


Number employed in the developing world by income group
Bn (2005$ at PPP*, per day)
FORECAST
Developed middle class and above
(above $13)
Developing middle class
($4-$13)
Near poor
($2-$4)
Moderately poor
($1.25-$2)
Extremely poor
(less than $1.25)
3.0
2.5
2.0
1.5
1.0
0.5
0
1994 95 96 97 98 99 2000 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19
Source: ILO
*Purchasing-power parity
Economist.com/graphicdetail

Appendix 3

Home › What's a co-op? ›

Co-operative identity, values & principles

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of **self-help**, **self-responsibility**, **democracy**, **equality**, **equity** and **solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

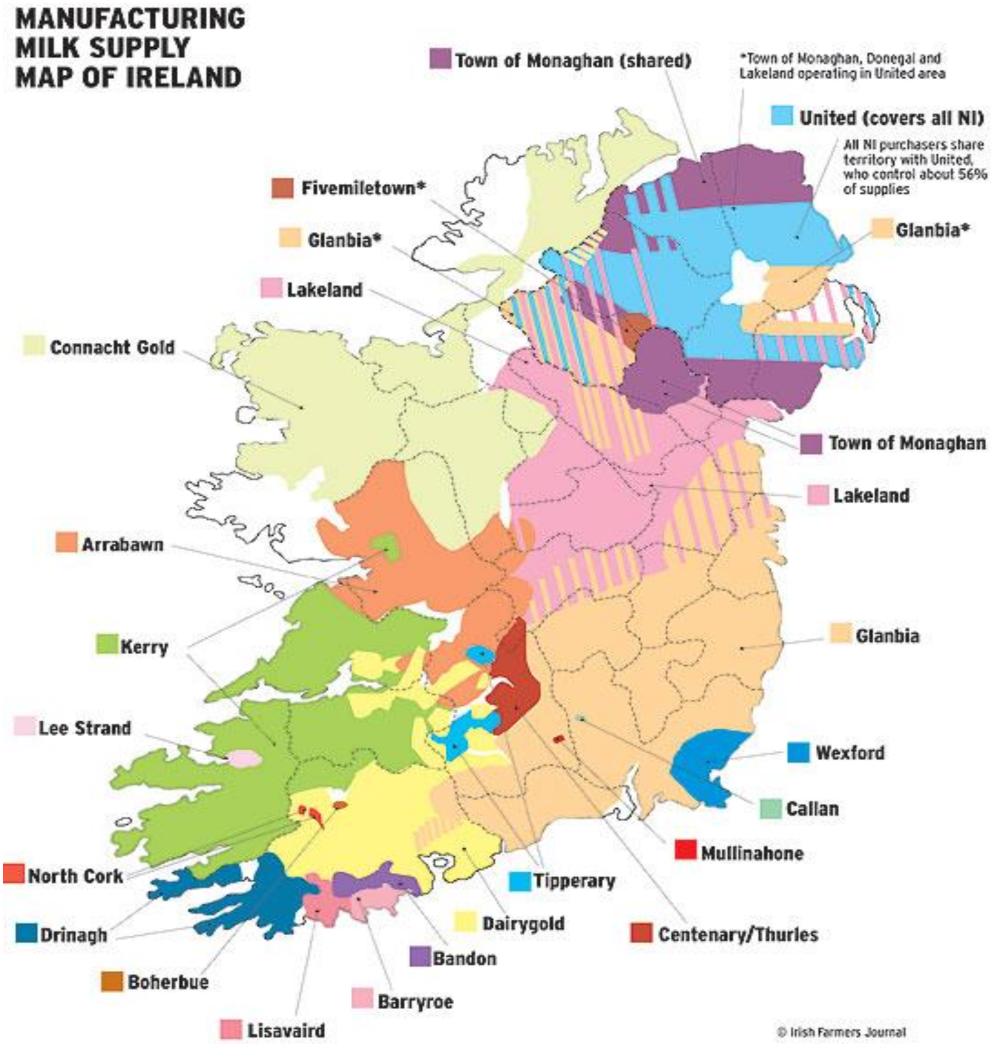
Source – International Co-operative Alliance

Appendix 4

Consolidation of the New Zealand Dairy Industry in the 1990's during a period of rapid growth

1996	1997	1998	1999	2000	2001
Kiwi Dairies *Tui Milk*	Kiwi Dairies	Kiwi Dairies	Kiwi Dairies	Kiwi Dairies	Fonterra Cooperati Group
Northland Co-op	Northland Co-op	Northland Co-op	*Northland Co-op*		
Kaikoura Dairy	Kaikoura Dairy	Kaikoura Dairy	*Kaikoura Dairy*		
Tasman Milk	Tasman Milk	Tasman Milk	*Tasman Milk*		
Marlborough Milk Ltd	Marlborough Milk Ltd	Marlborough Milk Ltd	*Marlborough Milk Ltd*		
Southland Co-op	*Southland Co-op*	*South Island Co-op*	New Zealand Dairy Group	*New Zealand Dairy Group*	
Alpine Dairy	*Alpine Dairy*				
Bay Milk Products	*Bay Milk Products*	New Zealand Dairy Group			
East Tamaki	*East Tamaki*				
New Zealand Dairy Group	New Zealand Dairy Group				
Tatua	Tatua	Tatua	Tatua	Tatua	Tatua
Westland	Westland	Westland	Westland	Westland	Westland

Appendix 5


MANUFACTURING
MILK SUPPLY
MAP OF IRELAND
Town of Monaghan (shared)
*Town of Monaghan, Donegal and Lakeland operating in United area
United (covers all NI)
All NI purchasers share territory with United, who control about 56% of supplies
Fivemiletown*
Glanbia*
Glanbia*
Lakeland
Connacht Gold
Town of Monaghan
Lakeland
Arrabawn
Kerry
Glanbia
Lee Strand
Wexford
Callan
Mullinahone
North Cork
Tipperary
Drinagh
Dairygold
Centenary/Thurles
Bandon
Boherbue
Barryroe
Lisavaird
© Irish Farmers Journal

Appendix 6

Valio Member Co-op, Supplier Numbers, litres supplied , Turnover, staff numbers and catchment areas across Finland