

MINISTRY OF AGRICULTURE AND FISHERIES.

REPORT
ON
CO-OPERATIVE MARKETING OF
ÁGRICULTURAL PRODUCE IN
ENGLAND AND WALES.

(A SURVEY OF THE PRESENT POSITION.)



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TO THE SECRETARY,
MINISTRY OF AGRICULTURE AND FISHERIES.

SIR,

I HAVE the honour to submit a Report prepared in the Markets and Co-operation Branch of this Division on the Co-operative Marketing of Agricultural Produce in England and Wales. This Report represents the result of a somewhat exhaustive investigation into the present position and methods of Co-operative Societies engaged in the sale of agricultural produce. A sketch of the development of this form of co-operation during the past half-century has been included with the object of showing its beginnings and progress, while the account of the present position and trading methods is based on an analysis of the returns and balance sheets of existing societies as well as on reports supplied by the societies themselves and by the Ministry's officers. Further information on certain points is desirable, but sufficient particulars are available to justify conclusions on many important points.

The Report is strictly confined to co-operation as applied to the sale of agricultural products. The application of co-operation to the purchase of feeding stuffs, fertilisers, and other farm requisites raises somewhat different problems, and will be dealt with in a separate Report.

The whole question of co-operative trading in agricultural produce bristles with difficulties, one of the most important of which is to define what is really meant by the word "co-operative." An attempt is made in the opening chapter of the Report to differentiate between co-operative and ordinary joint stock trading, and it is obvious that some practical difference between the two must be established in order that they may be compared as methods of marketing agricultural produce.

It is not sufficient to define a co-operative society as one established under the Industrial and Provident Societies Acts. These Acts merely provide, in effect, a method of registration for legal purposes and impose certain restrictions as regards individual shareholding. They do not prescribe any particular method of trading, and a group of persons proposing to sell agricultural produce can, in most essential respects, trade equally well and in precisely the same manner whether they are registered under the Industrial and Provident Societies Acts or under the Companies Acts.

The essential principle which distinguishes co-operative trading as exemplified in Denmark and other countries where it has proved successful, lies in the fact that co-operation involves the idea of joint action by all the members for mutual benefit, that is to say, it is the banding together of producers for the collective sale of their combined produce. This is the underlying idea

which should differentiate in principle a co-operative society from a joint stock company.

The producer in this country readily understands and appreciates that kind of combined action which involves putting capital into a limited company to trade in agricultural produce. A good deal of money has been subscribed by farmers to companies dealing in milk and other farm products, and such companies may, and in many cases undoubtedly do, buy a good deal of produce from their shareholders. But there is no compulsion on them to do so, and normally the companies neither expect their shareholders to support them nor do the shareholders feel under any obligation to sell their produce to the companies.

But the position is quite different with a co-operative society. It depends on the support of its members. If it does not receive that support and has to conduct its business on the same lines as a joint stock company it has no essential advantage in competition with private traders or companies. It may retain some of the less important features of co-operation, but so far as its trading side is concerned it has lost the special feature which has made co-operative trading a real force in many other countries. Such a co-operative society may in practice prove quite successful, but its success will not be due to any intrinsic quality of co-operation.

Failure to appreciate this point is perhaps the most striking characteristic of co-operative trading in agricultural produce in this country. Producers have joined these co-operative societies and have subscribed a certain amount of capital, but, broadly speaking, there has been little realisation of the necessity for supporting the societies they have formed.

It is not too much to say that to this source can be traced the majority of the troubles of co-operative societies in this country. For the firm obligation to support societies implies and involves close attention to business principles and close supervision by the members, whose interests and welfare are so intimately dependent on the success of the organisation.

Although these principles have been clearly and definitely accepted in other countries, and although the lack of loyalty among members has constantly been declared to be the essential defect in co-operation as practised in England and Wales, persons experienced in forming co-operative societies are emphatic as to the difficulty of getting producers to bind themselves in any way or even to recognise anything of the nature of a moral obligation. Producers insist on maintaining their rights as individuals to sell their produce in the market which at the moment appears to offer the best price.

The attitude of the producer is very intelligible—he wants to get the best price for his produce. If he were whole-heartedly and thoroughly convinced that co-operative societies offered the best means of getting it, he would not refuse to support them to any degree that might be necessary. But in too many cases experience has made him doubtful, and thus we reach the position

that farmers do not support co-operative societies because they are not convinced that they will be successful, while the societies cannot be successful unless they are fully supported.

What is needed now is not exhortation as to the advantages of co-operation as a theory, or even the exemplification of its success elsewhere, but its practical application in a number of societies which can be shown as object lessons or demonstrations of how the methods of co-operation can be successfully applied to the sale of agricultural produce in this country. The examples given in this Report are illustrations of existing practice, and have not been specially selected from this point of view.

That co-operation if worked on sound principles and under good management gives the producer the opportunity of securing on the average the maximum return for his produce cannot be doubted, but it is equally true that this result cannot be obtained without the application of business methods, and it must be admitted that these have been lacking in too many cases in the past. As is pointed out in the Linlithgow Report, "there is no particular quality, virtue or magic in co-operation which will enable it to succeed without the application of the same sound business principles as are essential to the stability and success of private enterprises."

It is difficult to state in a few words the principles which are desirable in a co-operative organisation for the marketing of agricultural produce, but the examination which has been made in this Report of the various experiments already made in England and Wales suggests that farmers who are proposing to organise themselves in this way would be well advised to consider the following points :—

1. A society needs to be on a sufficiently large scale to justify the employment of an efficient manager at a fair salary. It needs an assured prospect of sufficient business to enable it to operate with overhead charges at least as low as those of any corresponding private business.

2. To ensure this sufficient volume of business, the members should each definitely contract to supply a certain agreed quantity and should recognise a liability for penalties for failure to fulfil the contract.

3. To guard against possible loss from fluctuating prices the members should agree to accept payment on account for goods until the actual cash receipts are known, and to a division of the surplus in proportion to the goods supplied.

Given reasonably good management, a society established on these lines should be able to secure for its members larger returns on the average than would be obtained by individual sale, with little risk of loss of capital. Without these conditions, the society is in the same position as any private firm engaged in a similar business—it stands the same chance of success and runs the same risk of failure.

Although the picture of co-operation which is given in this Report is rather gloomy, there are some bright spots. And it is essential to bear in mind that the lack of success in the past has been due to the fact that co-operation in the true sense of the word has never been properly applied on any scale to the sale of agricultural produce in this country. The way is therefore open for the future.

There is a further point. Such experiments in co-operative marketing as have been made in this country have been on a comparatively limited scale, and have been aimed merely at the sale of the produce of a limited number of farmers. The distinguishing feature, on the other hand, of recent co-operation in the Dominions, in America, and in Denmark has been the movement to deal with commodities on a large and national scale. Conditions in England and Wales present possibly different problems, but it is well worth the consideration of farmers' organisations whether co-operation on a large scale and under the direction of the best minds in the industry does not provide a means of securing better returns for producers than the present system of individual sale.

I have the honour to be, Sir,

Your obedient Servant,

(Signed) R. J. THOMPSON,

Assistant Secretary, Economics Division.

26 January, 1925.

CO-OPERATIVE MARKETING OF AGRICULTURAL PRODUCE IN ENGLAND AND WALES.

(A Survey of the Present Position.)

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Note.—In this Table of Contents and in the succeeding chapters of this Report, the word "Ltd." has been omitted when reference is made to the name of societies.