

Co-operating in food



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Food is one of the most successful sectors for co-operative businesses. It is where the co-operative movement started with the opening of the first co-operative grocery store in 1844 in Rochdale and it is where co-operatives continue to thrive. This report aims to demonstrate the benefits these businesses deliver across the supply chain, from producer, to the retailer and consumer right through to the wider communities.

In order to understand the scale and importance of co-operatives' activity in the food sector, this report looks at work undertaken on an international, national and local community level. In this way, we aim to demonstrate how co-operatives within the food sector give people – whether local communities, customers, farmers or employees – control of their food. From farm to fork. Current examples of thriving food co-operatives bring the principles to life; clearly showing what makes a co-operative food business different, why it is such a positive alternative for all those involved, plus the growing importance of Fairtrade and ethical food among other key trends.

ARTHUR STREET TRADING



Global co-operatives

Objective: to help farmers and small holders make a good living

Key sectors: chocolate, wine, coffee, tea, olive oil

With globalisation now a major part of the way food businesses operate, co-operatives in the sector are ideally placed to benefit from this opportunity to widen the reach and appeal of their produce. Each co-operative business has its own individual story, but all have the common goal of improving the trading conditions and welfare of the local community. Plus, all are successful business models which make a valuable contribution to their local economy.

Palestine: Zaytoun

Zaytoun is a co-operative founded in 2004 to create and develop a UK market for artisan Palestinian produce. The co-operative's premium quality olive oil and olives, for example, are grown and harvested using traditional farming methods, free of pesticides. A number of olive oil and olive products are certified by EU bodies as organic and designated Fairtrade. In fact, the organic black and green olives are the world's first ever Fairtrade olives. Zaytoun sells direct to a number of retail outlets throughout the UK including wholefood shops, delicatessens and Fairtrade outlets. As a member of the International Fairtrade Association, its primary objective lies with the welfare of the producing Palestinian communities. By trading fairly with Palestinian farmers and producers and making them part owners in a business that distributes



ZAYTOUN

their products in the UK, Zaytoun shows it is possible to make a real difference to the lives of people in Palestine. The Co-operative Food in the UK was proud to be the first supermarket in the UK to sell Zaytoun's Fairtrade olive oil.

Invisible co-operatives: surprising facts and figures

80%

of Spanish olive
oil is produced
by co-operatives

Parmesan cheese: is an Italian brand registered and held by a consortium. Roughly 90% of the 420 dairy members are co-operatives.

Danish bacon: is the UK subsidiary company of Danske Slagterier; an organisation which represents all Danish co-operative producers. Pork is the world's most popular meat and accounts for about 40% of total meat consumption. Danish pork is exported to over 100 countries.

French champagne: the majority is produced by co-operatives. In 2006, over 320 million bottles were sold, of which 50% were international sales.



PIC: BRIAN MOODY

DIVINE CHOCOLATE

Tanzania: Equal Exchange

Equal Exchange is dedicated to the promotion of Fairtrade and organic production methods; ensuring a fair deal for farmers and the environment. It was established thanks to three voluntary workers who, along with Campaign Co-op, started buying instant coffee from Bukoba, Tanzania, in 1979. The voluntary aid workers, who helped pioneer the Fairtrade movement recognised that only direct, fair trading would help the small scale farmers change the appalling low prices they received for the products for their long-term benefit. Now an established worker co-operative, Equal Exchange sells a range of natural and organic products to independent retailers and supermarkets across the UK, as well as acting as distributor for a number of well known Fairtrade brands.

Ghana: Kuapa Kokoo/Divine Chocolate

Perhaps one of the best known success stories of global co-operation, Divine is a Fairtrade chocolate company, which is 45% owned by the Ghanaian farmers' cocoa co-operative Kuapa Kokoo. With a mission to empower farmers – both men and women – to earn a dignified living, Kuapa Kokoo has clear goals and values. It strives to ensure all activities are transparent, accountable and democratic. A big

problem for cocoa farmers is the risk of being cheated by agents with fixed scales, so Kuapa members elect key positions such as the 'recorder' in every village, ensuring they can trust their cocoa to be weighed correctly and they can be properly paid. With two Kuapa Kokoo representatives on the company's board and one out of four board meetings held in Ghana each year, the co-operative has direct input and real influence over the business. Importantly, as shareholders, the farmers all receive a share of the profits. In a highly competitive market, Divine is up against major brands with significant marketing budgets. While the Fairtrade premium the farmers receive is invested into their community projects improving living standards, and this premium is growing now that other chocolate companies are starting to convert some of their business to Fairtrade, ownership of their own chocolate company sets Kuapa Kokoo apart and gives them a real voice and more power in this huge global industry. Divine is growing, and now established in the USA, and sold across Europe and in Asia, and in turn Kuapa Kokoo has expanded to 45,000 members in 1300 villages, and is leading the way in ensuring there is a sustainable future for cocoa farmers in Ghana.

National

Objective: to help members gain control over their food, whether they are farmers in agricultural co-operatives or members of retail societies.

Key sectors: agricultural co-operatives, wholesalers, retailers.

Fairtrade

It is clear from the international examples given above, that Fairtrade organisations are natural partners for co-operative retailers in the UK. Fairtrade is a strategy for poverty alleviation and sustainable development which ensures disadvantaged farmers and workers in developing countries get a better deal. Its purpose is to create opportunities for producers who have become marginalised by conventional trading system; allowing them to access markets under better trading conditions and overcome barriers to development.

Three out of every four Fairtrade products sold today come from co-operatives of small producers in poor countries. Some products, such as coffee and cocoa, are entirely sourced from small producer co-operatives, following the key principle of being democratically organised. With many other products, co-operatives are still the majority producer, responsible, for example, for two of every three Fairtrade bananas sold today.

All in all, there are 887,000 people in poor countries involved through co-operative production or marketing in Fairtrade, with a sales volume of 75% of all Fairtrade sales. (Source: Fairtrade Labelling Organisations International, 2010.)

In financial terms, sales of Fairtrade certified products in the UK were valued at £799m in 2009; demonstrating their growing popularity among consumers and overall contribution to the UK economy. Examples of two national UK co-operatives involved with the Fairtrade movement are The Co-operative Food, the fifth biggest food retailer in the UK – but second largest for Fairtrade – and Suma, the UK's largest independent wholefood wholesaler and distributor.

Brad Hill, Fairtrade strategic development manager, The Co-operative Group, comments on the importance of Fairtrade: “The Co-operative Food’s

Fairtrade facts and figures

75%

of all Fairtrade products are produced by co-operatives helping 887,000 smallholders

The Co-operative Food sells Fairtrade products in around 3,000 outlets – more than any other retailer in the UK.

The Co-operative Food boasts the widest Fairtrade grocery range of any supermarket with over 260 products.

According to Kantar Worldpanel in 2009, sales of Fairtrade products across **The Co-operative Group stores grew by 28.4%** making the supermarket the second largest with a share of 17.5%, despite a recorded wider total grocery share of 7.1%.

During Fairtrade Fortnight 2010, average weekly sales of Fairtrade products in The Co-operative Food retail stores were up 38% in 2010 and up by 58% compared to 2009 average sales.



leading support for Fairtrade is well documented as are both our influence on the industry to follow this lead and the positive impact our customers are having increasingly on so many people across the developing world. What is less obvious however is the benefit that Fairtrade brings to the The Co-operative Food. Fairtrade has been a key element in driving the renaissance of The Co-operative brand and one of the strongest demonstrations of our values that has resulted in increasing customer footfall, increased sales and the fantastic commercial success that we have been enjoying in recent times.”

The Co-operative Food

The Co-operative Food is part of the Co-operative Group, the largest of a number of successful independent consumer owned co-operatives operating in the food sector, such as Midlands Co-operative Society, The Midcounties Co-operative, East of England Co-operative Society, Scottish Midlands Co-operative, Anglia Regional Co-operative Society, Lincolnshire Co-operative and the Southern Co-operative.

The Co-operative Food is widely regarded as one of the most important supporters of Fairtrade. Having championed Fairtrade at its inception, The Co-operative Food embarked on a strategy to bring Fairtrade into the mainstream back in 1998. What followed was a series of ground breaking and pioneering initiatives that proved to the food sector that Fairtrade was a commercially sustainable business model that had mass appeal. From the UK's very first bananas and own brand Fairtrade product back in 2000, through entire category conversions, creative new product development and consumer marketing The Co-operative Food has continued to lead the way. It is rightfully proud to have seen how its role has influenced the industry, been a catalyst for change and helped the UK become the world's largest market for Fairtrade products.



SUMA

In 2008, The Co-operative Food became the first retailer to convert its entire own-brand hot drinks category of tea, coffee and hot chocolate to Fairtrade. With around 3,000 food stores and supermarkets across the UK, The Co-operative Food's recent move now makes Fairtrade accessible to millions more shoppers and will benefit growers in some of the world's poorest countries. Plus, The Co-operative Food is the only UK retailer to sell food grown on their own farms and the largest to sell exclusively free range eggs. It is through initiatives such as these, supported by strong leadership on the issue, that The Co-operative Food has built a leading brand with a reputation for honesty, fairness and trust.

Suma

A worker co-operative with around 150 employee members, Suma specialises in stocking and distributing vegetarian, fairly traded, organic, ethical and natural products across the UK to a wide range of businesses from small food co-operatives to large shops, restaurants and supermarkets. Operating with a firm belief in its responsibility to the people who grow the food it supplies, Suma supports Fairtrade and is also a member of the Vegetarian Society.

“Co-operatives are the heart of the Fairtrade movement.”

Harriet Lamb, Chief Executive of the Fairtrade Foundation

Local

Objective: *to help people take control of their food.*

Key sectors: *breweries, community supported agriculture, community supported bakeries, food retailers, pubs.*

On a local level, more and more people are taking action to keep local businesses alive in their local communities and be in control of the food they eat. There are many diverse examples of local businesses in the UK, where a group of people have chosen to pool resources and establish a co-operative which is run by the community for the community; giving access to good food and drink at a more affordable price.

Ipswich Food Co-operative

Residents of the town decided to establish their own shop in order to give the community regular access to affordable, healthy, organic, vegetarian or locally-sourced food, rather than drive a good distance to purchase these products at a premium price.

The Star Inn, Salford

Local residents saved the pub from closure. The pub continues to trade and members are currently finalising plans to use the profits from the pub to maintain the building and organise projects for the local community.

Handmade Bakery, Marsden

Adopting a radically new business model called community supported baking, it makes organic bread using local ingredients and traditional recipes and mainly sells the bread to subscribers of its service through a pick up point, rather than passing customers. This means the traditional producer/consumer relationship dissolves. In addition, the Handmade Bakery is one of a growing number of Community Supported Agriculture (CSA) schemes across the UK; enterprises that provide mutual support through a partnership between producers and consumers. CSA offers an innovative business approach where a food or farm enterprise has members who own 'shares' in the harvest and therefore also share the risk. Already prolific in the US, where there are over 1200 schemes set up, an upsurge in recent years means there are already over 100 CSAs in the UK and that number is growing.



THE HANDMADE BAKERY



BLOCKLEY VILLAGE SHOP AND CAFÉ

Blockley Village Shop and Café

Opened by the community in 2008, residents of the village can purchase groceries, newspapers, beer and wine, fresh seasonal vegetables and locally produced meat from the Village Shop, as well as use the post office service; a lifeline for many residents. The Café is a popular meeting point for locals and visitors of all ages. The Blockley community was able to establish this co-operative thanks to the support of the Village CORE Programme, which is a partnership of the Plunkett Foundation, Co-operative and Community Finance and the Esmée Fairbairn Foundation. This pioneering support programme provides a funding package alongside dedicated specialist business support. Around 10% of privately run village shop closures are now reversed through community ownership.

Headingley Fowl and Pig Co-operative, Leeds

This co-operative is pioneering a straightforward way of recreating the connection with the food they eat. Each resident commits to buying one chicken a month for six months, paying in advance, which means that the farmer can raise 180 chickens every six months with the certainty of a sale. After the success of the Fowl Co-operative, Headingley residents moved on to the Pig Co-operative which works in the same way.

East Anglian Brewers' Co-operative

The farmers in the eastern counties of England grow some of the best malting barley in the world. The co-operative, founded in 2002, helps producers of beers brewed with local malts to market their beers and make the ales available to local communities through farmers' markets and community shops. With such a wonderful raw ingredient on their doorstep, it is not surprising that brewers in East Anglia are becoming established as some of the finest brewers in Europe.

Looking back: a solid foundation

To truly understand the values and principles of co-operatives today, it is interesting to take a look back through its history.



PIC: THE CO-OPERATIVE COLLEGE

ROCHDALE PIONEERS MUSEUM

In the early part of the 19th century the industrial revolution resulted in exploitation and misery for many working people. Often local shopkeepers had a monopoly on trade and abused this position by doctoring products, such as putting chalk in flour, in order to increase their profits. To stop this blatant consumer exploitation, communities established co-operatives, the first of which opened in Rochdale in 1844. Selling basic items such as butter, tea and candles, the shop was owned by 28 workers who became known as the Rochdale Pioneers and are recognised throughout the world as the founders of the co-operative movement. It was their approach to doing business which was revolutionary at the time and formed the foundation of the co-operative

principles today. They believed that pooling resources and ensuring everyone benefited was the way to do business. Their reputation was soon established and customers flocked to the store, certain they would be served good quality products at affordable prices. Very soon, co-operative shops were appearing everywhere.

From these humble beginnings, with just 28 members and £28 in capital, the co-operative movement has grown to more than 800 million members in over 100 countries in the world.

Looking ahead: a promising future

This overview gives an exciting picture of co-operative activity in the food industry. It is a dynamic and growing sector, with new and interesting approaches being taken by business across the supply chain. The benefits of co-operatives are far-reaching and firmly rooted in ethical and social principles; offering a better alternative, a better way both economically and socially of doing business.

To continue to grow, co-operatives need to ensure that consumers are aware of the benefits and then proactively choose to make their purchases from a co-operative retailer. Recent research gives some positive insight and demonstrates the potential going forward:

- 70% of consumers would like to buy more local food and drink
- 64% of consumers are willing to pay slightly more for locally produced food and drink
- 65% thought their local shop increased their sense of community

David Button, Chair of Co-operatives UK, gives his view on future developments for co-operatives in the food industry: “With consumers increasingly making informed decisions about the food they eat, based on

strong social and ethical values, the opportunity for the UK co-operative food sector to maximise these advantages has never been better. The financial success and growth of the retail sector, in particular, also provides commercial credibility to those promoting the co-operative way of doing business across all elements of the co-operative food chain.

“Consumers will ultimately decide from where and who they purchase their food products. Making sure that they are aware not only of the process by which food items are produced and made available for purchase, but also that the organisations involved adhere to the key principles of co-operative business is the key to continued development and growth within our sector.”

“Running a business on co-operative lines gives you a good deal more of the benefit. The co-operative approach of spreading ownership also makes it a good model for the long-term. It is not for everyone, no doubt, but where it really makes sense to work together, you can't do better than a co-operative model of business.”

Ed Mayo, Secretary General of Co-operatives UK



CO-OPERATIVES UK

Co-operatives UK works to promote, develop and unite co-operative enterprises. It has a unique role as a trade association for co-operatives and its campaigns for co-operation, such as Co-operatives Fortnight, bring together all those with a passion and interest in co-operative action.

Any organisation supportive of co-operation and mutuality can join and there are many opportunities online for individuals to connect to the latest co-operative news, innovations and campaigns. All members benefit from specialist services and the chance to network with other co-operatives.

Promoting co-operative enterprise

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