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**Agricultural Co-operative
Trading in Wales**

Its Development, Present Structure and Performance

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FOREWORD

Co-operation in the modern sense of a formal organization of farmers for joint action in connection with various aspects of their farm business emerged in Wales just before the turn of this century. By then the basis of the farm economy was rapidly changing from one of self sufficiency to one of commercial exchange. As traders, farmers found themselves at a disadvantage and many turned to co-operative action as a means of strengthening their position. The movement has experienced many vicissitudes, brought about by changing economic conditions, but over the years it has grown in membership and in the volume of business it conducts.

Since the middle fifties farmers have had to cope with increasing economic pressures resulting from increasing costs, a degree of stringency in relation to the prices for many of their products, and from changes in methods and channels of trade. The small farmer in particular has found it increasingly difficult to earn a reasonable living. These are the reasons for the emphasis now being placed on the development of even more co-operative action by farmers to strengthen their trading position both in obtaining the requisites of farming and in disposing of their products.

In view of the contribution co-operative trading is expected to make to farmers' well-being in the near future, and to enable it to develop to the best advantage, it is important that its strong points be reinforced and its weaknesses eliminated. It was with this in mind that the Department of Agricultural Economics at Aberystwyth agreed to make, on behalf of the W.A.O.S. and with the aid of a grant from the Development Commission, an analysis of the development, present structure and financial state of the co-operative trading movement in Wales. The results of this study are now presented in this report.

The preparation of this report has been largely in the hands of Mr. W. Dyfri Jones. He was responsible for the preparatory and analytical work and for the writing of the first draft of all but the first chapter, and also for seeing the report through the press. Mr. J. R. E. Phillips prepared Chapter I, which is a review of the development of agricultural co-operation in Wales over the last 70 years. The report has been edited by Professor H. T. Williams. Mr. Jones was assisted in the preparation of some of the material by Mr. J. A. Price, then Junior Research Officer in the Department, and Mr. Elwyn Owen, Junior Research Officer, was helpful in providing some background information regarding the developments and operation of weaner and calf groups.

The Department is indebted to very many managers of societies who willingly completed difficult questionnaires and spoke freely of their difficulties and aspirations. The Director and staff of the W.A.O.S. provided in-

formation concerning the work of the W.A.O.S. and made available their intimate knowledge of the co-operative movement in Wales.

Miss Sylvia Lutkins, of the Statistics Department of this College, gave valuable assistance with the statistical work, especially in relation to the choice of techniques and in the preparation of the programmes for the computer.

Clerical work was very carefully performed by Mr. D. B. Garner and Mrs. G. Pugh.

H. T. W.

CHAPTER I

HISTORICAL RETROSPECT

Agricultural co-operation was somewhat later coming to Wales than to England, although once it did take root it showed the more rapid and steadier progress. The break-through may be attributed in no small measure to the sympathetic interest of a number of public spirited individuals who were imbued with the co-operative ideal. Agricultural co-operation had already made considerable headway in Ireland. Irish agriculture, moreover, had many features in common with that of Wales, such as a similar natural environment and the consequent emphasis on livestock production, and the structure of the industry itself.

In August, 1902, a deputation of county councillors from Carmarthen, Cardigan and Pembroke went over to Ireland at the behest of their respective councils to study the agricultural co-operative movement in that country. They were quite favourably impressed with what they saw. It is therefore not surprising that their first recommendation was to the effect that they wished to place on record their conviction that " the principles of Agricultural Co-operation as successfully applied in Ireland were eminently adapted to the present condition of agriculture in West Wales and that their adoption is highly desirable in the farming interest ". This initiated a period of intense propagandist activity throughout the three counties and the impetus thus given to the co-operative idea was translated into action and led to the formation of a nucleus of societies in South-West Wales.

The Years 1902-21

By the turn of the century the depression of the previous twenty years or so had begun to give way to a period of rising prices, and farmers were thus encouraged to adopt improved farming techniques and to increase the volume of production. Greater use came to be made of imported feedingstuffs and fertilisers. As yet, private trading interests were not too deeply entrenched. An opportunity was thus afforded for co-operative trading to enter the field to take advantage of the expanding market for these and other items required by farmers. The first societies to be formed were somewhat localised, being mostly in South-West Wales, and were chiefly requisite societies, dealing in such items as feedingstuffs, fertilisers and seeds, although a small number of them also handled commodities like butter, cheese and eggs produced on members' farms. This latter feature was, perhaps, indicative of the lack of satisfactory outlets for Welsh farm produce at this time. But the agricultural co-operative movement in Wales has always displayed a certain imbalance in the sense that requisite societies have always accounted for the greater part of the membership and turnover.

It would seem that there are a number of reasons why this should be so,

particularly during the early years. In the first place requisite societies are probably the easiest type to set up and to operate. They were initially small both as regards numbers of members and value of goods sold, and served a comparatively small radius. The amount of working capital required was therefore of modest proportions and the bulk of their trading was done with members and other local farmers who were known personally to the management. Until 1906 farmers were not safeguarded against false description and adulteration in the case of purchases of feedingstuffs and fertilisers and a number of the more progressive of these newly formed societies made a point of assisting their customers by having analyses made periodically and obtaining guarantees of purity for both these commodities and also for seeds. The need for providing these services ceased with the passing of the Feedingstuffs and Fertilisers Act of 1906.

Progress in the formation of new societies was particularly rapid during the first decade, at the end of which some 46 requisite societies had been registered, with a membership of over 5,300, and a turnover in the region of £179,000. The early initiative shown by the movement in South-West Wales was maintained, although to a lesser extent as societies sprang up in other parts of the Principality.

All societies, of course, commenced in a very modest way, and all depended on a few initiators or leaders for their formation.

Many societies which were formed at the turn of the century are still functioning. During the intervening years most of them have taken over neighbouring societies at different stages of development and thus extended their area of operation and enlarged the size of their businesses. In doing so they have no doubt contributed to increasing their operating efficiency. The growth of the co-operative trading movement in Wales after 1910 is reflected by the figures of number of societies, membership, and size of turnover shown in Table I.

The Agricultural Organisation Society was active in Wales from 1902 onwards, and played an important part in establishing a number of societies. In addition it was assiduous in furthering the interests of those already in existence. Until 1906 its organisational work was conducted centrally from London, but in that year a local organiser was appointed for Wales. Further measures of devolution were to follow, the North Wales section of the A.O.S. being formed in 1910 and the South Wales section in 1914. From 1912 the Agricultural Organisation Society was able to intensify its work when it was made the recipient of an annual grant from the Development Commissioners for the purpose of furthering the principles of co-operation.

The outbreak of the first World War in the late summer of 1914 proved a stimulus to the co-operative movement. Requisite societies increased from 61 in 1913 to 84 in 1919 ; there was an increase of 150 per cent in total

membership, and roughly a four-fold increase in both share capital and sales. Much of the increases in the monetary measures, however, were due to rises in prices. There was also a burst of activity from about 1917 onwards in the formation of dairy and egg and poultry societies.

Maximum sales were achieved in 1920, after which year the advent of the post-war slump affected the fortunes of the movement, and indeed the whole national economy, adversely. The period of re-trenchment which was to follow boded ill for institutional arrangements in force in providing aid to the movement. The direct block grant which the Agricultural Organisation Society received from the Development Fund ceased in 1919-20. But apart from the harmful effects of the depression there were a number of internal ills afflicting the movement. Thus the financial position of many societies left much to be desired. On the whole the requisite societies were the soundest, yet a number of these showed adverse balances at the end of the financial year, especially if they carried large stocks.

The prevailing economic thinking was dominated by the need for re-trenchment and in 1921 the Development Commission put forward certain proposals with the aim of achieving a more efficient use of the resources of the Agricultural Organisation Society. One of the proposals put forward was that Wales should again come under the direct administrative control of the head office of the Agricultural Organisation Society in London. But the Welsh Provincial Council and the Governors representing Wales on the A.O.S. felt Wales should be allowed to have a separate A.O.S. The Governors of the A.O.S. felt that they could not resist this request and agreed to transfer all matters relating to Wales to a Welsh A.O.S. as from 1st April, 1922.

The Inter-War Years (1922-39)

The first few years after the formation of the W.A.O.S. were probably the most critical in the whole history of the agricultural co-operative movement in Wales, at least so far as central organisation and propaganda were concerned. The termination of the grant from the Development Fund and the parlous response from many affiliated societies, meant that the activities of the newly-formed W.A.O.S. were seriously curtailed. The (English) A.O.S. was dissolved in 1924 and its duties taken over by the Co-operation Committee of the National Farmers' Union.

In 1924 the Development Commission sponsored a scheme for setting up an Advisory Service in Agricultural Economics and the late Mr. A. W. Ashby (as he then was) appointed Advisory Economist for Wales, and was attached to the University College of Wales at Aberystwyth. He took a keen interest in agricultural co-operation and along with the then Secretary of the W.A.O.S., the late Mr. Hugh James, formed the Joint Scheme for collaboration between the Welsh Agricultural Organisation Society, and the Department of Agricul-

tural Economics of the University College of Wales, Aberystwyth. This scheme came into operation early in 1927 and lasted for a period of twenty years. Under the terms of the Joint Scheme the research and advisory work in agricultural co-operation was to be conducted by the Department of Agricultural Economics and an annual payment was to be made by the W.A.O.S. to the Department to meet the expenses of providing an assistant in Co-operative Marketing. The commencement of the Joint Scheme in 1927 was particularly timely in that it coincided with a new interest in the study of marketing in general.

The fortunes of the agricultural co-operative movement are, of course, intimately bound up with those of the industry which it serves. During this inter-War period home agriculture passed through many vicissitudes and it is only to be expected that agricultural co-operatives should have reflected the changing moods of the economic barometer. The salient features were the post-War slump and the severe depression of the middle '30s. Numbers of requisite societies continued to fall, even throughout the later '30s when conditions showed an improvement. By 1939 the number had been reduced to 53. A small number of these had gone into liquidation, but their disappearance was due chiefly to amalgamation with neighbouring societies. Despite these set-backs, however, it may be said that the period between the two World Wars was one of consolidation for requisite societies. Whilst their number in total had fallen from 80 in 1922 to 53 in 1939 the volume of goods handled certainly increased, while membership advanced during this period by 17 per cent.

Societies formed specifically for the marketing of farm products have at all times been much fewer in number, and in general have had a more transitory existence than have requisite societies. Marketing societies have consequently made far less impact on the agricultural co-operative scene. There have been times, however, when more attention was paid to marketing, and the years from 1922-39 constitute one such period. There had been a spurt a few years earlier during the closing stages of the first World War when the Ministry of Food encouraged the establishment of co-operative cheese-making societies. Most of them were short-lived, chiefly because they failed to become fully integrated into the farming systems in the areas in which they operated. And when cheese prices slumped in the post-War years very few were able to survive. There were also a few co-operative creameries functioning during this period in both North and South Wales but on the whole they failed to make any lasting inroads into the domain of the firmly entrenched private trading interests.

During this period a good deal of energy was also expended in fostering the co-operative marketing of eggs. There were also a small number of miscellaneous societies engaged in such diverse activities as the operation

of livestock marts, machinery (chiefly threshing) societies and the marketing of seeds (potatoes, oats and clovers).

The period 1922-39 may therefore be summarised by saying that the record of co-operative achievement in the field of distribution was much greater than in the field of marketing. Whilst the years from 1922-30 were ones of stagnation for requisite societies, those from 1930-39 witnessed solid gains, despite various restraints placed on co-operative trading by manufacturers of such items as machinery and equipment. But apart from a few exceptions co-operative marketing remained in the experimental stage and failed to make any significant inroads into the private sector.

But the W.A.O.S. worked quite assiduously on certain general aspects of co-operative activity not concerned with the formation of specific societies. Thus it took an active part in fostering the selling of fat-stock to central abattoirs under the Ministry of Agriculture's grade and dead-weight scheme. It was successful in obtaining local agricultural societies to act as collecting agents for members, thus effecting savings in transport charges and other costs. The W.A.O.S. was also instrumental in forming the Welsh Dragon Mark Association for the purpose of helping the farmers of Brecon, Radnor and Monmouth to supply the beef store market with high grade stock.

The Second World War Period (1940-46)

The outbreak of the second World War in 1939 inaugurated a new era for British farming, as indeed for the economy of the country as a whole. The broad principles of agricultural production adopted during these years and the consequent changes in the pattern of land use and in the size and constitution of the agricultural output serve to explain some of the trends which may be discerned in co-operative activity. It may, perhaps, be not too much to say that these years constituted a turning-point in the development of agricultural co-operation in Wales.

Requisite societies, of course, still accounted for the bulk of the membership, share capital and turnover of the movement in Wales. The downward trend in their numbers continued, falling from 53 in 1939 to 46 in 1946. Those which disappeared were mostly incorporated in larger neighbouring societies. An impetus was thus given to the tendency which had been evident for a considerable time for the trade in requirements to become concentrated in the hands of the larger societies. At this time about four-fifths of the turnover of requisite societies was accounted for by numerically less than one-quarter of the societies. Membership continued to rise each year, increasing by about one-third between 1939 and 1946. It is estimated that about 70 per cent of farmers now belonged to a requisite society. Share capital continued to increase and also total turnover, the latter exceeding £2.5 million in 1946. After a period of almost fifty years the stage had been reached when

TABLE 1
FARMERS' CO-OPERATIVE SOCIETIES IN WALES

Year	Requisite Societies			Marketing Societies			Miscellaneous Societies*			Total		
	No. of Societies	No. of Members	Turnover £m.	No. of Societies	No. of Members	Turn-over £m.	No. of Societies	No. of Members	Turn-over £m.	No. of Societies	No. of Members	Turn-over £m.
1911	52	6,104	0.222	3	126	negl.	2	8	0.001	57	6,238	0.223
1921	82	22,373	1.635	26	2,917	0.216	15	904	0.002	123	26,194	1.862
1931	62	22,454	1.141	10	828	0.043	12	960	0.001	84	24,242	1.185
1941	48	26,635	2.054	6	2,102	0.582	19	1,251	0.081	73	29,988	2.717
1951	45	40,323	5.731	25	5,038	1.169	11	302	0.050	81	45,663	6.950
1955	45	44,165	8.598	27	9,469	3.044	16	645	0.227	88	54,279	11.869
1961	39	49,186	11.128	26	11,342	5.284	54	12,592	0.241	119	73,120	16.653
1965	38	50,086	12.276	41	13,006	6.152	56	13,329	0.397	135	76,421	18.825

*Farming Societies included in 1955 and 1961.
Pest Control Societies included in 1961 and 1965.
Woodland Societies included in each year.

this form of co-operative trading had become widespread and firmly established. Almost all societies without exception succeeded in expanding their businesses, in augmenting their capital, and in maintaining and sometimes increasing their profits. This was no mean achievement, especially in view of the fact that it was accomplished with a smaller staff than had been employed before the war.

The new conditions brought about by the war did not, in general, serve to facilitate the operation of existing dairy societies still less lead to an extension of co-operative dairying. With milk production receiving top priority sales off farms in Wales increased by 50 per cent. Much of the additional supplies came from areas which entered the milk market for the first time, particularly in the west and north-west. There was a significant increase in liquid consumption with the result that supplies for manufacturing were drastically curtailed. A few societies which hitherto had been engaged in butter and cheese production were unable to maintain a satisfactory throughput. Consequently some societies ceased manufacturing activities and acted as depots for handling milk for the liquid market. Existing depot and processing facilities were not sufficient to deal with the increasing volume of supplies coming forward. It was therefore imperative that additional ones be established to cope with the growing influx of milk, a need which was in large measure provided by the Milk Marketing Board. Both the magnitude of the task and the urgency of the situation were such as to make it highly unlikely that farmers' societies would be able to supply this need. Indeed, those already in existence were experiencing grave difficulties. In 1939 there were six dairy societies in existence. No new ones were formed during the war years, apart from the retailing venture of Hufenfa Meirion which was registered separately. After an expansion in activity during the early war years their fortunes declined and by 1947 their numbers had been reduced to two. The situation was therefore that farmers' co-operatives not only failed to take advantage of the tremendous increase in the milk market to expand their activities, but even suffered a contraction.

The "miscellaneous" co-operatives consisted of the general run of societies mentioned under this heading in the previous period, and with the exception of one form of activity they do not exhibit much advance. The notable exception was provided by the seed growing societies. It was to be expected that the demand for seeds would increase substantially from 1939 onwards. There was already a small nucleus of seed growing societies in existence since 1939, and were concerned with potatoes, cereals and herbage seeds. There was no increase in the number of seed potato societies as such during the war years, but those already in existence continued to increase their membership and acreage planted. The really important development concerned herbage seeds and by 1944 the number of such societies had increased to twelve. In 1943 the Welsh Seed Growers'

Federation had been formed to co-ordinate policy and to act as a clearing house for information and ideas. The year 1944, moreover, saw an important development in the formation of Dyfed Seeds Ltd., which was a federation of four of the herbage seed societies in South-West Wales. It is concerned with the cleaning, dressing, and marketing of the output of the federated societies. In north and mid-Wales the work undertaken by Dyfed Seeds Ltd. is performed by four requisite societies.

It will be realised that the war years presented a difficult period for agricultural co-operation. Yet taken as a whole the movement, while retreating in some sectors and advancing in others, succeeded in consolidating its position. Requisite societies were still the mainstay of the movement, and look like remaining so for some considerable time to come. Apart from these, and the seed growers' societies there were only isolated instances of other forms of societies showing real achievement.

The W.A.O.S. continued to function and considering the limited funds at its disposal and hence the small number of staff, its achievements were very commendable. The Joint Scheme, under which the Department of Agricultural Economics of the University College of Wales, Aberystwyth, was responsible for the research and advisory work in agricultural co-operation continued to function and served to give cohesion to the co-ordinating body.

The Years 1947-67

The past two decades have witnessed a number of important changes in the affairs of the central co-ordinating body. In 1948 the Joint Scheme with the Department of Agricultural Economics of the University College of Wales, Aberystwyth, was terminated. The W.A.O.S. accordingly appointed an Education and Development Officer to perform the work previously undertaken by the Department of Agricultural Economics under the Joint Scheme.

In 1958 a number of changes were made in the constitution of the governing body of the W.A.O.S. and in staffing arrangements. In 1961 it obtained a new constitution. The question of financial provisions for the Society had continually given grounds for anxiety. During the past two decades, however, the W.A.O.S. has expanded its activities, and has been assisted by the more favourable political climate for agriculture and agricultural co-operation in particular through certain provisions of the Horticulture Act of 1960, A.M.D.E.C. grants, and the Agricultural and Horticultural Co-operation Act of 1967.

Requisite societies have continued to be the mainstay of the movement in Wales. The trend perceived in earlier years for their numbers to decline has continued. The reduction has been from 46 in 1946 to 38 in 1965. Turnover, on the other hand, has continued to increase and now totals over £12.25 million, a four-fold increase since 1946, although much of this, of course, is due to increased prices.

The remaining forms of co-operative activity in Wales, even when taken together, cannot vie with the requisite societies from the standpoint of membership or turnover. They consist of an assortment of societies engaged in marketing and processing farm products and in the performance of various services. Over the years their fortunes have been subject to a considerable amount of ebb and flow. Societies have come into being in response to a felt need, have increased in numbers and hence their total throughput or amount of services performed as the case may be, and then passed through a phase of decline when changed circumstances make their continuance less urgent, or perhaps even unnecessary.

The situation in the milk market has been such as to leave little scope for co-operative development. Throughout the past two decades there have been only two co-operative creameries in Wales. These were the ones formed in North-West Wales about the beginning of the second World War, at which time this portion of the Principality was still undeveloped so far as milk-selling was concerned. These two creameries have continued to expand, although they have been confronted with special problems from time to time.

Egg and poultry societies have received a set-back of recent years, while the grass-drying societies which sprang into prominence in the early '50s have suffered a complete eclipse. It was also apparent that the herbage—seed-growing societies had reached saturation point after the post-War re-seeding programme and that it was inevitable that there should be a cut-back. The year 1948 saw the registration of the first woodland society of which there are now four and which provide a complete service to members on the production side as well as assisting with the marketing of the timber. Rabbit clearance societies made their appearance in 1958 and in the meantime have spread throughout the whole of Wales. Mention might also be made of the two crop-marketing (early potato) societies in Pembrokeshire and in the Gower Peninsula of Glamorgan. Lastly, mention must be made of two other significant developments in the field of marketing, namely those concerned with suckled calves and weaner pigs. The most recent development, however, is concerned with machinery syndicates and a number of Syndicate Credit Companies have made their appearance during the last five years or so, their purpose being to promote and help finance farmers' machinery syndicates.

Concluding Summary

The foregoing historical retrospect shows that the agricultural co-operative movement in Wales has passed through many vicissitudes. Yet despite the many set-backs to which it has been subjected from time to time it has succeeded in becoming firmly entrenched. Even so there is need for constant vigilance owing to the economic and technical changes which are continually taking place in the field of production, marketing and distribution.

Consequently agricultural co-operatives need to adapt themselves to the new sets of conditions in which they are called upon to operate. It is therefore fitting that the transactions of individual societies, and indeed the performance of the movement as a whole, should be subjected to a rigorous investigation. This is a most opportune time to make an appraisal of the present position and prospects of agricultural co-operation in Wales, and it is hoped that the movement will derive some benefit from the economic analysis and recommendations contained in this report.

CHAPTER 2

THE STRUCTURE OF AGRICULTURAL CO-OPERATIVE TRADING IN WALES

The Extent of Co-operative Trade

In 1965 there were 38 supply or requisite societies and 44 produce or marketing societies in Wales. Not all societies are wholly specialist, selling only farm requirements or simply marketing produce for their farmer members. Many of the supply societies also market some of their members' crops, notably grain and potatoes, and sometimes eggs and poultry. Conversely one or two of the marketing societies sell feedingstuffs and fertilizers and other requisites to their members. The marketing societies tended each to specialise in one commodity. Their distribution between commodities was :

					<i>No.</i>
Wool Processing	..	..	..	..	1
Eggs and Poultry	..	..	..	..	3
Dairy .. ..	..	..	..	..	4
General Livestock	..	..	..	..	7
Sheep Breeding ..	..	..	..	..	1
Calves .. ..	..	..	..	..	7
Weaners .. ..	..	..	..	..	11
Seed Marketing	..	..	..	..	8
Early Potato Marketing	..	..	..	..	2
					—
					44*
					—

The total value of sales of (a) requirements, (b) farm produce and (c) services for all societies in Wales is set out in Table 1.

The Size Distribution of Societies

The societies vary considerably in their relative size and importance as measured by turnover and membership.

*This total includes 3 weaner pig societies which could not be included in Table 1, Chapter 1, because they did not provide figures regarding sales in 1965.

In addition to the requisite and marketing societies there were, in 1965, seven service societies (including four woodland societies and one grain drying society) and 49 Pest Control Societies.

TABLE 1

TOTAL TURNOVER OF ALL AGRICULTURAL CO-OPERATIVES 1955-65

Year	Goods and Services						Total	
	Requisites		Produce		Services*			
	£m	%	£m	%	£m	%	£m	%
1955	8.339	70.3	3.302	27.8	0.22	1.9	11.869	100.0
1960	10.229	63.5	5.596	34.8	0.27	1.7	16.102	100.0
1965	11.701	62.2	6.726	35.7	0.39	2.1	18.825	100.0

Source : 1955 : AR 17's.
1960 : W.A.O.S.
1965 : W.A.O.S.

*Including Farming Societies in 1955 and 1960,
Rabbit Clearing Societies in 1960 and 1965, and
Woodland Societies in all three years.

TABLE 2

DISTRIBUTION OF WELSH SOCIETIES BY SIZE OF TURNOVER 1965

A. Requisite Societies

Size of Turnover (£m)	Under 0.10	0.10 to 0.25	0.25 to 0.50	0.50 to 0.75	0.75 to 1.00	1.00 and over	Total
		No. of societies	12	9	11	3		0	3	38
No. of members	3,918	8,176	18,576	6,635	—	12,391	49,696
Turnover £m.	0.611	1.478	4.085	1.955	—	4.145	12.275
% Distribution of Turnover	5	12	33	16	—	34	100
Turnover per Member*	156	181	220	295	—	335	247
Membership per Society	326	908	1,689	2,212	—	4,130	1,308

*Including trade to non-members.

B. Produce Societies*

Size of Turnover (£m)	Under 0.10	0.10 to 0.25	0.25 to 0.50	0.50 to 0.75	0.75 to 1.00	1.00 and over	Total
		No. of Societies	11	6	2	3		0	2	24
Membership	1,640	2,176	3,900	1,228	—	1,567	10,011
Turnover £m.	0.356	0.866	0.738	2.055	—	2.703	6.718
% Distribution of Turnover	5	13	11	31	—	40	100.0
Turnover per Member £	217	398	189	1,674	—	1,725	641.2

*Only those showing turnover and including the 4 woodland societies.

Of the 38 requisite societies, 21, that is more than half the total number, each had a turnover of less than £0.25 million and only three had turnovers of over £1 million. The larger number of Welsh requisite societies are therefore small, a fact which is made more obvious when the situation is compared with that in England. In England 23 (or rather more than one-third of the total) of the 71 requisite societies had a turnover of more than £1 million and some of these exceeded even £10 million. In terms of co-operative trading in farming requisites the large societies are of overwhelming importance. The three Welsh societies with a turnover of more than £1 million account for more than one-third of the total trade; and the six societies which had turnover of more than £0.5 million account for just about a half. The other half of the total trade was shared between 32 relatively small societies.

TABLE 3
DISTRIBUTION OF ENGLISH REQUISITE SOCIETIES BY SIZE OF TURNOVER 1965

<i>Size of Turnover (£m)</i>	<i>Under 0.5</i>	<i>0.5 to 1</i>	<i>1 to 2</i>	<i>Over 2</i>	<i>Total</i>
Societies—Number	40	8	8	15	71
Members—Numbers	9,143	10,213	12,380	118,629	150,365
Turnover (£m.)	4.050	6.830	11.585	117,952	140,417
Distribution of Turnover—%	3	5	8	84	100
Turnover per Member £*	443	669	936	994	934

*Including trade to non-members.

It is also interesting to note that the larger societies not only have more members each but also generally higher sales per member. This is probably due to the wider variety of services which they provide. The average turnover per member for all Welsh requisite societies, however, is only about one-quarter the turnover per member for English societies. This wide discrepancy between turnover per member in England and Wales cannot be wholly explained by the proportionately greater significance of extensive livestock farming systems in Wales.

It is difficult to obtain a clear picture of the size structure of the marketing societies because they are varied in type and many of them, since they merely act as marketing agents, do not show their volume of sales. Of the 23 marketing societies which do show their sales, however, only five have a turnover of more than £0.5 million, and only two of which exceed £1 million. These five societies, which consist of three dairy and two farmers' mart societies, account for 75 per cent of the total trade. The smaller societies include the weaner pig and calf groups, the seed and woodland societies,

and the smaller marts. As for the requisite societies the turnover per member tends to be greater the larger the society.

Composition of sales

The relative importance of the different items sold by requisite societies changes to some extent with size of society. The larger societies sell more of their members' produce, consisting largely of grain, poultry and eggs, and the relative importance of feedingstuffs tends to fall. The sales of implements and machinery, although not forming a large proportion of sales in many instances, tend to be both relatively and absolutely of greater significance in the larger societies.

TABLE 4
DISTRIBUTION OF TURNOVER
WELSH REQUISITE SOCIETIES 1965

<i>Size of Turnover (£m)</i>	<i>Feeding-stuffs</i>	<i>Fertilizers</i>	<i>Implements and Machinery</i>	<i>Fuel and Oil</i>	<i>Seeds</i>	<i>Other</i>	<i>Produce</i>	<i>Total</i>
	..... per cent							
Under 0.10	59.5	11.2	2.7	1.0	1.9	23.5	0.2	100
0.10—0.25	56.6	16.3	2.6	0.6	2.6	21.3	0	100
0.25—0.50	54.8	16.2	6.7	1.3	2.7	14.6	3.7	100
0.50—0.75	55.0	17.9	10.0	—	4.3	6.3	6.5	100
0.75—1.00								
1.00 and over	53.1	12.9	4.1	1.3	1.4	14.0	13.2	100

Members and their farms

Although there are varying numbers of non-farming members of agricultural co-operative societies depending upon where the headquarters and branches of the societies are situated, the vast majority are farmers. Some attempt was made to determine whether or not members of co-operatives differed from the general run of farmers both in regard to their age distribution and in the size and type of farms which they occupied. The age distribution of co-operative membership is based on estimates made by managers of 27 societies for ten per cent of their members. This sample is by no means perfect but it is considered to be adequate for the present purpose. Moreover, it is unfortunate that figures for the age distribution of farmers in Wales in general are not available, but they probably are not vastly different from those

which are available for England and Wales together. The general comparison of the age distribution in the co-operative sample and in the country in general is shown in Table 5.

TABLE 5
AGE DISTRIBUTION OF FARMERS
(a) 1961 Census : England and Wales

Age Group Years	Under 25	25—44	45—54	55—65	65+	Total
Per cent	5.4	36.3	25.4	22.8	10.1	100

(b) In 27 Welsh Societies

Age Group Years	Under 25	25—40	41—50	51+	Total
Per cent	3	24	35	38	100

Although it is known that some farmers in their early careers continued to trade in their fathers' names, the sample figures nevertheless suggest strongly that the co-operative society membership tends to be substantially older on average than that of the farming population in general. This may be a point of some significance to the design of campaigns directed towards increasing co-operative membership.

There is some difficulty in comparing the size of farms occupied by members with the size of farms in Wales in general, because the figures for Wales in general refer to holdings rather than farms. A farm may, of course, consist of two or more holdings, and the tendency is for the official figures to overstate the number of small farms in Wales. Nevertheless, the figures in Table 6 which compares the size distribution of holdings in Wales with the size distribution of farms occupied by co-operative members show that the proportion of small farms which trade with co-operatives is much less than would be expected.

Although the proportion of all sizes of farms above 50 acres are more heavily represented in co-operative membership than in the population at large, it is the small and medium sized farms with up to 200 acres which form the backbone of the co-operative trading movement. Membership of co-operative societies was associated with four types of farming and the results are shown in Table 7.

TABLE 6

SIZE AND TYPE OF FARMS OPERATED BY MEMBERS

A. Distribution of Holdings According to Size (total acres) in Wales 1965*

<i>Size of Holding</i>	<i>Under 50</i>	<i>51—100</i>	<i>100—300</i>	<i>300 & over</i>	<i>Total</i>
<i>Per cent of Holdings</i>	55	21	20	4	100

B. Distribution of Co-operative Members According to Size of Farm (total acres)

<i>Size of Farm</i>	<i>Under 50</i>	<i>51—100</i>	<i>101—200</i>	<i>200 & over</i>	<i>Total</i>
<i>Size of Turnover (£m)</i>	<i>Per cent of Members</i>				
0.50 and over	15	38	39	8	100
0.25—0.50	14	28	54	4	100
Under 0.25	23	22	45	10	100
For 24 Societies	16	33	44	7	100

*Ministry of Agriculture, Fisheries and Food

TABLE 7

DISTRIBUTION OF FARMER-MEMBERS ACCORDING TO TYPE OF FARMING

<i>Type of Farming</i>	<i>Dairy</i>	<i>Mixed</i>	<i>Livestock Rearing</i>	<i>Arable</i>	<i>Total</i>
<i>Size of Turnover (£m)</i>	<i>Per cent of Farmer-Members</i>				
0.5 and over	50	35	14	1	100
0.25—0.5	26	54	20	neg.	100
Under 0.25	21	52	24	3	100
Average for 24 Societies	36	45	18	1	100

These results are difficult to interpret. They are based upon data provided by co-operative managers and the type grouping in all cases might not be particularly accurate. The table does show, however, that over 80 per cent of co-operative trading, in terms of membership at least, is with persons engaged in the more intensive forms of agriculture, namely dairying and mixed (mainly livestock) farming. Livestock rearers and particularly arable farmers are of much less importance. It is also true that the largest co-operatives are situated in intensive dairying areas and it is likely that one of the reasons for their greater size is the fact that intensive dairying calls for much higher inputs of purchased feeds and fertilizer than do more extensive forms of farming. Moreover, the nature of the terrain in dairying areas tends to be less difficult, communications are better and problems of transport over wide areas are easier.

Staffing

In 1965 Welsh Agricultural Co-operative Societies employed about 1,500 people, a number which had risen slightly since 1955 as a result, no doubt, of both the general increase in turnover and the net increase in the number of societies. During this decade no fewer than twenty-five new societies—weaner pig and calf groups—were formed ; twelve service and marketing societies were liquidated ; and another six, five of which were requisite societies, were amalgamated with one another or with others. The net increase in the number of societies was eight. The information on staffing provided by 53 societies shows that the labour force was made up broadly as follows :

<i>Class</i>	<i>per cent</i>
Managers	4
Branch managers and supervisory staff ..	13
Clerical	18
Others—shop assistants, accountants, salesmen, store keepers, lorry drivers, etc. ..	65
	<hr style="width: 10%; margin: 0 auto;"/>
	100
	<hr style="width: 10%; margin: 0 auto;"/>

Not all societies have managers, and indeed a few small ones carry no staff at all but are run by unpaid secretaries. Where a manager is employed his duties depend upon the size of the society. In the large ones he is normally solely concerned with management, but in very many of the smaller ones he is also engaged on a variety of tasks which may include the management of transport, the taking of orders and even serving of customers. Only the larger societies had branch and department managers in addition to the

general manager. The number of clerical and other employees varied according to volume of business.

TABLE 8
RELATIVE IMPORTANCE OF CERTAIN CATEGORIES OF EMPLOYEES 1965

Turnover Group (£m)	No. of Societies	Branch Managers and Supervisory Staff				Clerks	Other	Total Em- ployees
		Man- agers	%	%	%			
A. Requisite Societies								
£0.5 and over	6	1.6	15.4	21.5	61.5	100	377	
£0.25—£0.5	11	3.9	13.6	17.9	64.6	100	280	
Under £0.25	19	9.1	14.3	15.8	60.8	100	209	
Total	36	4.2	14.5	18.9	62.4	100	866	
Total Employees for all 38 Requisite Societies in Wales							941	
B. Produce Societies								
£0.5 and over	2	1.7	9.2	9.1	80.0	100	175	
£0.25—£0.5	0	—	—	—	—	—	—	
Under £0.25	7	11.1	11.1	19.5	58.3	100	36	
Total	9	3.7	9.4	11.7	75.2	100	211	
Total Employees for All Produce Societies in Wales							562	

The most significant feature which emerges from an examination of the structure of employment in co-operative societies is the wide difference in the ratio of managers and other supervisory staff to other employees as between the smallest and largest societies. In the case of the requisite societies the ratio of the managerial and supervisory staff to their employees in the larger societies is about one to five, while in the societies with less than a quarter of a million turnover it is one to three. The same feature with rather wider variations according to size is apparent in the figures for the produce societies, but the figures for produce societies, which are related to only a small number of societies, are unduly influenced by two large dairy societies and a large woodland society. Apart from these societies there were relatively few people employed by the produce societies.

Ages of Staff

In 1965 more than half of all the employees of all agricultural co-operative societies in Wales were under 40 years old. This accent on youth was more evident among managers than it was among some other categories of employees, notably the branch managers and supervisory staffs. Of the 44 managers who gave their age, 25 were under 50 and 8 of these were under 40. The average age of managers was 50. On the other hand it was in the medium and smallest societies that young managers were mainly to be found. Of the eight who were under 40, six were employed by societies with less than a £0.25 million turnover while only one was employed by societies of over £0.5 million. If the age of managers reveals their degree of vigour, acumen and imaginativeness, then the co-operative movement in Wales is reasonably well endowed with these qualities.

TABLE 9

DISTRIBUTION OF MANAGERS ACCORDING TO AGE AND LENGTH OF SERVICE : 1967

1. Age (Years)

<i>Average Age</i>	<i>40 and under</i>	<i>41—50</i>	<i>51—60</i>	<i>61 and over</i>	<i>Total</i>
	<i>Number of Managers</i>				
50	8	16	16	4	44

2. Length of Service (Years)

<i>Average Length of Service</i>	<i>5 and under</i>	<i>6—10</i>	<i>11—20</i>	<i>21—30</i>	<i>31 and over</i>	<i>Total</i>
	<i>Number of Managers</i>					
10	22	3	9	4	2	40

3. Age on Appointment (Years)

<i>Average Age on Appointment</i>	<i>30 and under</i>	<i>31—40</i>	<i>41—50</i>	<i>over 50</i>	<i>Total</i>
	<i>Number of Managers</i>				
39	6	15	17	2	40

Among the 40 managers who gave the relevant information the length of service varied from one to 38 years but the average figure was only 10. More than one-half of the managers had held their present posts for five years or less while six had been managers for over 20 years, and two had been managers for over 30 years. It seems that more often than not, in the recent past, agricultural co-operatives have appointed relatively youthful managers. Over half of the forty managers providing the information were appointed to their posts when they were under 40 years of age, six having been appointed when under 30. Only two were appointed when they were already 50 years of age. The average age of appointment was 39 years. The paucity of the sample for marketing societies prevents any sensible comment on the structure and characteristics of their staffing beyond that which has already been said.

Regional Differences in Co-operative Trading

In the following table an estimate has been made of the proportion of all co-operative trading which takes place in North and South Wales respectively. The dividing line is assumed to run roughly from Llanrhystud in Mid-Cardiganshire to Bishops Castle on the Montgomeryshire/Shropshire border. The co-operative sale of requirements north of this borderline amounts to only 35 per cent of the total for Wales; but the agricultural area, the acreage of crops and grass, and the number of farmers assigned to North Wales are all considerably less than those assigned to South Wales. Even so, the co-operative trading in requirements, whether expressed per unit of land or per farmer, is appreciably lower in the North than in the South. Thus the turnover per 100 acres of crops and grass and per farmer is about 27 per cent and 37 per cent respectively higher in South than in North Wales. Although there are relatively more small farms in the North than in the South,

TABLE 10

CO-OPERATIVE TRADING IN FARM REQUISITES IN NORTH AND SOUTH WALES 1965

	<i>Percentage of Total Turnover</i>	<i>Turnover</i>			<i>Per cent Rough Grazing</i>
		<i>Per 100 Total Acres</i>	<i>Per 100 Acres Crops and Grass</i>	<i>Per Farmer</i>	
	%	£	£	£	%
North Wales	35	240	400	240	39
South Wales	65	370	510	330	27
Wales	100	318	470	297	32

the larger proportion of rough grazings in the former, leading generally to more extensive farming there, would up to a point explain this difference. Even after allowing for this, however, the figures suggest that farmers in North Wales, to a small extent at least, purchase fewer of their requirements from agricultural co-operatives than do their counterparts in South Wales.

The Distribution of Requisite Societies

The map on page 26 shows the location and the approximate area covered by each requisite society in Wales and it is clear from this that there are very few parts of the country, other than some remote upland areas, that are not served by a co-operative. The map also shows the tendency for small societies to be clustered together in three areas. These areas are West Merionethshire and South Caernarvonshire; South Cardiganshire and North Carmarthenshire; and South East Carmarthenshire and West Glamorganshire.

Merionethshire is served by no fewer than six requisite societies, only one of which is classified as medium-sized, while another is merely a large produce society with a small requisite branch. Moreover, just across the border in Denbighshire and Caernarvonshire there are another two small societies.

The South Cardiganshire/North Carmarthenshire area has nine societies, five of which have turnovers of less than £0.25 million, while the other four have a turnover of between £0.25 million and £0.5 million.

In South East Carmarthenshire and West Glamorganshire, a small area about 30 miles long and 18 miles wide has five small societies within its boundaries.

There are no doubt reasons for the concentration of small societies in these areas. In Merionethshire, and to a lesser extent in South Cardiganshire and North Carmarthenshire, the situation may be partly explained by transport difficulties consequent upon hilly country and relatively poor service roads, while in South Wales the area is much divided by pockets of industry into isolated farming areas. While these factors may explain why small societies came into being in these areas in the first instance, it is another matter whether their retention is justified on economic grounds. This subject will be dealt with later.

All the large societies, many of the medium-sized, and some of the small ones, maintain branches scattered throughout their territories. In the past these were considered necessary for maintaining close contact with and providing better services to the local farming community, but for many reasons societies are now tending to cut down the number of their branches.

The 38 requisite societies have, in all, 80 branches. In 1965 Carmarthen Farmers, even after closing down a few, still had 14, Eifionydd Farmers had 10, West Breconshire Farmers had 10 and Wynnstay Farmers, Clynderwen Farmers and Vale of Clwyd Farmers each had 7. The full list of societies

and the number of establishments associated with each in 1966 is given in Appendix I.

Overlapping

Perhaps the most significant feature of the map is the frequency and degree of overlapping of the areas served by individual requisite societies. Apart from the area covered by Swansea farmers each requisite society area overlaps, in varying degrees, with that served by one or more of its neighbours. This feature is particularly marked in the three areas of concentration noted in the preceding section. It is estimated that at least 10 per cent of the whole area of Wales is served by more than one society and in relation to the intensively farmed areas the percentage must be even higher.

Some amount of overlapping is obviously unavoidable and it could be argued that some degree of competition between requisite societies is desirable. The map reveals, however, not only the duplicating, but the trebling and even quadrupling of services in many areas, with obvious implications for transport and delivery costs. In some instances even where territories do not overlap, those of some societies are very much nearer to the headquarters or branch of another than they are to their own.

Produce Societies

In 1965 there were 48 produce or marketing (including woodland) societies in Wales. Their distribution between commodities and an indication of their size is given in Table 11.

Three of the four dairy societies were creameries situated rather unexpectedly in North West Wales, an area more renowned for its store stock than for its dairy cattle, although it does carry a fair number of dual purpose Welsh Blacks. Two of these societies, Hufenfa Meirion and Llaethdy Meirion, were situated close to each other in Merionethshire and were largely supplementary to each other and indeed since 1965 they have been amalgamated. The third, the South Caernarvonshire Creameries, centred at Chwillog, confines its trading to the Llyn Peninsula. The fourth, Farmers' and Dairymen's Mutual, is situated in Cardiff and is a retailing business set up by farmers in the area. The three creameries act as agents for the Milk Marketing Board in collecting milk from the farmer and delivering it to distributors, or manufacturing it into butter and cheese according to the Board's instructions. Any profit made from the allowance paid by the Board for their services is distributed as dividends among their members.

There were 25 livestock marketing societies in 1965 and one specialist sheep breeding society. The 25 include seven farmers' marts with regular weekly or fortnightly sales of all types of livestock. Three of these were simply selling agents charging commission on sales and do not disclose their

TABLE 11

DISTRIBUTION OF PRODUCE SOCIETIES ACCORDING TO TURNOVER (£ MILLION) 1965

Type of Society	No. of Societies	Member-ship	No. of Societies Giving Turn-over	Turn-over £	Distribution according to turnover £(million)							Member-ship of Societies Giving Turnover	Turnover* per Member
					Under 0.1	0.1-0.25	0.25-0.50	0.50-0.75	0.75-1.00	1.00 and over	Total		
Dairy Societies	4	for 3 socs. 2,258	4	3,055,385	0	1	0	2	0	1	4	2,258	1,035.2
Livestock and Livestock Produce : general	7	for 6 socs. 1,439	4	2,254,301		1	1	1	0	1	4	1,103	2,043.8
weaner groups	11	for 6 socs. 664	5	268,114	4	1	0	0	0	0	5	608	441.0
suckled calves	7	2,484	1	164,177		1	0	0	0	0	1	609	269.6
poultry and eggs†	3	for 2 socs. 3,741	2	537,956		1	1	0	0	0	2	3,741	143.8
other‡	2	1,574	1	205	1	0	0	0	0	0	1	859	0.2
Woodland Societies	4	706	4	308,840	3	1	0	0	0	0	4	706	437.4
Seed Societies	8	665	1	98,593	1	0	0	0	0	0	1		N.A.
Other	2	127	2	31,391	2	0	0	0	0	0	2		247.2
TOTAL	48	13,658	24	6,718,962	11	6	2	3	0	2	24	9,884	589.6

† including one hatchery.

‡ one wool marketing and one sheep breeding society.

* for those societies showing both turnover and membership.

turnover. The other four were profit seeking marketing organisations which showed their annual turnover on A.R. 17. Of the four, two had a turnover of more than half a million and two had a turnover less than this. All seven 'farmers' marts' were situated and pursued their trade amongst livestock-rearing farmers in the upland area of Monmouth, Brecon and Merioneth.

There were 11 weaner pig groups in 1965, only five of which showed their annual turnover, which in total was only just over £0.25 million. All these weaner pig groups had been established in the period 1960-65 and were scattered through nine Welsh Counties. There were none in Flintshire, Montgomeryshire, Radnorshire and Monmouthshire, but there were two each in Denbighshire and Pembrokeshire. Of the seven suckled calf groups in 1965, six were marketing agents for their farmer members working on a commission basis. Some of the societies had been in existence for about 20 years and, as might be expected, they were situated in the upland areas of Wales, where adequate supplies of weaned calves become available every autumn.

Of the three egg and poultry marketing societies one, a hatchery, has been amalgamated with a large requisite society. The other two, which were egg packing stations (with one doing some poultry processing as well), have also disappeared since 1965. The small one sold its business while the larger one went into voluntary liquidation.

The first woodland society—Dovey Woodlands—was formed in 1958, but by 1965 there were three others—the Usk and Wye Woodland Society, the South Wales Woodlands, and the Flintshire Woodlands. During the same period two others were formed, one at Dolgellau and the other at Welshpool. The Dolgellau Society soon petered out, but the Welshpool Society was absorbed by Flintshire Woodlands. Flintshire Woodlands, with a turnover of £200,000 in 1965, was easily the largest society and a reflection of its relatively strong financial position is the fact that it is the only woodland society not to have applied for a Forestry Commission grant. Its area covers the whole of North Wales and some part of Shropshire. Its headquarters are at Mold and it has five branches scattered throughout its area.

Dovey Woodlands is the smallest of these societies and covers an area within a boundary line running from Towyn past Upper Corris to Newtown and back through Llanidloes to Llanrhystud. The South Wales Woodlands Society centred at Llandovery covers most of the South Wales area. The fourth society, that is the Usk and Wye Woodland Society, which used to cover a substantial area in South East Wales, has since 1965 gone into voluntary liquidation.

Of the eight seed marketing societies in existence in 1965, seven merely acted as marketing agents for their members. Only the Dyfed Seed Society was a profit-seeking organisation, and it had a turnover of almost £100,000.

Three of the societies, Powysland Seed Growers, Clarach Valley Seed Growers, and the Hay and Talgarth Seed Growers, marketed only cereal seed grown by their members ; the Dyfed Seeds and Pembrokeshire Seed Growers grew and marketed both cereal and herbage seed ; Monmouthshire Seed Growers, when it existed, grew and marketed only herbage seed, and Brecon and Radnor Seeds was a very active seed potato growing society, the potatoes being marketed through a private company.

The two " other " societies, one in Pembrokeshire and the other on the Gower Peninsular, are concerned with the growing and marketing of early potatoes for human consumption.

In addition to these societies, which are shown in Table 11, there is also a Welsh Seed Growers' Federation, run by the W.A.O.S., whose function is to supervise the management of individual seed societies.

Capital Structure

The capital structure of 19 of the 38 requisite societies and of 18 of the 48 produce societies has been examined in detail. These 19 requisite societies have very nearly £3 million of capital invested in them, whereas the total for all requisite societies in Wales is in the region of £4.25 million. Of the £3 million invested in the 19 requisite societies 22 per cent is in the form of share capital contributed by members, 9 per cent reserves and 3 per cent undistributed surpluses. The total capital owned by the societies therefore is not more than 34 per cent. The average share capital per member was only £21 for Welsh societies compared with about £100 for English societies. Whilst it is known that the proportion of non-trading members is much higher in Welsh than in English co-operatives, and the proportions of small and live-stock rearing farms are also higher in Wales than in England, these facts only partly explain the wide disparity in these figures. Loans from members and other sources accounted for 13 per cent of the total, but the surprising feature is that just over one half of the capital consists of current liabilities, the largest component of which is the debts owed by societies for goods bought by them for distribution. Bank overdrafts account for only 12 per cent of the total liabilities. The trade credit is large not only in relation to owned and borrowed capital but also in relation to turnover. It is the equivalent of 52 days credit on their turnover, which is, of course, appreciably above the 30 days normally allowed by the larger manufacturers. The total trade credit, plus bank overdraft, amounts to the equivalent of 68 days credit.

The use made of the available capital is varied but on average almost one quarter is invested in fixed assets—land, buildings, fixtures, plant and machinery, motor vehicles and outside investments. Another quarter is absorbed by the stock in trade and nearly half is represented by trade debts, that is charges for goods supplied to but not paid for by customers. This very high

TABLE 12

SOURCES OF AND USE MADE OF CAPITAL

A. 19 Requisite Societies in Wales 1965

				<i>Liabilities</i>						<i>Assets</i>	
				£	%					£	%
<i>Own Capital</i>						<i>Fixed Assets</i>					
Share Capital	..	..	..	661,619	22.3	Land, Buildings used in Trade	..	..	354,259	11.9
Reserves	..	..	..	250,361	8.4	Fixtures, Plant, Machinery, etc.	..	..	88,618	3.0
Undistributed Surplus	..	..	..	98,271	3.3	Motor Vehicles	..	..	152,223	5.1
						Investments	..	..	116,682	3.9
Total Own Capital	..	..	..	1,010,251	34.0					
						Total Fixed Assets	..	..	711,782	23.9
<i>Loans on Fixed Liabilities</i>						<i>Current Assets</i>					
Member Loans	..	..	..	20,718	0.7	Stocks	..	..	723,514	24.3
Bank Loans	..	..	..	—	—	Trade Debtors	..	..	1,339,762	45.2
Mortgages	..	..	..	—	—	Total Cash	..	..	167,617	5.6
Other Loans	..	..	..	358,497	12.2	Other	..	..	29,817	1.0
Total Loans	..	..	..	379,215	12.9	Total Current Assets	..	..	2,260,710	76.1
<i>Creditors or Current Liabilities</i>											
Bank Overdraft	357,992	12.0						
Income and Profit Tax due	13,362	0.4						
Credit for Goods	1,171,794	39.4						
Unpaid Expenses	39,878	1.3						
Total Creditors	1,583,026	53.1						
Total Liabilities	..	..	..	2,972,492	100.0	Total Assets	..	..	2,972,492	100.0

TABLE 12 (continued)

SOURCES OF AND USE MADE OF CAPITAL

B. 18 Marketing Societies 1965

<i>Liabilities</i>						<i>Assets</i>											
						£	%							£	£		
Share Capital	558,560	49.9	<i>Fixed Assets</i>									
Reserves	97,698	8.7	Land and Buildings									
Undisturbed Surplus	145,748	13.0	Fixtures, Plant, Machinery, etc.									
								Motor Vehicles									
Total Own Capital	802,006	71.6	Investments							..	547,547	48.9
								Total Fixed Assets	..	..	..	..	..	..	547,547	48.9
<i>Loans and Fixed Liabilities</i>								<i>Current Assets</i>									
Members' Loans	—	—	Stocks	..	..	..	..	..	..	175,106	15.6	
Bank Loans	—	—	Trade Debtors	..	..	..	..	..	..	279,265	25.0	
Mortgages	1,100	0.1	Total Cash	..	..	..	..	..	..	41,685	3.7	
Other Loans	16,054	1.4	Other..	..	..	..	..	..	..	76,043	6.8	
Total Loans	17,154	1.5	Total Current Assets	..	..	..	..	..	..	572,099	51.1	
<i>Creditors or Current Liabilities</i>																	
Bank Overdraft	..	..	..	..	..	90,211	8.1									
Income Tax and Profit Tax					}												
Credit for Goods						210,275	18.8										
Unpaid expenses																	
Total Creditors	..	..	..	..	..	300,486	26.9									
Total Liabilities	1,119,646	100.0	Total Assets	..	..	..	..	..	..	1,119,646	100.0	

proportion of capital laid out to finance customers' credit largely explains the extensive credit which the societies themselves expect from suppliers. In effect, it is the manufacturers who supply the requisite societies with virtually the whole of their short term capital requirements.

The marketing societies do not carry heavy stocks of goods and since they receive regular payments for their sales they are in a position also to pay their farmer members regularly. Hence they need less short term capital than do the requisite societies. In fact just over 70 per cent of the capital needs of these societies is supplied by the societies themselves, the greater part of it in the form of share capital. Total capital of £171 and share capital of £90 per member are each very much higher for the produce societies than the corresponding figures of £98 and £21 per member for the requisite societies.

The average capital investment per £100 turnover was £36 for requisite societies and £21 for produce societies. These figures are very much higher than was the average for English societies in 1965, at £30 and £19 for each type of society respectively.

CHAPTER 3

THE CHANGING FORTUNES OF AGRICULTURAL CO-OPERATIVES

Changes in Total Trade

Although the figures showing the changes in turnover at current prices are interesting and, in some respects, instructive, yet at a time of changing prices they can be misleading in that they over—or under—state the actual volume of business transacted over a particular period. Thus the increase, between 1955 and 1965, of about 60 per cent in the total turnover of all societies does not represent the actual growth in the volume of business, since it is well known that there was considerable inflation of prices during this decade. Obviously, if the change is to be accurately measured the turnover must be valued throughout the period at constant prices. To do this it is necessary to prepare an index which reflects the overall price changes in the individual items handled by the co-operatives and to apply this to the turnover (at current prices) over the whole period. The resulting figures give the actual change in the volume of business, since the effect of rising prices has now been removed.

In view of the fact that feedingstuffs account for about 60 per cent, and fertilizers for about 16 per cent, of the sales of all requisites, the average price index largely reflects the changes in the prices of these two commodities. Between 1955 and 1960 the average price of purchased feedingstuffs fell by about 8 per cent (and even further by 1961); but afterwards it rose gradually and by 1965, it was only slightly below the 1955 level. The gross price of fertilizers has shown an opposite trend. It increased by 15 per cent between 1955 and 1960, but fell by about 6 per cent during the next five years. The price index for all farm requisites was slightly lower (about 1 per cent) in 1960 than in 1955, but by 1965 it was 4 and 5 per cent higher than in 1955 and 1960 respectively.

Table 1 gives the turnover of farm requisites and produce separately and in total, at both current and constant (1954/55—1956/57) prices. Between 1955 and 1960 the price index for farm requisites fell by approximately 1 per cent, but it increased by about 5 per cent between 1960 and 1965. This meant that, although the turnover at current prices rose during the first quinquennium by 23 per cent, its actual increase in volume was slightly more since, in comparison with 1955, its value at current prices in 1960 was deflated slightly by the slight fall in average prices. Similarly, that in 1965 was inflated by rising prices. The change in total turnover of requisites, at constant prices, was 24 per cent between 1955 and 1960 and 35 per cent over the decade 1955—1965.

TABLE 1

TURNOVER OF REQUISITES AND PRODUCE (FOR REQUISITE AND MARKET-
ING SOCIETIES) AT CONSTANT PRICES (1954/5—1956/7 = 100)

A. Turnover of Requisites

	<i>Turnover at Current Prices</i>	<i>Change in Turnover at Current Prices</i>	<i>Index of Price Change</i>	<i>Turnover at Constant Prices</i>	<i>Change in Turnover at Constant Prices</i>
	£m.			£m.	
1955	8.340	100	97.6	8,545	100
1960	10.229	123	96.8	10,567	124
1965	11.701	140	101.6	11,517	135

B. Turnover of Produce

	<i>Turnover at Current Prices</i>	<i>Change in Turnover at Current Prices</i>	<i>Index of Price Change</i>	<i>Turnover at Constant Prices</i>	<i>Change in Turnover at Constant Prices</i>
	£m.			£m.	
1955	3.302	100	100.3	3,292	100
1960	5.596	169	92.4	6,056	184
1965	6.727	204	100.4	6,700	204

C. Turnover of Requisites and Produce

	<i>Turnover at Current Prices</i>	<i>Change in Turnover at Current Prices</i>	<i>Index of Price Change</i>	<i>Turnover at Constant Prices</i>	<i>Change in Turnover at Constant Prices</i>
	£m.			£m.	
1955	11.642	100	98.5	11,819	100
1960	15.825	136	95.3	16,605	140
1965	18.428	158	101.1	18,227	154

Sources : Turnover of Requisite and Produce at Current Prices from AR 17 (except requirements for 1960 which were taken from W.A.O.S. summaries) ; *Index*—Annual Abstract of Statistics, C.S.O. Digest of Welsh Statistics, C.S.O. Digest of Welsh Agricultural Statistics.

The volume of produce, at constant prices, increased by 84 per cent between 1955 and 1960, whilst over the whole decade it more than doubled. The total turnover of requisite and produce, measured at constant prices, rose by more than 50 per cent over the decade; but it is significant of the growing competition experienced since about 1960 that the expansion in turnover of requisites after that year was small. The large increase in turnover of produce during 1955-60 was due principally to the extended co-operative marketing of milk and dairy produce, whereas during the second quinquennium it was due chiefly to the growth of weaner-groups.

Since about 76 per cent of all the requisites sold consist of feedingstuffs and fertilizers, changes in the sale of these commodities would greatly affect the total turnover in requisites. The above table indicates that, measured at constant prices, the turnover of each increased by almost 40 per cent during the decade under consideration. Whereas, however, the increase in volume of feedingstuffs sold was very largely achieved during the first half of the decade, the trade in fertilizers shows roughly equal growth up to and since 1960.

Co-operative Share of Trading in Agricultural Requisites and Produce in Wales

The trade done by agricultural co-operatives whether measured at current or at constant prices has increased very substantially over the past decade. Most of this increase was achieved over the first half of the period.

It is important at this stage to ascertain, as precisely as possible, the co-operative share of trading in agricultural requisites and produce. This will help us to assess the present-day role of co-operatives in the rural economy and the prospects for expansion in co-operative trading in the future.

1. Requisites

In this context, the term " farm requisites " is taken to mean those material goods and services which are essential for agricultural production and which are purchased from traders. They include purchased feedingstuffs, fertilizers and lime, implements and machinery, fuel and oil, seeds, fencing, building materials, etc. Contract work and groceries are also included.

In 1965 the value, or the cost to Welsh farmers, of all these requisites was in the region of £65 million, whereas the turnover of co-operatives in this respect was just under £12 million. These figures suggest that farmers' co-operatives share is only about 18 per cent of the total trade in farming requisites.

TABLE 2

CHANGES IN TURNOVER OF FEEDINGSTUFFS AND FERTILIZERS 1955-66

	Feedingstuffs				Fertilizers			
	Turnover at Current Prices	Price Index	Turnover at Constant Prices	Change 1955 100	Turnover at Current Prices	Price Index	Turnover at Constant Prices	Change 1955 100
	£m.		£m.		£m.		£m.	
1955	5.039	98.4	5.121	100	1.260	95.6	1.318	100
1960	6.227	90.8	6.858	134	1.678	110.0	1.525	116
1965	6.875	96.3	7.140	139	1.883	103.3	1.823	138

TABLE 3
CO-OPERATIVE SHARE OF TRADING IN AGRICULTURAL REQUISITES
IN WALES 1965

	Total Trade	Co-operative Trade	Co-operative Share	
	£ million	£ million	1965 %	(1955) %
Feedingstuffs ¹	22.3	6.88	30.9	(27.5)
Fertilizers ²	8.4	1.88	22.2	(31.2)
Seeds	3.0	0.30	10.0	(23.6)
Machinery and Power ³	19.9	0.75	3.8	(2.0)
Other	11.4	1.90	16.7	(11.8)
Total	65.0	11.71	18.0	(16.1)

(1) Compounds and grain (2) Including basic slag and lime (3) Including fuel and oil and repairs

The above table shows approximately the co-operative share of the total trade in the most important farm requisites. The figures for total trade in farm requisites and for the individual items are largely estimates made by the author.¹ The figure for fertilizers was obtained largely from the manufacturers. Since not all manufacturers could supply the required information, the figure for feedingstuffs was estimated on the basis of official figures of livestock numbers and typical rations for the various categories of livestock.

About 60 per cent of co-operative trading in requisites consists of sales of

¹Use was also made of estimates of the cost of individual items presented by Bateman, D. I., and Williams, H. T., in *Agriculture in the Rural Economy*; *Journal of Agricultural Economics*, Vol. XVII, No. 1, 1966.

compound feedingstuffs and grain, and here it seems that co-operatives supply about one-third of Welsh farmers' needs. Fertilizers (including basic slag and lime) are a much less important factor in co-operative trade, and co-operatives supply only about one-fifth of Welsh farmers' total requirements of this item. The co-operative share of the trade in seeds, machinery and implements, in fuel and oil, and in the individual items (such as coal, building materials, groceries, etc.) grouped under "other", is obviously appreciably lower than its share in feedingstuffs and fertilizers.

When the sales of farm requisites by co-operatives are compared with estimates of the total sales of all these items, it appears that the co-operative share was about 16.0 per cent in 1955, about 18.25 in 1960 and 18.0 per cent in 1965. These figures suggest that, although co-operatives increased their share of trading in farm requisites substantially between 1955 and 1960, thereafter they have hardly managed to maintain it. Whilst the output of Welsh agriculture increased rather more during the second five-year period than it did during the first, competition in feedingstuffs and fertilizer selling nevertheless became very keen during the second quinquennium. Large English private merchants and co-operatives and direct sellers entered the Welsh market, a fact which in turn resulted in Welsh societies seeking to maintain or enlarge the turnover by encroaching on neighbouring societies' territories.

Estimates of the share of co-operative trading in the more important commodities show that in 1955 co-operatives supplied about 27 per cent of the feedingstuffs, 31 per cent of the fertilizers, 24 per cent of the seeds, and 2 per cent only of the machinery and fuel bought by Welsh farmers. The indications are that during the decade 1955-65 the co-operative share of trading in feedingstuffs, machinery, petrol and oil increased, whereas in fertilizers and seeds it fell appreciably.

2. Produce

It is estimated that the value of sales¹ (at current prices) of all Welsh farm products amounted to about £85 million in 1955 and to about £115 million in 1965. Obviously the value of all the produce sold off Welsh farms is appreciably greater than that of the materials which farmers have to purchase and use for their production processes. Even so, the co-operative share of trading in farm produce is much less than is its share of the trading in farm requisites. In 1965, as far as one can ascertain from the annual returns prepared by agricultural co-operatives, they handled only about 6 per cent of Welsh farm produce. Although this is a very small proportion, it is a substantial improvement on the corresponding figure of 3.7 per cent in 1955.

¹Sales (excluding production grants and miscellaneous receipts and credits).

The sale of dairy produce (40 per cent—largely in the form of milk), live-stock (33 per cent), and poultry and eggs (16 per cent) accounts for almost 90 per cent of the total turnover of marketing societies. Over the decade 1955-65 the co-operative sales of each of these products (at current prices) approximately doubled ; but the important question is this : to what extent has the co-operative share of trading in each of them increased ?

TABLE 4
CO-OPERATIVE SHARE OF TRADE IN CERTAIN ITEMS OF PRODUCE

	<i>Dairy produce</i>	<i>Livestock</i>	<i>Poultry and Eggs</i>	<i>All Produce</i>
	%	%	%	
1955	5.0	2.2	8.0	3.7
1960	7.5	2.1	16.3	5.4
1965	7.1	4.1	12.8	6.0

The figures in the above table indicate that the co-operative share of trade in each of the main products rose substantially over the decade. This rise, however, was not uniform. The actual sales of dairy produce by co-operatives show that the societies' share of trading in this item increased only during the period 1955-60 and may well have declined slightly over the next few years. In the case of poultry and eggs, the co-operative share of their marketing approximately doubled between 1955 and 1960 but fell again substantially between 1960 and 1965. On the other hand, the co-operative share of trade in livestock, may well have declined a little between 1955 and 1960 but approximately doubled during the next quinquennium. Thus the co-operative marketing societies, while they have steadily increased their turnover and their share of the market in farm produce in general, failed during the second half of the decade to maintain the position with regard to dairy produce and poultry and eggs. During this same period, however, they succeeded in approximately doubling their share of the market in livestock.

It is evident from all the above statistics that over the last decade or so agricultural co-operative trading in farm requisites and produce, when measured on the basis of turnover alone, has progressed very appreciably. In general, over the period 1955-1965, co-operatives have substantially increased their share of trading in both farm requisites and produce. Never-

theless, in the case of farm requisites they have experienced severe competition since about 1960, a fact which has reduced the rate of expansion in their trading. They appear to have been most successful in the sale of feeding-stuffs, where the proportion which they handle has grown ; but, although they have increased their sales of fertilizers by almost 40 per cent, this has not been sufficient to maintain their share of the market.

FINANCIAL RESULTS

Measurements of Success

Before proceeding to examine broadly the financial performance of agricultural co-operatives in Wales, it is appropriate at this stage to point out that profits made by societies and the amount of dividend they pay do not reflect all the benefits which co-operatives provide their members. When the prices charged by co-operatives are competitive with those charged by private merchants, the dividend paid to members represents the extent to which the non-profit seeking co-operative organisation secures 'cost reductions' for its members. However, it is often the case that co-operatives are the price setters within a trade and their very existence compels competitors to sell at lower prices than they would do otherwise. Dividends cannot possibly measure such 'cost reductions' which societies may achieve for their members. It is equally true that some co-operatives set their prices according to the amount of dividend they wish to pay their members—the practice of enforced saving which many members do not object to and which encourages them to purchase more from their society. In the latter case the dividend reflects the price-disadvantage that such a society brings its members. A better measure of the benefits co-operatives provide their members is the volume of business they choose to transact with them, i.e. the share of the total trade in agricultural requirements and products which is done by co-operatives.

Whatever the prices co-operatives charge it is essential that they run their businesses on highly efficient lines, i.e. that they reduce their operating costs to the minimum and put their capital to the most efficient use. Selling at competitive or below competitive prices will bring only short-lived benefits if the society suffers frequent losses. An examination of the economic performance of societies should, therefore, serve a useful purpose if it brings out the causes of variations in the standards of efficiency between individual societies.

The operating costs of all co-operative societies increased substantially in the period 1955-65 and competition between co-operatives and other traders intensified. Requisite societies, at least after 1960, were compelled to sell at progressively more competitive prices and suffered progressively

narrower gross margins. In the case of the marketing societies, too, there were changes but these were less uniform in direction and size. The gross margins of the dairy societies per unit of turnover showed a general improvement over the decade, but especially so during its latter half. The one profit-seeking seed society experienced increasing gross margins in the period up to 1960, but thereafter suffered large reductions. The gross margins of the livestock marketing societies showed a reduction over the whole period, comparatively small up to 1960 but substantial thereafter.

The annual gross margins obtained by the woodland societies are not strictly comparable throughout the period because of the varying extent to which each enters annually into the processing of timber and the extent to which staff are hired out to members. Thus in 1955 the one co-operative woodland society in the sample had no sawmill. For that year the gross margin (i.e. the difference between the cost of seedlings purchased or grown, on the one hand, and the returns from hiring out staff and machinery, on the other) would be wide ; but by 1960 the society was processing timber purchased from members, the value of which was an additional cost, while its value when sold processed, was entered as receipts, and the gross margin was narrower. For this reason, although the average gross margins for woodland societies have become narrower since 1960, this does not necessarily mean that their terms of trade have in fact worsened.

With rising operational costs and varying gross margins, it is not surprising that the period 1955-65 was one of declining profits for co-operative trading societies as a whole and for requisite societies in particular. The main changes in the financial conditions of the different societies are shown in the charts.

REQUISITE SOCIETIES

Gross Margins

The changes in gross margins during the decade provide a convenient starting point for examining the changing financial conditions of all the societies. The gross margin, that is the difference between the net buying price and the net selling price of the goods in which they deal, represents a sum available to the co-operative business from which it must meet its operational and other expenses, and obtain its profit. The average gross margin per £100 turnover for the 19 societies was higher in 1960 than it was at the beginning of the decade in 1955. After 1960, however, it dropped—from £11.9 million to £10.9 million in 1965. This largely reflected the growing competition involving substantial price cutting that developed between co-operatives and private merchants. Apart from the year 1960 it seemed

that the middle sized group, that is societies with a turnover between £0.1 and £0.5 million, showed the highest gross margins, and the smallest sized group the lowest.

Other Income

In addition to the gross margin on goods bought and sold, societies also earn a small amount of income in other ways, amounting in total to 0.5 or 0.6 per cent of turnover. This 'other' income includes trade dividend paid to societies which trade with the C.W.S., interest earned on investment and overdue accounts, and bad debts recovered. The most important of these is the trade dividend which accounts for three-quarter of other income. Bad debts recovered and interest on members' overdue accounts were very minor items indeed. It is known, however, that until the commencement of the current credit squeeze in July, 1966, few co-operatives bothered to charge interest on overdue accounts. This matter will be discussed later when the cost of credit is considered, but at this point it should be noted that on the initiative of a number of societies the Accounts Services Ltd. was formed in 1963 for the recovery of bad debts. The accounts of the 19 societies for 1965, obviously rather soon after the formation of this organisation, do not suggest that it had up to that time met with great success. Small as other income was in relation to the total business carried on by the societies and even though this income hardly changed during the decade, when measured in relation to profit, these minor sources of income gained greatly in prominence and in 1965 amounted to 40 per cent of the final profit.

Operational Expenses

At the same time as gross margins tended to decline, the average operational expenses—which include items such as salaries and wages, motor expenses (excluding depreciation), rent, rates, taxes and insurance, repairs and renewals—increased by 33 per cent over the ten-year period. Whereas operational expenses amounted to £6.1 per £100 turnover in 1955, they were £8.5 in 1965. Total operational costs will tend to vary with the volume of business done, but one might expect operational costs *per unit* of turnover to show economies of scale because of savings in administrative expenses, and possibly in motor expenses also. Except in 1955, however, the results for the large societies did not exhibit such relative economies and in 1963 and 1965 it was the smallest size group of societies that showed the lowest operational expenses per unit of turnover, and the middle size group the highest. It is possible, however, that the lower operational costs of the smaller societies were due in large measure to the poor services that they provided for farmers, in so far as few of them delivered goods and their motor expenses were negligible.

Other Expenses

Expenditure other than operational expenses—which includes depreciation on land, buildings, fixtures and transport vehicles, interest charges on mortgage loans, bank overdrafts and overdue accounts, bad debts written off during the year and a few other minor miscellaneous items—was very small, amounting to no more than 1 per cent of the turnover in 1955 and 1.7 per cent in 1965. Of the total of these 'other' expenses, interest charges taken as a whole were the most important component accounting for just under and over one-half the total in 1955 and 1965 respectively. Measured in relation to turnover the total interest charges were approximately doubled during the decade, and while each category of interest showed a substantial rise, that on bank overdrafts and overdue accounts together equalled about half the final profit from the 19 societies in 1965.

Trade—and Final-Profit

Despite the fact that the turnover of the 19 requisite societies increased both in value and in volume during the decade 1955-65, both trading profit (the difference between gross margins and operational expenses) and final profit (trade profit plus or minus the difference between other income and other expenditure) fell. The fall in final profit for the 19 societies is shown in the following table.

TABLE 5

FINAL PROFIT PER £100 TURNOVER

IDENTICAL SAMPLE OF 19 REQUISITE SOCIETIES 1955-65

<i>Size of Turnover (£m)</i>	<i>No. of Societies</i>	1955	1960	1963	1965
£0.5 and over	6	4.4	3.7	2.1	1.2
£0.1 to £0.5	7	4.2	2.4	1.9	1.3
£0.01 to £0.1	6	2.8	2.4	1.8	1.9
All Societies	19	4.2	3.4	2.1	1.2

The average final profit per £100 turnover for these societies was reduced from £4.2 in 1955 to £1.2 in 1965, a drop of not less than 71 per cent, the greater part of which occurred during the second quinquennium. It is interesting to note that whereas the decline in profit per £100 turnover was common to societies of all sizes, the fall tended to be greater for the larger societies. In fact, in 1965, profit per £100 turnover was rather higher in the small societies than in the larger.

Trade Bonus or Dividend

Farmer members naturally gauge the success of their societies largely by the amount of trade bonus or dividend which is paid to them at the end of each financial year, but management committees, however, have to place the payment of a dividend in its appropriate order of priority. After payment of taxes on profits they must provide for the payment of interest on their share capital, and they must consider the reserve situation and the possibility of contributing some part of the profit to meet the needs of the future. Unfortunately, the indications are that when profits are low, the needs of the future take second place to the payment of a dividend to members.

The average dividend paid by the 19 requisite societies in 1955 amounted to 8d. in the £, equivalent to 3.2 per cent of turnover. Since that time the amount of dividend has tended to decline. In 1960 it was 6¼d. in the £, equal to 2.6 per cent of turnover, and by 1965 it was only 2½d. in the £, or one per cent of turnover. Although the charts on page 47 illustrate that over a period of time the amount of dividend tends to follow closely the trend of profits, in some years, it may be in the reverse direction. Many societies have a dividend equalisation account which enables them to pay a dividend even when they have suffered a loss on the year's trading.

In addition to trade bonuses, some societies from time to time have also paid bonuses to their staff but, apart from 1960 when staff bonuses were increased substantially, they have dropped considerably from 0.06 per cent of turnover in 1955 to 0.01 per cent in 1965. The decline in the number of societies paying staff bonuses has been due, in part, to the abandoning of this payment with the introduction in some societies, in more recent years, of staff superannuation schemes.

These figures are averages for 19 societies, but they reflect the steady decline in the bonuses paid by individual societies and also the increase in the number of societies which could not see their way to paying bonuses at all. The number of societies which paid trade and staff bonuses during the decade is shown in the following table.

TABLE 6

IDENTICAL SAMPLE OF 19 REQUISITE SOCIETIES

NUMBER OF SOCIETIES PAYING TRADE AND STAFF BONUSES 1955-65

	<i>Trade Bonus</i>	<i>Staff Bonus</i>
1955	18	10
1960	17	10
1963	14	6
1965	9	3

The number of societies paying trade bonuses varies to some extent according to the size of the society. In 1965, for example, for which figures are shown below, all three societies with a turnover of over a million paid dividends, but of the other 16 societies only six paid dividends.

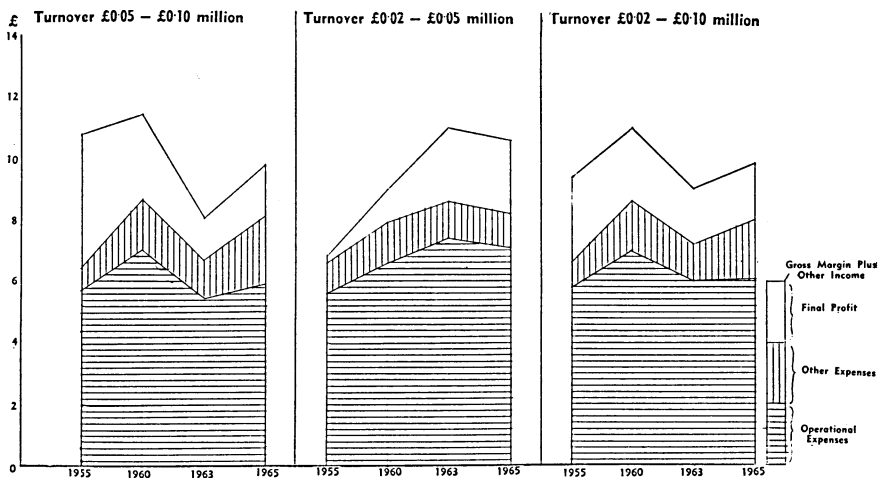
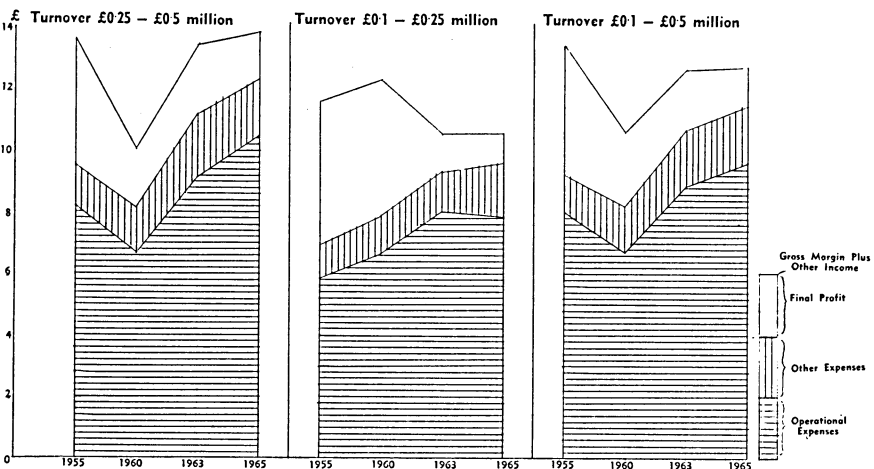
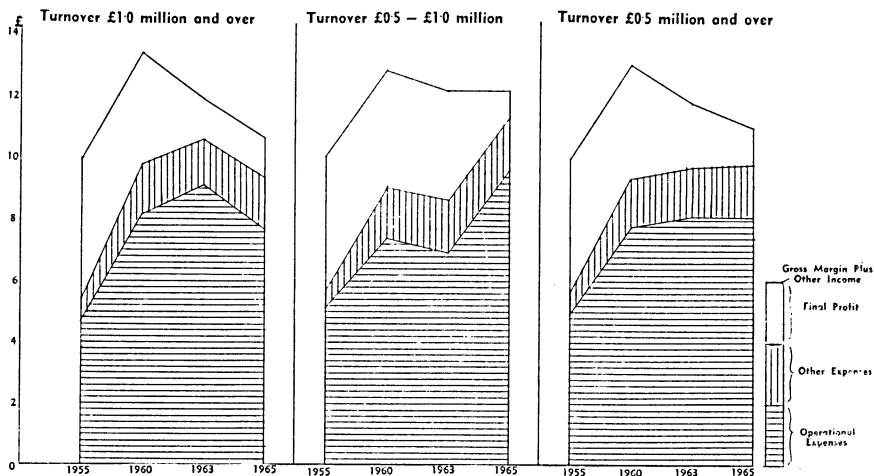
TABLE 7
SAMPLE OF 19 REQUISITE SOCIETIES
NUMBER OF SOCIETIES PAYING TRADE BONUSES AND
AMOUNTS PAID IN 1965

<i>Turnover £m</i>	<i>Number in Group</i>	<i>Number Paying Trade Bonuses</i>	<i>Average Trade Bonus Per cent of Turnover</i>	<i>Per cent of Profit</i>
£0.5 and over : £1 and over £0.5—£1	3	3	1.4	108
	3	1	0.7	78
Total over £0.5	6	4	1.2	100
£0.1—£0.5 : £0.25—£0.5 £0.1—£0.25	3	1	0.4	27
	4	1	0.7	64
Total £0.1—£0.5	7	2	0.5	39
<i>Under £0.1 :</i> £0.05—£0.1 £0.02—£0.05	3	1	0.3	18
	3	2	0.9	38
Total under £0.1	6	3	0.4	21
Grand Total	19	9	1.0	83

The changes in the payment of trade bonuses and its relationship with final profit over the period 1955-65 are illustrated in the charts on page 47.

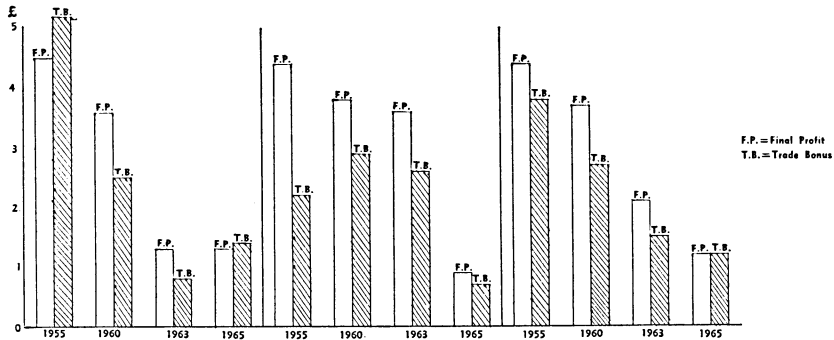
Since the largest size groups of societies made the largest profits in relation to turnover taking one year with another, they also tended to pay the highest dividends. Even in 1965, the smaller size groups paid a lower average trade bonus in relation to the profits than did the medium and large groups, despite higher than average profit per unit of turnover in that year. This is surprising since the smallest societies had a larger reserve than the larger societies.

FINANCIAL RESULTS PER £100 TURNOVER — 19 REQUISITE SOCIETIES

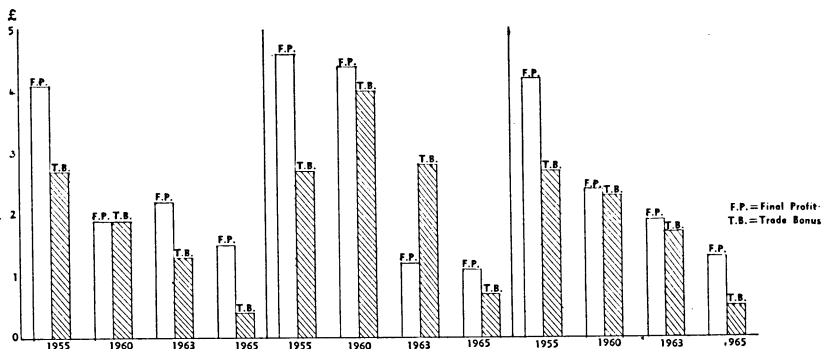


PROFIT AND TRADE BONUS PER £100 TURNOVER
 Requisite Societies

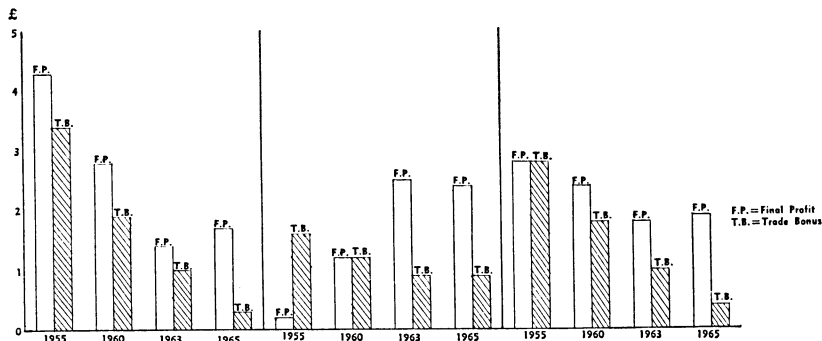
Turnover £10 million and over Turnover £0.5 – £10 million Turnover £0.5 million and over



Turnover £0.25 – £0.5 million Turnover £0.1 – £0.25 million Turnover £0.1 – £0.5 million



Turnover £0.05 – £0.10 million Turnover £0.02 – £0.05 million Turnover £0.02 – £0.10 million



MARKETING SOCIETIES

Not all marketing societies provide information concerning their trade transactions. Tabulations and analyses were made in respect of 10 societies in 1955, 12 in 1960, 13 in 1963 and 16 in 1965. These societies are so varied in type and each type represented by so few that it has not been possible to subdivide them effectively to enable comparisons to be made between societies of different sizes. Any comments about the effects of size differences, therefore, must be treated with caution.

Dairy Societies

The three dairy societies included in our sample, namely South Caernarvonshire Creameries, Hufenfa Meirion and Llaethdy Meirion, enjoyed fluctuating but improving fortunes over the decade 1955 to 1965. The average final profit per £100 turnover for the group was about twice as much (£3.9) in 1960 as in 1955 ; whilst it slumped again in 1963, it showed a very marked improvement to £3.2 in 1965. These average profits seem to have fluctuated in much the same way as the gross margins, but the fact that the average operational expenses (again per unit of turnover) increased gradually throughout the period meant that the rather higher gross margins in 1960 and 1965 were not fully reflected in the figures for trading profits ; and since the ' other expenses ' increased up to and including 1963 and were more, in each year, than ' other income ', the final profit was less than the trading profit for each of the four years spanning the decade.

It will be recalled that the gross margins for the Dairy Societies are determined to varying degrees by the extent to which they carry out distributive and processing duties on behalf of the Milk Marketing Board, by the levels of wholesale and retail prices controlled by the Board and by the Government, and by the extent to which they manufacture and sell butter and cheese. Hufenfa Meirion bought from the Milk Marketing Board, for butter-making purposes, about 25 per cent of the milk it collected in winter and about one-half of its summer collections. It also purchased some for selling wholesale and the remainder it dealt with as an agent for the Board. South Caernarvonshire Creameries, on the other hand, retained, on average, about one-half of its collections for selling wholesale and retail and for cheese-making, and in addition it traded as a wholesaler of butter, margarine, tinned meat and similar goods. Llaethdy Meirion bought its milk from Hufenfa Meirion for selling retail either as fresh milk delivered to households or in various forms in its milk bars. The latter method of disposal is not subject to price control, nor, of course, is the sale of butter and cheese made by the two creameries. The profits of the dairy societies nevertheless depend, in part at least, on the margins and prices set by the Milk Marketing Board and the Government, and partly by conditions prevailing in the market for their manufactured

products and their operational efficiency. It was Llaethdy Meirion, a retailing society, and very much the smallest of the three dairy societies, which achieved the most favourable profit per unit of turnover.

Livestock Marketing Societies

The livestock marketing group, which included two societies in 1955 and three in each of the succeeding years, was exceptional in that it showed hardly any change in its average final profit throughout the period. These societies as a group managed to keep their average final profit at £0.8 per £100 turnover over the last quinquennium despite the fact that their average gross margins declined, only slightly it is true between 1955 and 1963, but very substantially in 1965. This they achieved by gradually cutting their operational expenses in relation to turnover—in fact by increasing the latter without incurring proportional increases in the former.

Woodlands Societies

The Woodland Societies in general experienced heavy reductions in their gross margins over the decade—from about £65 per £100 turnover in 1955 to about £42 in 1965. However, largely because the total turnover of the societies was substantially increased over the period, operational expenses per unit of turnover declined, but not to the same extent as the gross margins declined. With the exception of the relative boom in 1963, the overall profit was a small and declining one. Although 'other expenses' were reduced, 'other income' was less in each year, so that the final profit was less than the trading profit in each year. In 1955 the average final profit was at zero level and was hardly any better in 1960. In 1963 final profit was £1.8 per £100 turnover, but in 1965, taking all societies together, there was a small loss. Of the societies in the group, three in 1955 and four thereafter, two showed losses in each of the four years being examined. By far the highest final profit was one of £11.4 per £100 turnover earned in 1963 by the South Wales Woodlands Society, the third largest business. The largest society examined showed a loss in three of the four years reviewed.

Poultry and Eggs

The only society whose accounts were available and examined for the three years, 1960, 1963 and 1965, suffered the falling off of even meagre profits over these years and in the last one showed a substantial loss. This was mainly due to a decline in turnover and consequently rising operational expenses per unit, made worse in 1965 by a substantial narrowing of the gross margin. This society was liquidated in October, 1965.

Other Societies

These included one seed society, one wool society, three weaner pig

groups and one suckled calf group. The pig and calf groups provided records only for 1965. In that year the three weaner groups showed only a very small average profit, and although the suckled calf group performed a little better its profit was still a relatively small one.

The seed society bought pedigree seed from co-operative seed growers' societies and other sources and sold it, after cleaning and treating, to farmers' co-operative requisite societies and others. In 1955 it incurred a substantial loss, in 1960 made a high profit (£14.1 per £100 turnover) and rather lower profits in 1963 and 1965 which, compared with those for the other societies, however, was still high. Since 1960 this society has experienced a drastic narrowing of its gross margin but has managed to cut its operational expenses, particularly in the period 1955-1960.

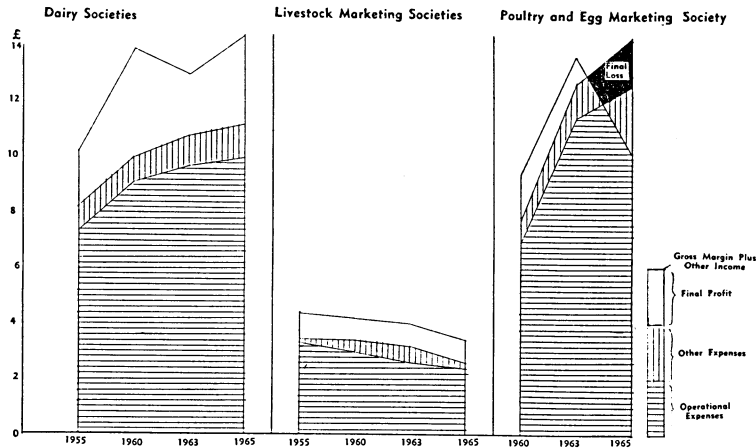
The one wool society, until 1964, purchased yarn from Yorkshire which it processed into various garments for selling wholesale and retail. Since 1964 it has been running the business jointly, on a profit-sharing basis, with a private firm. It suffered very heavy losses in 1955 and 1960 but showed a small profit in 1963.

Payment of Trade Bonus

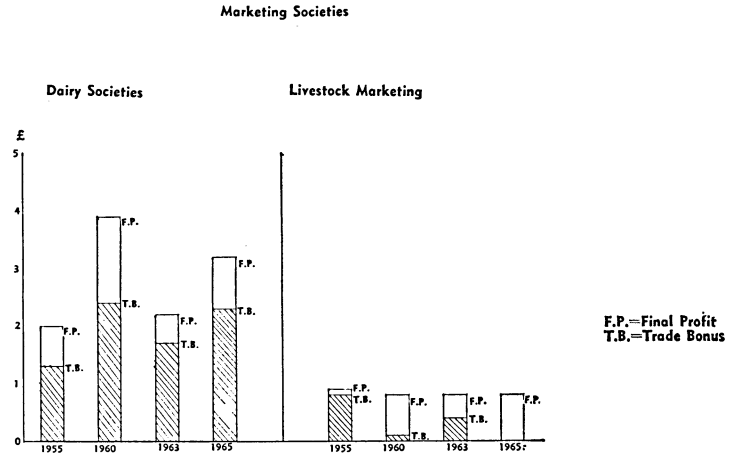
Of the Societies whose accounts were examined—10 in 1955, 12 in 1960, 13 in 1963 and 17 in 1965—only between four and six paid dividends in any of these years. Two of the three dairy societies paid them in 1955, and all three in the succeeding years. Others which paid dividends were two livestock marketing societies—Farmers Marts Ltd., in 1955, 1963 and 1965, and Abergavenny and District Farmers Association in 1955, 1960 and 1963—Dovey Woodlands in 1955 only, West Wales Egg and Poultry Producers Ltd. in 1963 only and Dyfed Seeds in 1965 only.

The average payment of trade bonus (where this was paid), measured in relation to turnover, fluctuated but showed a general tendency to increase over the period 1955-65—from 1.2 per cent of turnover in 1955 to 1.6 per cent in 1965. In contrast to this, but as might have been expected, the proportion of profit paid out as dividend declined generally—from 72 per cent in 1955 to about 60 per cent in 1965. The amount of trade bonus paid in relation to turnover each year varied appreciably between societies, especially in 1960 and the succeeding years. In 1960 the variation was from 0.7 per cent of turnover (or 1.7 pence per £) to 5.1 per cent (or 12.25 pence per £) and in 1965 it was from 0.5 per cent to 5.5 per cent.

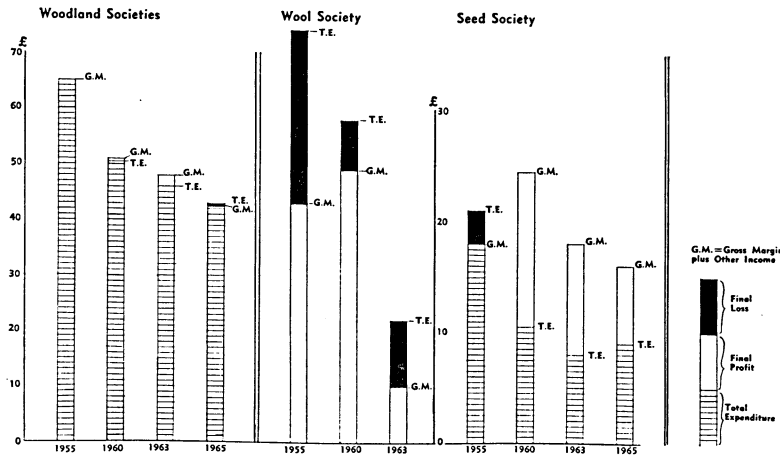
FINANCIAL RESULTS PER £100 TURNOVER – MARKETING SOCIETIES



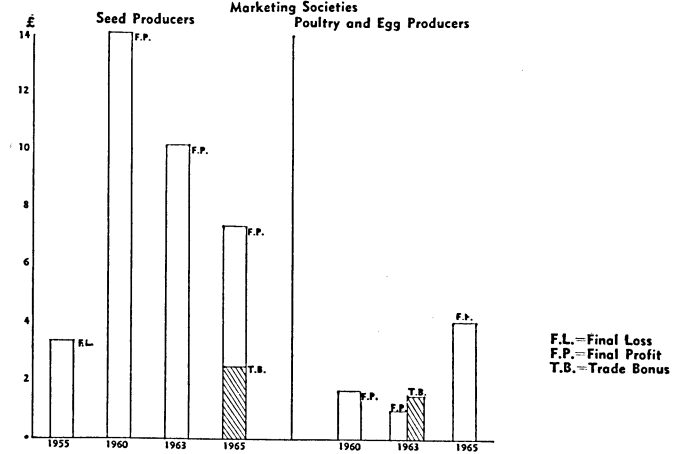
PROFIT AND TRADE BONUS PER £100 TURNOVER



FINANCIAL RESULTS PER £100 TURNOVER – MARKETING SOCIETIES



PROFIT AND TRADE BONUS PER £100 TURNOVER



CHAPTER 4

FACTORS AFFECTING PROFITABILITY AND EFFICIENCY OF REQUISITE SOCIETIES

Gross Margins

A statistical analysis of the relationship between the final profit and gross margin (per £100 turnover) for the 38 requisite societies in Wales in 1965, showed a strongly positive correlation between them—i.e. the larger the gross margin the larger is likely to be the profit.¹ The relationship is shown in the chart on page 53.

The regression line in the chart shows the relationship between profit and gross margin per unit of turnover. It appears that, with the present general standard of efficiency amongst requisite co-operatives, if a profit of 3 per cent of turnover is sought then the gross margin must be nearly 15 per cent. Or, conversely, if the gross margin is only 7 per cent of turnover, then the profit can be expected to be only 1 per cent. With the gross margin at 11 per cent, which is the average for all Welsh societies for 1965, the profit can be expected to be about 2 per cent.

The size of the gross margin is therefore of some importance and this in turn depends on :

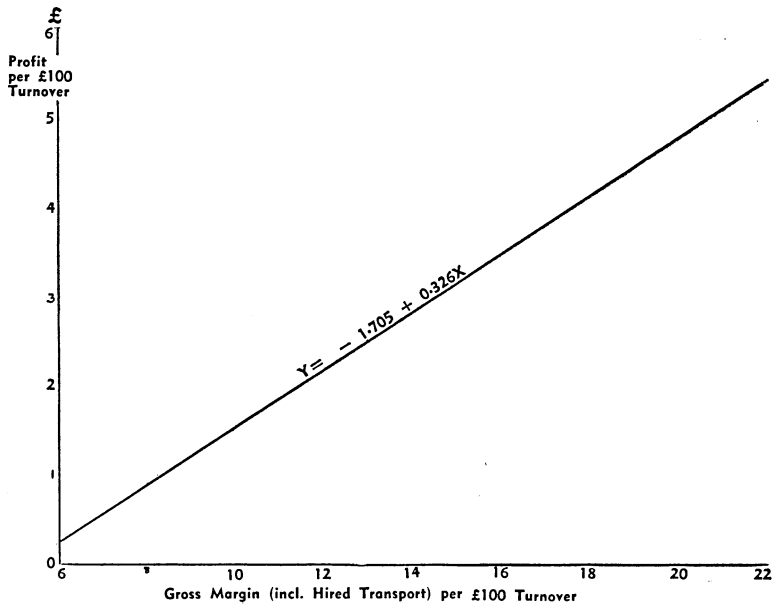
- (a) the difference between the prices paid by societies for their purchases and the prices at which they sell their goods ;
 - (b) on the balance of discounts or credit charges, " earned " or " lost " by societies on their sales on the one hand, and their purchases on the other ;
- and
- (c) in the case of most societies, the cost of hired transport, used for haulage between source and store, which they generally add to their cost of purchases. A few societies, which use only their own transport for all haulage, do not include the cost of long distance haulage with the cost of purchases.

Gross Margins in relation to Turnover

Buying in large quantities has price advantages, especially in the case of fertilizers and binder twine and, to a lesser extent, of feedingstuffs. For this reason, and since the turnover of the larger societies consist of a greater

¹The mathematical relationship between the two was shown by the regression equation $Y = -1.705 + 0.326X$, where $Y = \text{Profit}$ and $X = \text{Gross Margin}$. The coefficient of correlation was 0.49 and was significant at the 1 per cent level.

Relationship between Profit and Gross Margin Hired Transport included with Purchases



variety of goods and a higher proportion of those with wide price margins, one might expect the gross margins per £100 turnover to vary directly with the size of turnover itself. Statistical analysis, however, showed that there was hardly any correlation between the size of the turnover and gross margin. There may be several reasons for this. It is possible, for example, that those who bought in large quantities at more favourable prices also sold at more competitive prices. It is known, too, that some small societies obtain the advantages of large scale buying by co-operating amongst themselves or with large societies. Quotations of purchase and sale prices provided by about a dozen Welsh societies were not really conclusive in explaining this feature ; in general the larger societies purchased feeds and fertilizers at lower prices than did the smaller ones, yet in two or three cases the situation was reversed. The available figures suggest that, in general, the advantages enjoyed by the larger societies are not as great as might be expected.

Price Margins

The price margins, i.e. the difference between the societies' buying prices and selling prices, exclusive of credit charges, differ from commodity to

TABLE 1
GROSS MARGIN PER £100 TURNOVER

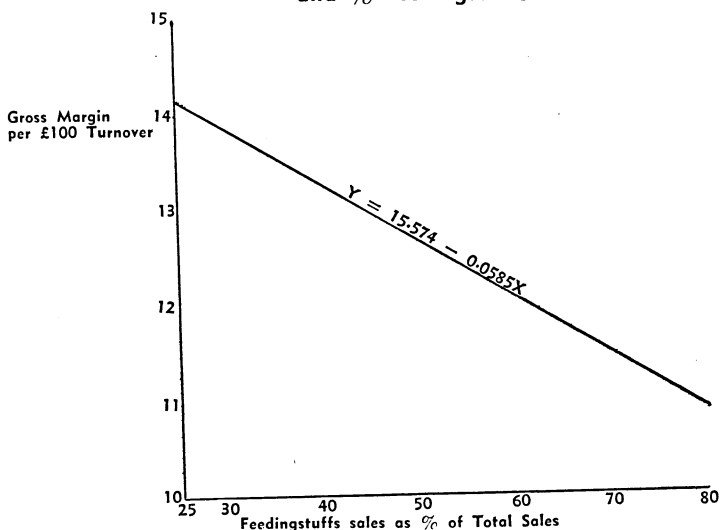
<i>Welsh and English Societies</i>			<i>English Societies only</i>		
<i>Turnover (£ million)</i>	<i>No. of Societies</i>	<i>Gross Margin per £100 Turnover (£)</i>	<i>Turnover (£ million)</i>	<i>No. of Societies</i>	<i>Gross Margin per £100 Turnover (£)</i>
		(a) (b)			(a)
Under 0.1	12 Welsh	10.5 12.0	Under 0.5	40	6.5
0.1—0.3	11 "	10.4 11.9	0.5—1	8	10.8
0.3—0.4	5 "	10.5 12.2	1—2	8	13.3
0.4—0.7	7 "	11.8 13.1	Over 2	15	11.2
	3 "	10.3 11.7			
1—2	3 English	13.3 N.A.			
2—6	6 "	10.1 N.A.			
6 & over	5 "	11.9 N.A.			

- (a) With cost of hired transport included with cost of purchases.
(b) With cost of hired transport deducted from cost of purchases.

commodity. The average price margin for concentrate feeds was only about 7 or 8 per cent (of purchase price), and it was greater for large than for small lots while the average for fertilizers was 11.5 per cent. For hardware goods (electric fences, pig troughs, etc.) and building materials the price margins were high, ranging from about 22 per cent to 37 per cent; for pharmaceuticals they were about 15-17 per cent and for seeds at least 25 per cent. It is surprising what variations existed even for the same brand of produce: e.g. from 4 to 12 per cent for a certain brand and composition of dairy nuts, and from 6 per cent to 20 per cent for a complete fertilizer. Statistical tests, however, revealed that the overall gross margin was significantly correlated only with the proportional sales of feedingstuffs. The higher the sales of feed in relation to total sales, the narrower was the gross margin. This relationship is shown in the following chart.

The commodities with the narrower price margins, namely feeds and fertilizers, but especially the former because of the heavy dependence of Welsh agriculture on livestock production, must inevitably constitute the bulk of the requisite societies' turnover. The goods with wide price margins, notably hardware, pharmaceuticals, implements and machinery, form a much smaller proportion of Welsh farmers' expenditure and only a few societies, with access to non-farming customers by virtue of their being situated in large towns, have any scope for exploiting the wider price margins offered by certain hardware goods. While it can be expected that the use of pharmaceuticals and of implements and machinery on Welsh farms will continue

Relationship between Gross Margin per £100 Turnover
and % Feedingstuffs



to increase, such increases are not likely to be sufficient to modify appreciably the general pattern of sales.

It is reasonable to assume that societies could widen their price margins for feeds by milling and mixing their own. Costings carried out in respect of four societies doing this revealed that the cost of the process varied from just over £2 to £6 5s. 0d. per ton, according to the size of the milling and mixing plant, its age, and its throughput. For three of the four societies, however, the cost per ton was less than £4 5s. 0d. Since the margin between the cost of the ingredients and the purchase price of the 'cheaper' compounds is about £7 per ton, an appreciable 'savings' in purchasing costs or a widening of the price margin should be achieved in this way.

The possibility of increasing the sales of machinery by societies is closely related to size. It is very unlikely that the smaller societies, say, those with turnovers of under £0.25 million, could satisfy the standards demanded by manufacturers in respect of the carrying of adequate stocks and the provision of adequate service facilities as a condition for granting agencies.

Credit Charges and Discounts

Credit charges representing two months' credit and amounting to about 3.5 per cent of the selling price, are added to the sales of feeds and fertilizers. They are remitted in total as discounts if the account is settled within

TABLE 2

CREDIT CHARGES AND DISCOUNTS

Society	Turnover	Credit Charges on Sales			Discounts on Purchases			Net Credit Realised (+) or Net Discount Lost (-)		
		Estimated Total Credit Charges	Discount Paid	Net Credit Charges Realised (+)	Estimated Total Possible Discount	Discount Received	Discount Lost	£	% of Gross Margin	
	£	£	£	1965		£	£			
	1,188,857	32,458	20,359	12,099	20,330	8,961	11,369	+	730	0.8
A	421,718	14,127	8,249	5,878	6,867	4,823	2,044	+	3,834	7.9
B	364,652	8,262	7,961	301	6,121	2,869	3,252	-	2,951	7.6
C	125,895	4,136	3,236	900	2,126	1,212	914	-	14	0.1
D										
Average	525,281	14,746	9,951	4,795	8,861	4,466	4,395	+	400	0.8
				1960						
A	931,855	23,695	16,632	7,063	15,660	6,914	8,746	-	1,683	2.3
B	326,978	11,393	7,336	4,057	5,493	3,856	1,637	+	2,420	7.3
C	286,493	7,405	2,689	4,716	4,702	2,488	2,214	+	2,502	13.0
D	94,586	2,966	1,800	1,166	1,548	874	674	+	492	4.9
Average	409,978	11,365	7,115	4,250	6,851	3,533	3,318	+	932	2.7
				1955						
A	578,664	14,579	9,825	4,754	8,034	3,672	4,362	+	392	1.0
B	272,935	7,523	3,936	3,587	4,428	2,201	2,227	+	1,360	6.8
C	288,631	8,539	5,692	2,847	4,969	2,117	2,852	-	5	negl.
D	80,882	2,513	1,427	1,086	1,354	716	638	+	448	4.7
Average	305,278	8,289	5,220	3,069	4,696	2,177	2,519	+	550	2.5

28 days from the day the monthly statement is sent out, but after that period ten shillings per ton or 1.75 per cent per month, until the bill is actually paid, is charged by some societies, but not by all. Societies, too, can earn or forfeit discounts by payments or failure to pay for their goods within 28 days. The net amount of these credit charges and discounts has a bearing on profits.

Unfortunately it was possible to estimate the net amount for the period 1955-65 for only four societies. However, the figures for these alone are interesting and they probably reflect the situation which existed among a large proportion of the 38 Welsh societies. The figures for 1955, 1960 and 1965 are shown in Table 2. In each of the years examined the proportion of the credit charges remitted as a discount varied only slightly and generally amounted to about two-thirds. This indicates that the majority of sales were paid for within the credit-free period, which averaged 42 days. On the other hand the societies 'earned' only about half the possible discounts on payments made by them to their suppliers.

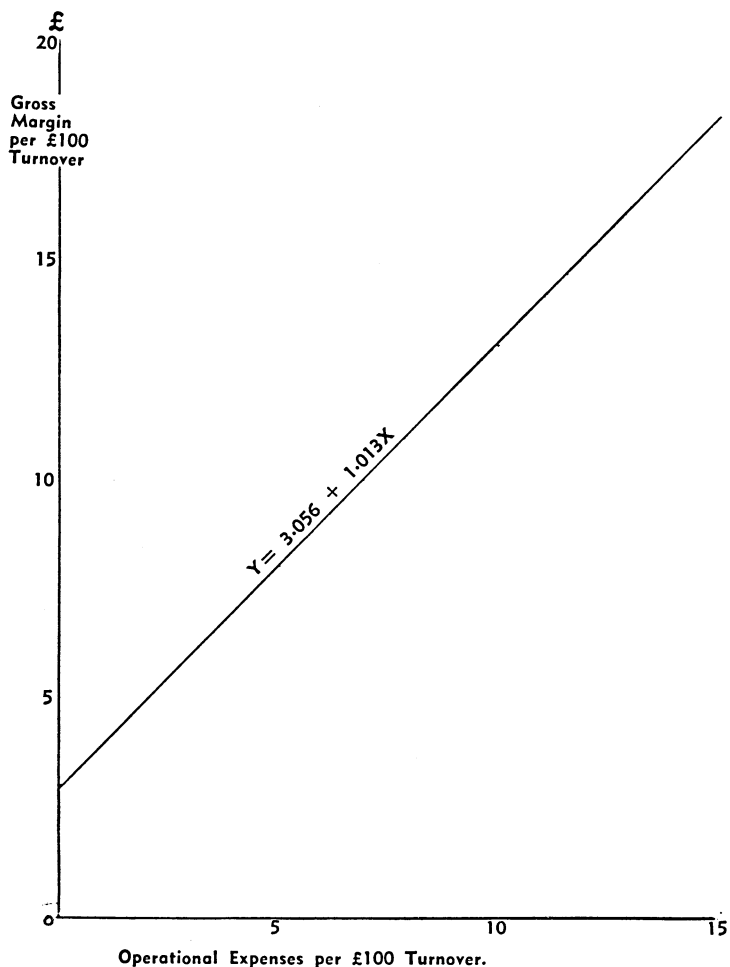
Taking the four societies together, the net credit charges realised on sales more or less balanced the net discount lost on purchases, the difference amounting to a gain of less than 1 per cent of gross margins in 1965 (2.5 and 2.7 per cent in 1955 and 1960 respectively). However, the net gain or loss varied substantially between societies in any one year, and from one year to another for individual societies. In 1965, for example, Society B achieved net 'earnings' of almost £4,000, equivalent to 8 per cent of the gross margin, C showed a net 'loss' of almost £3,000 or 7.6 per cent of the gross margin. Again Society C, although it suffered a net loss in this context in 1965, achieved a substantial gain in 1960.

Operational Expenses

Operational expenses represent the largest group of expenditure items which have to be covered by the gross margin. In 1965 their average composition was :—

	<i>Percentage of operational expenses</i>			
Salaries and Wages	62
Transport (excluding depreciation and hired transport)	23
Rent, Rates, Taxes, Insurance	4
Repairs, Renewals	2
Other (telephone, stationery, accountants' fees, etc.)	9
				100
				100

Relationship Between Gross Margin and Operational Expenses



Statistical tests, using data from 52 societies (28 Welsh and 14 English) indicated no apparent relationship between the level of operational expenses and the level of final profit, but there is, on the other hand, a strong relationship between operational expenses and the gross margin. This can only mean that where operational expenses are high, whether avoidably or otherwise, societies are able to manipulate their selling prices accordingly. It may be that competition is not particularly severe in all areas and that societies have a fair degree of latitude in fixing their selling prices which in turn leads to insufficient attention being paid to the possibilities of cutting their operational costs.

Very little can be deduced from an examination of the average operational expenses per unit of turnover for all the Welsh and some English societies of different sizes, which are set out in Table 3. Taking the averages for the Welsh societies only, these suggest that total operational expenses per unit of turnover increase with size of society, at least up to £0.6 million or £0.7 million turnover, but that there may be some reduction in these costs after the £1 million mark. However, rather more sophisticated statistical analysis indicates that high unit operational costs are as likely to be incurred by small societies as by middle sized and large societies, and depend upon the varying incidence of many factors other than size of turnover. The other factors would include :

- (a) the range and frequency of services being provided by the co-operative ;
- (b) the composition of sales—some goods involve higher labour and other costs than do others in their distribution ;
- (c) the size and type of farm and the total number of farms being served by the co-operative—small farms involve smaller drops, more stops and often more difficult routes than the larger farms. The more farmer-members along each route the higher the frequency of full loads—intensive farms, such as dairy farms, may be cheaper to service than extensive livestock rearing farms ;
- (d) the quality of management and labour.

In the light of these factors, therefore, the fact that there is little correlation between operational expenses and size of turnover is not surprising.

Operational Expenses and the Number and Size of Branch Establishments

Operational expenses appeared, however, to be substantially influenced both by the number and size of the branch establishments and subsidiary depots operated by the society. Average expenses per £100 turnover according to the number of separate establishments operated by societies are shown in Table 4.

The averages in Table 4 indicate that total operational expenses per unit of turnover show some tendency to be higher the more establishments a society has ; and undoubtedly the main reason for this is the higher unit labour cost associated with the number of branches.

TABLE 3

GROSS MARGINS, OPERATIONAL EXPENSES, TRADING PROFIT, OTHER EXPENSES AND FINAL PROFIT

All Welsh and Some English Societies

Turnover £ million	Number of Societies	Gross Margin	Operational Expenses				Trading Profit	Other Expenses	Other Income	Final Profit
			Salaries and Wages	Motor Expenses	Other Operational Expenses	Total Operational Expenses				
			..... Per £100 Turnover							
Under 0.1	12 Welsh	10.5	4.6	1.1	1.4	7.1	3.4	1.8	0.8	2.4
0.1—0.3	11 "	10.4	5.1	1.1	1.0	7.2	3.2	1.6	0.5	2.1
0.3—0.4	5 "	10.0	4.8	1.2	1.6	7.6	2.4	1.2	0.3	1.5
0.4—0.7	7 "	11.8	5.1	2.2 ¹ (1.3)	1.6	8.9 ¹ (8.0)	2.9	1.7	0.7	1.9
	3 "	10.3	5.1	0.9	1.6	7.6	2.7	1.6	0.2	1.3
1—2	3 English	13.3	5.9	1.3	2.2	9.4	3.9	1.4	0.2	2.7
2—6		6 "	10.1	4.5	1.4	1.5	7.4	2.7	1.0	0.3	2.0
6 and over	5 "	11.9	5.8	1.2	2.2	9.2	2.7	1.4	0.1	1.4

¹These results are inflated by the figures for one society which hired out transport. The averages excluding this society are shown in brackets.

TABLE 4

EXPENSES PER £100 TURNOVER IN RELATION TO NUMBER OF ESTABLISHMENTS

<i>Number of Establishments*</i>	<i>Number of Societies</i>	<i>Salaries and Wages</i>	<i>Motor Expenses</i>	<i>Other Operational Expenses</i>	<i>Total Operational Expenses</i>	<i>Other Expenses</i>	<i>Motor Expenses Including Hired Transport</i>
..... Per £100 Turnover							
6 and over	6	5.5	1.1	1.6	8.2	1.7	2.5
3, 4 and 5	7	6.0	1.4	1.6	9.0	1.5	2.6
2	10	3.8	0.9	1.2	5.9	1.5	2.2
1	10	3.4	1.0	2.6	7.0	1.4	4.1

*Including headquarters

TABLE 5

<i>Turnover per Establishment</i>	<i>No. of Societies</i>	<i>No. of Establishments</i>	<i>Salaries and Wages</i>	<i>Motor Expenses</i>	<i>Other operational expenses</i>	<i>Total operational expenses</i>	<i>Turnover per Member</i>
..... Per £100 Turnover							
£			£	£	£	£	£
0—50,000	7	15	6.2	1.5	1.4	9.1	135
50,000—100,000	13	61	5.8	1.1	1.6	8.5	198
100,000—150,000	5	15	5.1	1.7	1.5	8.3	300
150,000—200,000	3	16	4.8	0.8	1.6	7.2	455
200,000 and over	5	8	3.1	0.8	2.1	6.0	258

But the important factor affecting the operational expenses, and salaries and wages in particular, is the turnover handled per establishment. The point is well illustrated in table 5, which relates operational expenses to the average turnover per establishment.

Salaries and wages per unit of turnover, motor expenses and average total operational expenses fell generally with the increasing average size of the individual establishment including, of course, those with no separate branches. Statistical tests of correlation confirmed the general picture portrayed by the table. The statistical relationships are shown by the regression lines on the charts on page 63.

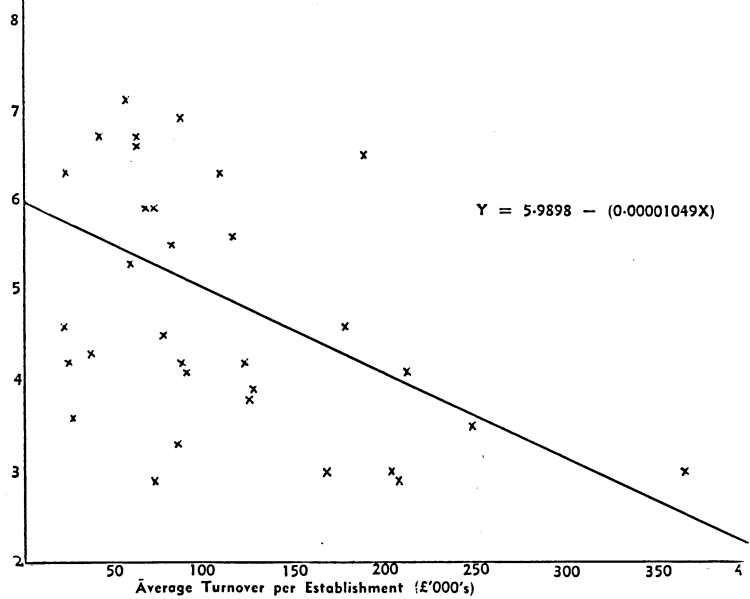
It is interesting to note that these results were in almost complete contrast to those obtained by relating average operational expenses to total turnover for a society as a whole, when the former actually showed some tendency to increase with the latter. The conclusion to be drawn from the contrast between the two sets of figures is that the economies of scale which one expects from larger turnovers are often dissipated by societies maintaining too many branches, each with insufficient business to permit much economy. To quote just one instance : the three societies having turnovers of over £1 million (in effect between £1.2 million and £1.6 million) had average turnovers per establishment of £85,000, £190,000 and £170,000 for 19, 7 and 7 establishments respectively. There seems to be no good reason why one society should have had almost three times as many branches as the other two, since its total turnover was not so very much greater than that for the others. One society with a total turnover of just over £600,000 had no fewer than 11 establishments, with an average turnover of only £56,000 each. Twenty societies (of the 33 examined in the above table) had a total of 76 branches, the average turnover for which was less than £100,000 per annum. Only for eight of 33 societies was the average turnover per establishment more than £150,000.

The figures in the table and the statistical analysis illustrated in the charts show that the greatest economy associated with the larger establishments was in labour costs. Branches with turnovers of £200,000 or more had an average cost of salaries and wages only half that for the societies with less than £50,000 turnover. The economies in average total operational expenses per unit of turnover for the larger turnovers (per establishment) were also substantial. Thus the group with the largest turnover per establishment had total operational costs which amounted to only two-thirds of those for the smallest.

There appears to be a relationship between the size of branch and the general farming environment. Thus eight societies showing the highest turnover per establishment—namely Wynnstay, Clynderwen, Chepstow, Haverfordwest, Emlyn, Hay and District, Corwen and Vale of Aeron, service areas with a higher proportion of low-lying, better-quality land where farming is pursued more intensively, farm businesses tend to be larger and lines of communication are better than in the areas of other societies. In these areas purchases per farmer member are relatively high. The societies which tend to have small establishments such as Blaenpennal, Trawsfynydd, West Glamorgan-shire, Uwchaled, Eifionydd, Llanelli, North Cards. and Amaethwyr Dysynni, on the other hand, are situated generally in upland or hill areas where the systems of farming are more extensive, farm businesses are smaller and less demanding of purchased feeds, fertilizers and machinery, and lines of communication are more difficult. In these areas the purchases per farmer member are relatively small.

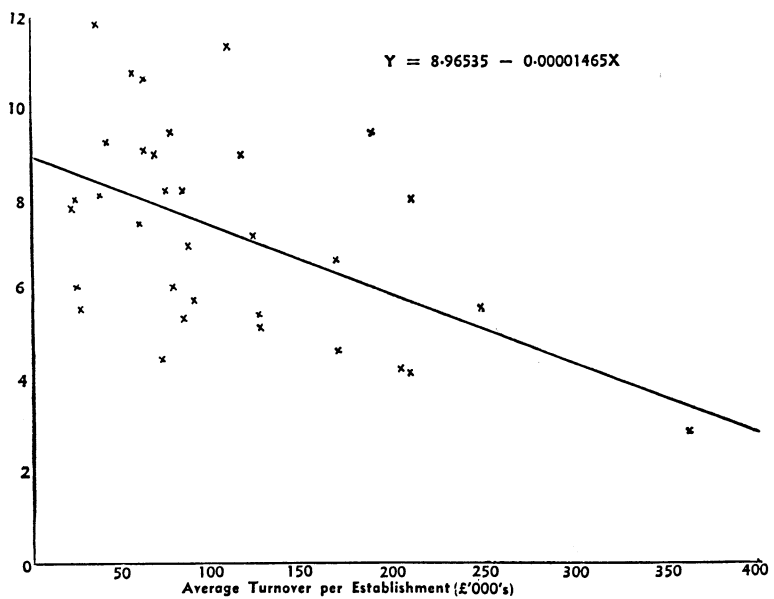
Salaries and Wages per £100 Turnover

Salaries and Wages in relation to Turnover per Establishment

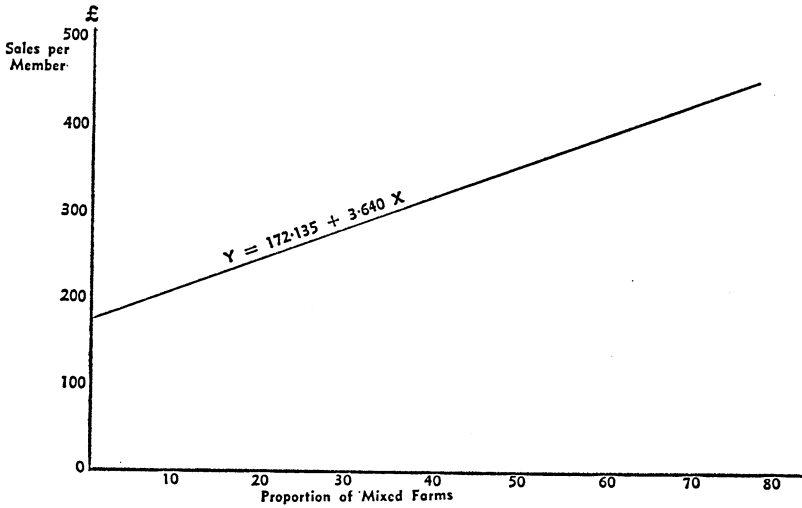


Total Operational Expenses per £100 Turnover

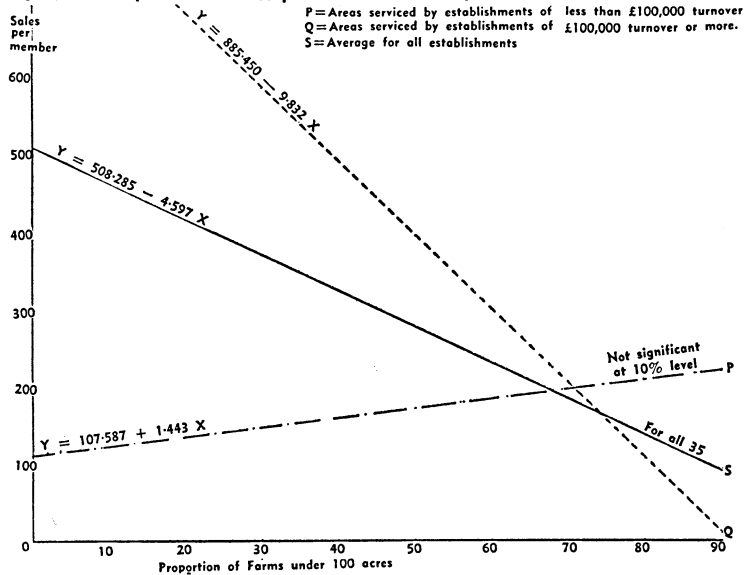
Operational Expenses in relation to Turnover per establishment



Relationship between Sales per Member and Proportion of Mixed Farms



£ Relationship between Sales per Member and Proportion of Small Farms



Some of the relationships between the average size of separate establishments operated by co-operative societies and other factors are shown in Table 6 and the charts on this page.

Clearly the structure of farming in terms of the size of farm business and the nature of farming—extensive or intensive—in an area influence the size of co-operative establishments. Small farms and poor land are conducive

TABLE 6

RELATIONSHIP BETWEEN OPERATIONAL EXPENSES AND SIZE OF ESTABLISHMENT AND OTHER FACTORS

<i>Average Turnover per Establishment</i>	<i>Number of Societies</i>	<i>Operational Expenses per £100 Turnover</i>	<i>Average Sales per Member</i>	<i>Average Number of Members per Establishment</i>	<i>Proportion of farms under 100 acres</i>	<i>Distribution of farms by type :—</i>			
						<i>Dairy</i>	<i>Mixed</i>	<i>Livestock Rearing</i>	<i>Arable</i>
Under £50,000	7	£ 9.1	£ 135	256	% 57	% 43	% 10	% 47	% neg.
£50,000—£100,000	13	8.5	198	384	56	48	22	28	2
£100,000—£150,000	5	8.3	300	354	49	51	33	12	4
£150,000—£200,000	3	7.2	455	395	40	34	41	22	3
Over £200,000	5	6.0	258	904	58	52	35	10	3

to small sales per member and small establishments, and larger farms and better land are conducive to larger sales per member and larger establishments. Equally clearly the co-operative societies cannot alter the structural or the natural characteristics and the farming systems of the areas in which they operate and cannot therefore significantly change the volume of requisites required by their individual members. Total turnover, however, depends not only on the volume of sales per member but also on *the number of members* ; and the evidence indicates that the economies of scale can be obtained by a large turnover derived from low individual sales, but large membership, as well as from high individual sales and a lower membership. Indeed, statistical tests showed that the size of the membership per establishment affected the unit costs even more than the volume of sales per member. Among the five societies which are shown in the table to have had an average turnover of more than £200,000 for each of their separate branch establishments, three had relatively low individual sales counter-acted by high membership leading to unit operational expenses well below average. Transport, administrative and clerical costs do not increase proportionately to membership. It would appear that the proliferation of branches and separate establishments—unless accompanied by increasing membership—must be strictly guarded against, if costs are not to be increased.

Salaries and Wages

The expenditure of agricultural co-operatives on salaries and wages per £100 turnover varied widely between individual societies. In 1965 the situation was as follows :—

<i>Salaries and Wages per £100 turnover.</i>				<i>No. of Societies.</i>
Under £4 .. .. .	..	..	..	12
£4 and under £5 .. .. .	..	..	..	9
£5 and under £6 .. .. .	..	..	..	7
£6 and over .. .. .	..	..	..	10
				—
Total .. .. .	..	..	..	38
				—

Moreover, an historical examination of the records for 19 societies showed that the wage and salary bill in relation to money value of business done had deteriorated substantially in the decade up to 1965. Salaries and wages per £100 turnover increased by 65 per cent, or put in another way, sales per £100 salaries and wages declined from £3,000 in 1955 to just under £1,900 in 1965—a reduction of about 36 per cent.

Relationship between (a) Gross Margin per £100 Turnover
 (b) Salaries and Wages per £100
 Turnover and proportional Sales
 of Feedingstuffs

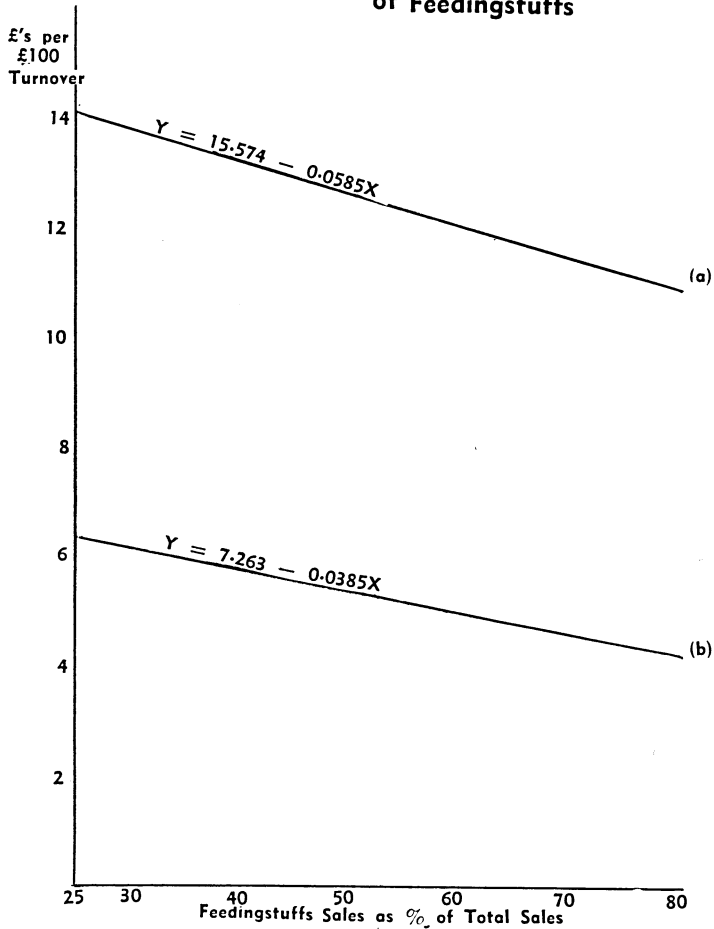


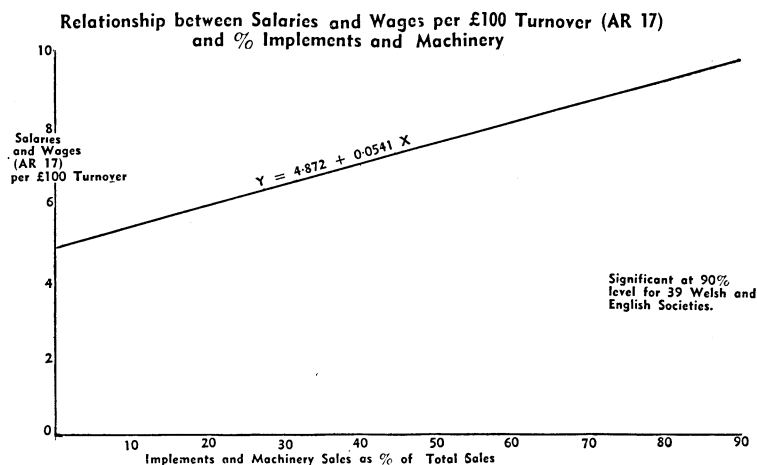
TABLE 7

SALARIES AND WAGES IN RELATION TO TURNOVER (1955-1965)

	1955	1965
	£	£
Salaries and Wages per £100 turnover	3.4	5.3
Turnover per £100 Salaries and Wages	2941	1900

It could be expected that some economies in management and labour costs would arise from the scale of business but in fact the evidence provided by the analysis of these costs by size of (Welsh) society, suggests that the tendency is for unit costs of management and labour to vary directly with total turnover. When the data for English societies is similarly analysed these societies show similar tendencies in relation to societies with turnover up to £2 million, but after that level is reached they tend to decline. It is hazardous on this rather slender evidence to suggest that no Welsh societies are large enough to achieve real economies of scale, but that is the implication.

There is a significant relationship between expenditure on salaries and wages per £100 turnover and the composition of sales. Thus labour and management per £100 turnover was less the greater the proportion of feeding-stuffs and fertilizers in total sales, and more the greater the proportion of business accounted for by machinery and fuel. Nevertheless, this is not itself a useful guide to improved use of labour and management since the gross margins on feed and fertilizer were less than for machinery and fuel. Indeed,



if the aim is to increase profits in relation to labour and management, one way of doing so is to increase the sales of machinery and other goods relative to feed and fertilizer. The other way, no doubt, is to improve the methods of handling feed and fertilizer through the greater use of mechanical and other aids.

The average basic **salaries** paid to managers of 26 requisite societies arranged according to size groups is shown in the following table. In addition to the salaries shown in the table, the managers of 13 of the 26 societies were paid a bonus based on turnover or profit.

TABLE 8
MANAGERS' BASIC SALARIES (REQUISITE SOCIETIES)
1966-67

<i>Turnover</i> (£ million)	<i>No. of</i> <i>Societies</i>	<i>Average</i> £	<i>Range</i> £	<i>Scales Recommended by W.A.O.S.</i> £
Up to 0.05	3	675	500—800	Negotiable
0.05—0.1	3	1097	820—1620	1250 plus 2½ per cent of profit
0.1—0.25	7	1377	910—1750	1650 " " " " " "
0.25—0.5	7	1643	1100—2000	2100 " " " " " "
0.5—1.0*	3	2150	2000—2250*	2500 " " " " " "
1.0 and over	3	2417	2000—2750	3000 " " " " " "

In June, 1966, the W.A.O.S. recommended certain basic salaries for societies of different sizes together with a suggested 2½ per cent bonus on net profit. It is clear from the table that these recommended scales were generally well above the scales actually paid by societies in the succeeding twelve months. In fact only two comparatively small societies paid a basic salary above the recommended scale and the majority of societies did not pay a bonus.

While it must be true that the calibre of management will vary even between societies of comparable size, and that this variation must be taken into account in fixing individual salaries, it seems unlikely that only two of the twenty-six managers deserved the recommended sum. Moreover, there is a prima facie argument that a diminution in the variation in salaries for comparable societies may lead to better management. A manager who is underpaid relative to others bearing comparable responsibilities is not likely to give of his best.

This analysis does not pinpoint the causes of the deterioration in labour and salary costs per unit of business done, nor can it give clear guidance on how labour and management can be improved. It does, however, emphasise the variations in these costs which alone justify detailed examination of the situation in each individual society. In addition the lack of a proper structure of recompense for managers is noted as a drawback especially in that it may reduce the attraction of co-operative management to new entrants. The investigation did not suggest that co-operatives made any extensive use of work study methods of improving labour use.

Motor Expenses

There was substantial variation in the practices relating to transport. A few societies performed all their haulage with their own vehicles, while a few also had it all done on contract. The majority, however, hired transport for hauling materials from the source to depot but delivered to customers in

their own vehicles. Where transport was hired, the cost was added to the cost of the purchases and did not appear in the accounts as a separate item. It is repeated here, therefore, that 'motor expenses' in the tables in this report refers to expenses incurred in connection with the societies' own vehicles and not to total transport costs.

On the other hand societies were able to supplement their accounting data and to provide estimates of hired transport costs which, added to their motor expenses, amounted to total transport costs.

TABLE 9
TOTAL TRANSPORT COSTS

<i>Turnover</i>	<i>Motor Expenses</i>	<i>Cost of Hired Transport</i>	<i>Total Transport Costs</i>
<i>£ million</i>	.....	<i>£ per £100 Turnover</i>	.....
Under 0.1	1.1	1.5	2.6
0.1—0.3	1.1	1.5	2.6
0.3—0.4	1.2	1.1	2.3
0.4—0.7	2.2(a)	(1.3)	3.5(a) (2.6)
1—2	0.9	1.4	2.3

(a) These figures are inflated by the results for one society which hired out transport. The averages excluding this society are shown in brackets.

The total transport cost per £100 turnover averaged about £2.5 for all societies but it showed little variation according to the size of the society. On the other hand, the figures for motor expenses (i.e. excluding hired transport) analysed according to the size of branch establishment, shown in Table 5, contains some suggestion that these expenses tend to be higher the smaller the average size of branch establishment.

There is little evidence to indicate the basis upon which societies decided whether to hire transport or to provide their own. The general impression was, however, that judgements were made intuitively rather than as a result of careful assessment. The following paragraphs set out the criteria which are relevant to this decision, and certain calculations are made which are based upon estimates drawn up in consultation with a representative number of co-operative managers.

Hired transport or own vehicles ?

With regard to the costs of transport, that is of (a) hauling supplies from a source to the societies' establishments or from source to farm, and (b) hauling

goods from establishment to farm, one important question facing managers concerns the extent to which it pays to have this work done on contract by full-time hauliers. While most societies have their long-distance haulage done by contractors—as has already been said, a few hire transport to do some of the hauling from establishment to farm, and two or three have all their haulage done by contract. The choice between hiring and owning transport vehicles depends on several factors, especially on the amount of haulage work required, the size of the loads carried, the annual mileage covered by the transport vehicles, and the situation of the establishment in so far as it affects the annual mileage and the possibilities for contractors of carrying loads both ways. Where contractors can carry loads (e.g. steel, coal, building material) out of the area while carrying the society's goods into it, the charge per ton is greatly reduced.

The cost per ton depends on (a) the size of the load and (b) the over-all distance travelled, whether the load is carried the full distance or not. Thus, the cost per ton of carrying 10 tons on an outward journey of 120 miles and 10 tons back again is about the same as if 10 tons were carried one way only. The fact that the vehicle returns empty has little effect on the over-all cost or the cost per ton.

The contractor's charge may or should be affected by the size of the load carried over the total distance travelled on the outward and the return journey. Although his total costs are the same, if he charges the same per ton whether he carries a full load each way or not, his revenue under the former circumstance would be double what it would be under the second. Hence it is reasonable to expect the charge per ton to be higher in the second than in the first.

The charts on pages 73 and 74 show the estimated cost per ton for (a) a ten-ton lorry covering 20,000 and 50,000 miles per annum, and (b) a five-ton lorry covering the same mileages.

It is assumed that each vehicle is manned by the driver only. Particulars of the method of extending the fixed and variable costs are given in Appendix 2.

The charts can be assumed to represent approximately the total costs of haulage which societies generally incur, and they can be used for comparison with charges made by contractors. Thus a society in South Wales was, in 1967, charged £1.625 per ton by a contractor for hauling feeds from Avonmouth. The total distance travelled back and fore was about 240 miles (making the charge per ton-mile about 1.625 pence and, since goods were carried on the outward journey, this cost was about one-half of what it would otherwise have been). The cost *per ton* to the Society had it used a 10-ton lorry, at a rough estimate and for different annual mileages, is shown over:-

**TOTAL DISTANCE TRAVELLED (OUTWARD AND RETURN JOURNEYS)
240 MILES**

Cost per ton (10-ton lorry)

<i>Load Carried</i>	<i>Annual Mileage</i>			
	10,000	20,000	30,000	50,000
	£	£	£	£
10 tons	3.6	2.3	1.9	1.3
5 tons	7.2	4.6	3.8	2.6

In this particular case it would pay the society to use its own vehicles for haulage from source to establishment if each could cover at least 40,000 miles annually and provided each carries a full load.

In another case hired transport was used for hauling foods from mill to establishment ; the charge was £1.175 per ton and the total distance travelled (outward and return) was 85 miles. The cost per ton-mile was 3.32 pence, which suggests that the contractors' vehicles were empty on the outward journey.

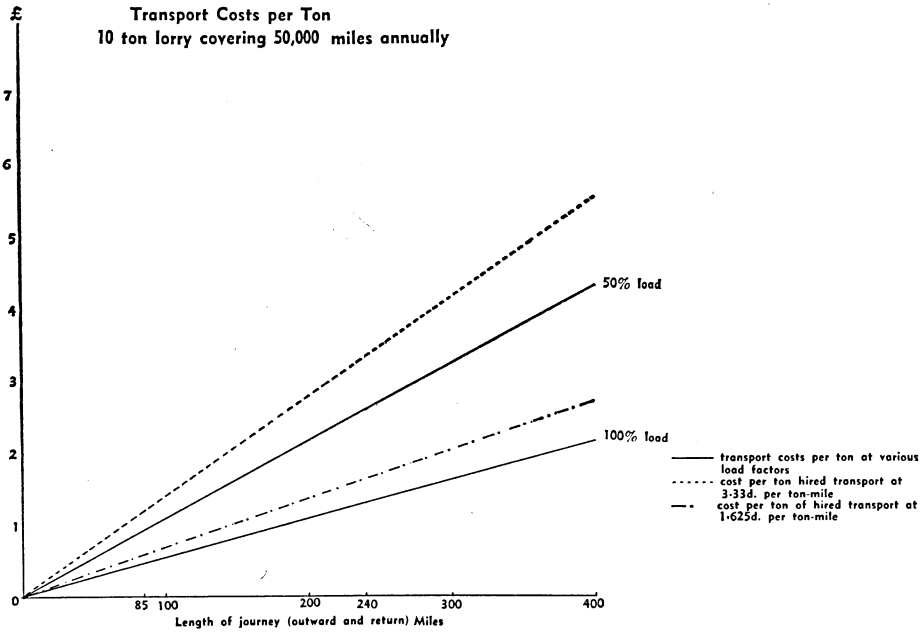
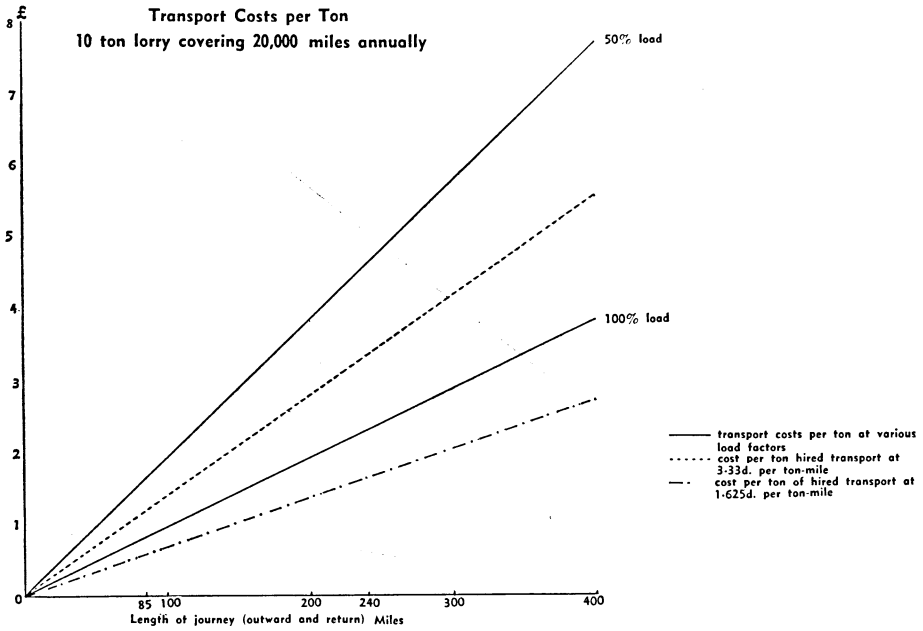
**TOTAL DISTANCE TRAVELLED (OUTWARD AND RETURN JOURNEYS)
85 MILES**

Cost per ton (10-ton lorry)

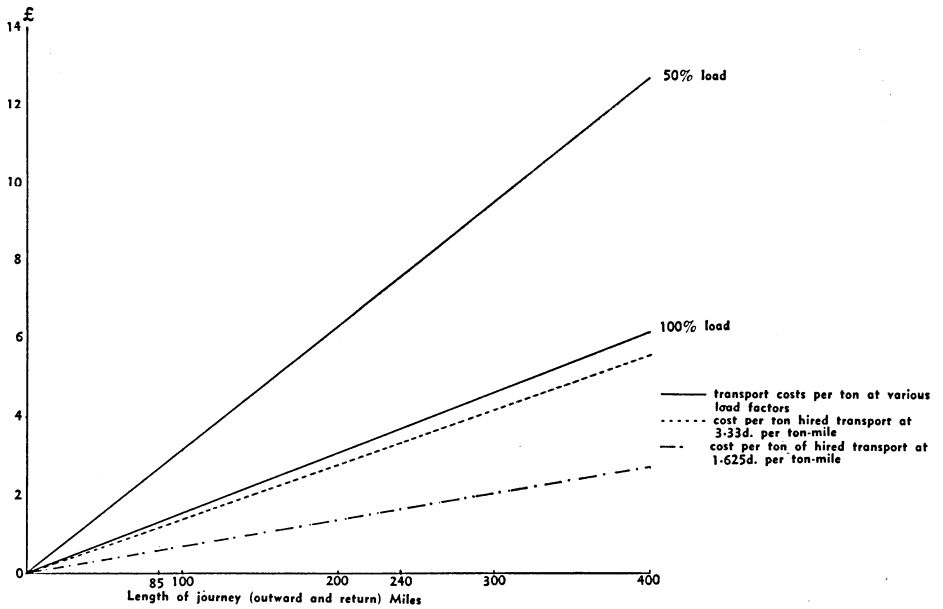
<i>Load Carried</i>	<i>Annual Mileage</i>			
	10,000	20,000	30,000	50,000
	£	£	£	£
10 tons	1.275	0.817	0.675	0.463
5 tons	2.550	1.633	1.350	0.925

In this case, it would be cheaper for the society to use its own vehicles, provided each could cover at least 12,000 miles annually and it was fully loaded, or provided each could cover at least 40,000 miles annually if half-loaded. In practice, of course, societies' vehicles making long distance journeys would almost always be fully loaded.

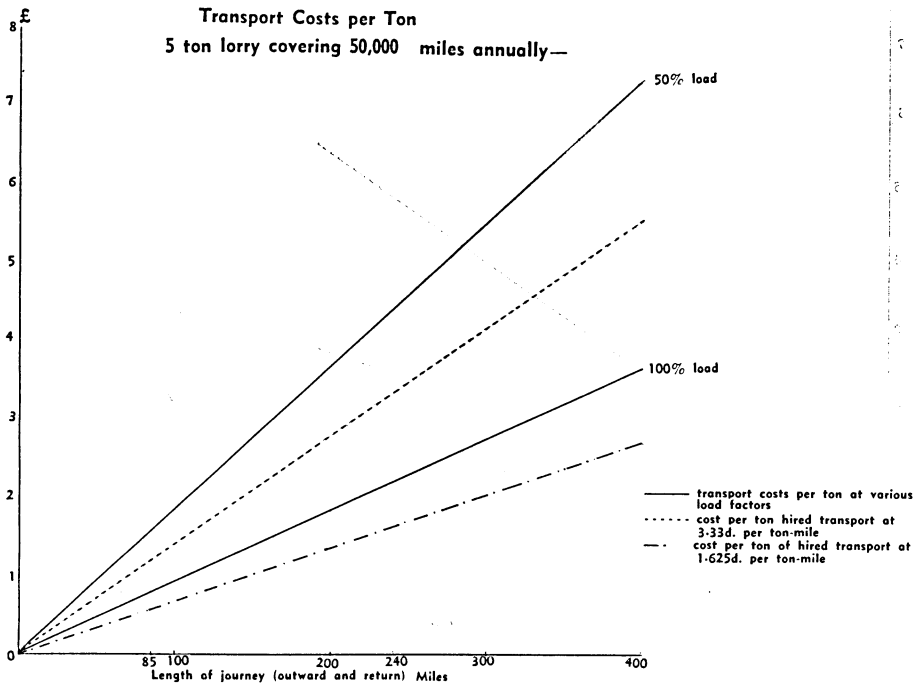
The answer to the question as to whether or not societies should use their own vehicles on long-distance haulage, i.e. from source to establishment



Transport Costs per Ton
5 ton lorry covering 20,000 miles annually



Transport Costs per Ton
5 ton lorry covering 50,000 miles annually—



depends on the particular circumstances of each. Broadly speaking it depends on the annual use that can be made of the vehicle and upon the size of its load.

Contractors' charges for hauling from establishment to farm are from about £0.75 to £0.875 per ton. Whether or not it is cheaper for a co-operative to use hired transport rather than its own vehicles again depends on the size of lorry, length of journeys, annual mileage, and size of load. In general, if the co-operative is using a 10-ton lorry for hauling from establishment to farm, with a full load it is cheaper for it to use its own vehicles for journeys (outward and return) up to about 100 miles. With a 5-ton lorry it is cheaper for the co-operative to use its own vehicles for journeys (outward and return) of up to about 60 miles.

CAPITAL AND CREDIT

It was not possible to examine in detail the factors relating to the use of capital and the cost of credit for all 38 requisite societies. The comments concerning capital in general are based on a sample of 19 societies representative of all sizes and the estimates of the cost of credit to societies are based on the results of six societies which were able to provide the necessary data.

The following table shows that in the decade to 1965 societies in general increasingly relied on capital other than their own in the conduct of their business, i.e. in current jargon they became more highly geared.

TABLE 10
RATIO OF OWN CAPITAL TO TOTAL LIABILITIES
(19 IDENTICAL REQUISITE SOCIETIES)

<i>Turnover (£ million)</i>	<i>No. of Soc.</i>	<i>1955</i>	<i>No. of Soc.</i>	<i>1960</i>	<i>No. of Soc.</i>	<i>1965</i>
£0.5 and over	3	0.6:1	6	0.4:1	6	0.3:1
£0.1—£0.5	7	0.5:1	5	0.4:1	7	0.4:1
Under £0.1	9	0.6:1	8	0.5:1	6	0.4:1
All Societies	19	0.6:1	19	0.4:1	19	0.3:1

While, however, the proportion of external to total capital in co-operative businesses increased, efficiency in the use of capital as indicated by turnover of capital, turnover of stock, and return on capital, decreased. The higher the rate of capital turnover, the greater is the amount of business financed by a given sum and the lower the unit cost of capital—in short, the more efficient is the utilization of capital.

TABLE 11
EFFICIENCY OF CAPITAL UTILIZATION (19 IDENTICAL SOCIETIES)

<i>Size of Turnover £ million</i>	<i>Turnover of Total Capital</i>			<i>Turnover of Stocks</i>			<i>Profit per cent of</i>					
							<i>Share Capital</i>			<i>Total Own Capital</i>		
	1955	1960	1965	1955	1960	1965	1955	1960	1965	1955	1960	1965
0.5 and over	3.7	3.1	2.9	14.0	13.2	11.3	43.8	45.6	16.0	26.4	25.4	10.4
0.1—0.5	2.9	2.9	2.5	13.0	10.8	11.1	43.7	33.8	14.3	24.7	16.2	9.4
Under 0.1	3.6	2.8	2.3	15.7	10.7	12.3	39.6	23.1	14.5	16.5	13.0	10.4
Average	3.3	3.0	2.7	13.7	12.4	11.3	43.5	41.8	15.5	24.8	22.6	10.2

While the total turnover of the 19 societies increased by 44 per cent between 1955 and 1965, total capital funds increased by as much as 72 per cent and the average turnover of capital declined from 3.3 to 2.7. This, combined with the increase in the proportion of borrowed capital, had a deleterious effect on the cost of capital per unit of turnover. Measured according to its rate of turnover, in 1955 capital was utilized with equal efficiency by both the smallest and largest societies, with the middle-sized ones making the least efficient use of it, but by 1965 the smallest were making the least efficient and the largest most efficient use of capital.

Again, the rate of stock turnover, i.e. annual turnover divided by the value of stocks, also indicates the intensity with which capital is used. For the purpose of this calculation the only figures of stock values which were available were those for the end of financial years. Stocks can vary from time to time but the variations are not likely to be great enough to invalidate year to year trends. Using the end of year figures, the average stock turns for the 19 societies fell from 13.7 in 1955 to 12.4 in 1960 and to 11.3 in 1965.

The profit measured in relation to capital employed indicates that capital's effective earning power and, as such, reflects the efficiency of capital utilization. It is not possible in this case, however, to calculate the return on total capital because interest and charges on borrowed capital and credit are included as costs in co-operative societies' accounts. It is possible, however, to measure the return on share capital and on the total capital owned. The return on share capital and on total owned capital are useful measures in that they reflect the ability of societies to pay share interest. The figures in the last two columns of Table 11 show that according to both measures there was a drastic decline in returns between 1960 and 1965. Throughout the decade, but especially in 1960, the largest size group of societies was, in this respect, in a healthier state than the smaller size groups.

The decline in share interest potential was due not only to a fall in profits,

TABLE 12

**SHARE CAPITAL PER MEMBER
(19 IDENTICAL SOCIETIES)**

<i>Turnover per Society (£ million)</i>	1955	1960	1965
0.5 and over	21.6	21.7	23.5
0.1—0.5	21.0	13.9	16.2
Under 0.1	7.9	15.6	25.2
All Societies	19.5	19.1	21.2

but also to a general expansion in the volume of share capital both through a higher share holding per member (especially within the smallest societies) and an expanding membership.

The less satisfactory relationship between profit and share capital is reflected in the generally unsatisfactory rates of interest paid on share capital, especially by the middle size group of societies in 1965.

TABLE 13
INTEREST PAID ON SHARE CAPITAL
(19 IDENTICAL SOCIETIES)

<i>Turnover per Society (£ million)</i>	1955	1960	1965
0.5 and over	3.5	4.9	5.1
0.1—0.5	4.3	5.2	3.3
Under 0.1	2.7	3.7	5.8
All Societies	3.9	4.9	4.7

It has already been pointed out that for the 19 societies examined in detail just over half the total liabilities in 1965 consisted of trade credits and bank overdrafts (most of the latter are incurred for the payment of trade bills), and another 13 per cent of loans from members and from other sources. Trading on credit and borrowed money is therefore a feature of co-operative trading, which in the 10 years to 1965 tended to become more significant.

The cost of trade credit depends on the ratio of trade debtors to trade creditors (including bank overdrafts), which, in turn, is related to the promptness with which societies' members pay for their purchases, on the credit charges made by societies and their suppliers, on any interest that both parties may charge on overdue accounts, and on managerial policy towards the payment for supplies. In general the lower ratio of trade debtors to trade creditors (including bank overdrafts), the higher the net cost of trade credit and *vice versa*.

In 1955 the estimated average number of days' credit* taken by members of the 19 societies was 58 and this only increased marginally to 60 in 1965. In the same period, however, the average number of days' credit taken by the

$$\text{*Days' credit taken by customers} = \frac{\text{Trade Debtors at end of year}}{\text{Turnover}} \times 365$$

$$\text{Days' credit taken by societies} = \frac{\text{Trade Creditors at end of year}}{\text{Total Purchases}} \times 365$$

societies themselves increased from 32 to 58. To the extent that credit trading has increased therefore, it has been due to a weakening in the financial position of societies rather than any increase in the credit demanded by members. The same picture is shown by the ratio of trade debtors to trade creditors and bank overdrafts in the following table.

TABLE 14

A. RATIO OF TRADE DEBTORS : TRADE CREDITORS

<i>Turnover</i>	1955		1960		1965	
	<i>No. of Societies</i>	T.D.:T.C.	<i>No. of Societies</i>	T.D.:T.C.	<i>No. of Societies</i>	T.D.:T.C.
£0.5m. and over	3	2.2:1	6	2.0:1	6	1.1:1
£0.1m.—£0.5m.	7	2.0:1	5	1.3:1	7	1.3:1
Under £0.1m.	9	1.2:1	8	1.1:1	6	1.0:1
All Societies	19	2.0:1	19	1.7:1	19	1.1:1

B. RATIO OF TRADE DEBTORS : TRADE CREDITORS AND BANK OVERDRAFTS

<i>Turnover</i>	1955		1960		1965	
	<i>No. of Societies</i>	T.D.:T.C. +B.O.	<i>No. of Societies</i>	T.D.:T.C. +B.O.	<i>No. of Societies</i>	T.D.:T.C. +B.O.
£0.5m. and over	3	1.5:1	6	1.3:1	6	0.8:1
£0.1m.—£0.5m.	7	1.3:1	5	1.0:1	7	0.9:1
Under £0.1m.	9	1.0:1	8	1.0:1	6	1.0:1
All Societies	19	1.4:1	19	1.2:1	19	0.9:1

The average ratio of trade debtors to trade creditors for 19 identical societies deteriorated from 2.0:1 in 1955 to 1.1:1 in 1965; and the ratio of trade debtors to trade creditors, including bank overdraft, deteriorated from 1.4:1 to 0.9:1 over the same period. The deterioration in this relationship was much more marked for the largest size group of societies (those with turnovers of £0.5 million and more) and least significant for the smallest size group (those with turnovers of less than £0.1 million).

Estimating the cost of trade credit proved difficult and in fact only six societies were able to provide adequate data. The results obtained from the six, however, serve to illustrate likely differences between individual societies in the cost of trade credit and in the cost of total capital.

The net charges incurred for trade credit depend upon the amount and

period of credit and interest charges incurred by societies in obtaining supplies, whether by trade credit or bank overdraft on the one hand, less the amount they recover from members for credit extended to them on the other. The figures relating to these charges expressed in terms of turnover and per £100 of capital borrowed are shown in Table 15.

TABLE 15
COST OF CREDIT AND CAPITAL FOR CERTAIN SOCIETIES—1965

Code No. of Society	Net Cost of Trade Credit		Average rate of interest on loans	Average Cost of Credit and Loans		Total Cost of Capital per £100 Capital ³
	per £100 trade credit incurred ¹	per £100 turnover		per £100 borrowed Capital ²	per £100 turnover	
	£	£	£	£	£	£
1	8.4	2.1	No loan	8.4	2.1	7.5
2	+0.9 ⁴	+0.7 ⁴	No loan	+0.9 ⁴	+0.1 ⁴	+0.5 ⁴
3	2.7	0.5	4.6	2.9	0.6	2.9
4	7.4	1.2	No loan	7.4	1.7	5.2
5	10.7	1.3	No loan	10.7	1.4	10.4
6	2.9	0.2	6.5	5.2	0.7	5.0

¹Credit for goods purchased by societies and bank overdraft.

²Credit for goods, bank overdraft and loans.

³Borrowed capital, and share capital, but excluding reserves and undistributed surplus.

⁴Net "earnings" from trade credit in this case.

The net cost of trade credit, as a percentage of the balance sheet figures for sundry creditors and bank overdraft, varied from a small profit of nearly 1 per cent to a charge of just under 11 per cent. The profit made by one society represents a situation which can arise if a society's resources permit it to pay for a high proportion of its purchases within the free credit period.

Only two of the six societies referred to in Table 15 had raised loans, the one from an external source at an apparently low rate of interest, and the other from members at a rate of interest corresponding to the existing bank rate.

The last column in the table gives the cost of borrowed and share capital together. For four of the six societies, this was less than the cost of borrowed capital alone because of the relatively low interest rates they paid on share capital. The payment of very little or no interest on share capital was a feature of agricultural co-operative finance for at least the later years of the decade under investigation. For instance, in 1965 no fewer than five of the

19 requisite societies paid no interest on share capital, six paid less than 5 per cent and only one paid more than 7 per cent. The average interest rate was only 4.3 per cent and on the whole the middle-sized group of societies paid rather lower rates than the other two. These figures indicate the unsatisfactory performance and financial state of co-operatives, in contrast with their aim of paying $7\frac{1}{2}$ per cent interest on shares, and strengthen the conclusion that societies generally obtain their capital rather cheaply.

Interest on loans and overdue accounts (but not interest on share capital) is by far the most important item in societies' 'financial charges', and statistical analysis showed that the higher charges were generally associated with the less successful co-operatives. Since the trading profit is, in general, small in relation to turnover, high financial charges can result in low final profit. However, the relationship exhibited in the following chart may well be a reflection of low profits and high financial charges each being the result of inferior quality management.

Whereas societies in general have had to rely more on borrowed capital, they have none-the-less become less credit worthy. A society's credit worthiness can be assessed in various ways. One indication, which is of importance to traders, contractors and financiers, is a society's liquidity. These creditors are interested in knowing whether a society's finances are

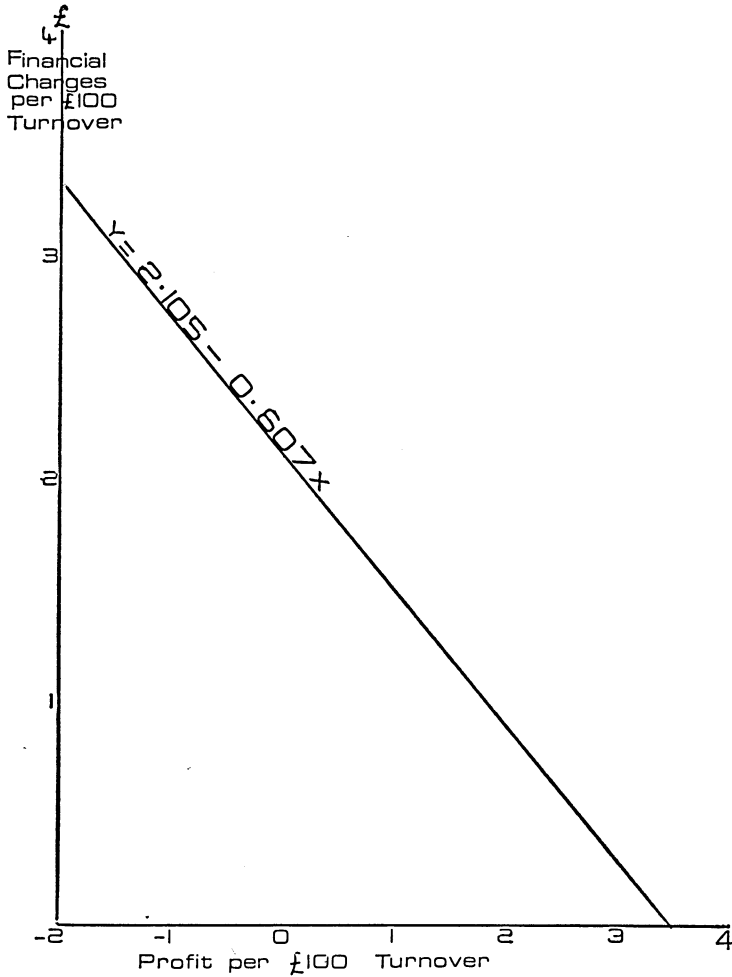
TABLE 16
CHANGES IN LIQUIDITY 1955-65

	<i>Current Assets: Current Liabilities</i>	<i>Liquid Assets: Current Liabilities</i>
1955	2.0:1	1.4:1
1960	1.8:1	1.3:1
1965	1.4:1	1.0:1

capable of meeting the obligations outstanding and this can be measured by estimating the ratios of current and liquid assets (current assets less stocks) to current liabilities.

Obviously the societies' ability to meet their short-term commitments diminished very substantially during the decade and in 1965 the liquid assets were just sufficient to meet current liabilities. It would appear, therefore, that while societies generally may have reached the limit of their real ability to obtain credit, many have gone beyond what is regarded as a reasonable limit.

Relationship between Financial Charges and Profits 1965



The ratio of current assets to current liabilities indicates the societies' position with regard to working capital or the funds available to meet the day-to-day running costs. As such it is one measure of a society's ability to meet its obligations and to increase the volume of its business. The figures in the first column indicate that the societies' supply of working capital has also been reduced to a low level over the decade.

CHAPTER 5

THE PERFORMANCE OF MARKETING SOCIETIES

Unlike the requisite societies, which are relatively uniform in the kind of business they conduct, the produce or marketing societies are very varied in type. They include dairy societies, which themselves vary appreciably in the extent to which they perform the various functions of collecting, cooling, heating, bottling, manufacturing, retailing, etc. ; livestock marketing societies, some of which market several kinds of livestock, whilst others specialise in weaner pigs or calves ; poultry and egg societies ; seed societies, which handle various types of seed and are engaged to varying degrees in wholesaling and retailing ; and woodland societies, which process varying proportions of their members' timber. Furthermore, many of the livestock marketing societies act merely as agents who incur the minimum costs and whose only income is the commission they charge on sales. In these circumstances it is virtually impossible to arrive at meaningful standards of efficiency within groups. All that can be done is to indicate changes in certain measurements of efficiency over the decade and to make broad comparisons between individual societies within groups.

Dairy Societies

The accounts for three out of four dairy societies were analysed. Over the decade 1955-65, gross margins in general kept pace with rising operational expenses, which meant that the Government's allowances were at least kept in line with the changes in costs incurred by the societies in their performance of various functions and that their selling price rose relatively to the costs of their purchases. These relative changes are illustrated by the following figures :—

Indices of changes in prices

	1955	1960	1965
M.M.B. first hand selling prices	100	109	123
Average prices realized by M.M.B. for milk for manufacturing	100	111	116
Retail Milk Prices	100	112	132
Average price for butter	100	90	97
Average price of cheddar cheese	100	105	124

Table 1
PERFORMANCE OF CERTAIN PRODUCE SOCIETIES

	No. of Societies	Total Turnover £ million	Per £100 Turnover							
			Gross Margin	Salaries and Wages	Other Operational Expenses	Total Operational Expenses	Trading Profit	Other Expenses	Other Income	Final Profit
<i>Dairy Societies (Various Functions)</i>										
1955	2	1.541	9.6	3.4	3.8	7.2	2.4	0.7	0.3	2.0
1960	2	2.038	13.0	4.7	4.1	8.8	4.2	0.9	0.5	3.8
1965	2	2.224	13.1	5.9	3.7	9.6	3.5	1.0	0.6	3.1
<i>Dairy Societies (Retailing)</i>						14.1	6.9	2.3	Neg.	4.6
1955	1	0.047	21.0	9.8	4.3	18.3	7.1	1.3	Neg.	5.8
1960	1	0.081	25.4	12.6	5.7	18.3	6.9	1.2	0.1	5.8
1965	1	0.113	25.2	13.5	4.8					
<i>Livestock Marketing</i>										
1955	2	0.945	4.2	1.7	1.7	3.4	0.8	0.1	0.2	0.9
1960	3	1.515	4.1	1.5	1.6	3.1	1.0	0.3	0.1	0.8
1965	3	1.991	3.4	1.2	1.3	2.5	0.9	0.2	0.1	0.8
<i>Poultry and Eggs Societies</i>										
1955	—	—	—	—	—	—	—	—	—	—
1960	1	0.537	9.5	3.5	3.5	7.0	2.5	0.8	—	1.7
1965	1	0.436	10.3	7.1	5.6	12.7	-2.4	1.7	—	-4.1
<i>Woodlands</i>										
1955	3	0.041	64.5	50.3	11.9	62.2	2.3	2.3	Neg.	Neg.
1960	4	0.136	50.3	38.5	9.9	48.4	1.9	2.3	0.5	0.1
1965	4	0.309	42.2	33.7	7.9	41.6	0.6	1.2	0.1	-0.5

Fixed target rates of profit included in the total margin between first-hand selling prices and retail prices of milk

					1955	1960	1965
					<i>pence per gallon</i>		
Retailers	..	..	..	..	1.7	2.0	2.475
Wholesalers	..	..	..	..	0.55	0.6	0.75

Sources : Prices of milk from " Dairy facts and figures ", published annually by the M.M.B.

Prices of butter from National Food Survey Committee Annual Reports.

Prices of cheese from " Dairy Produce ", published by The Commonwealth Secretariat.

Fixed target rates of profit from Report No. 46, "The remuneration of milk distributors": National Board for Prices and Incomes. Cmnd. 3477.

For their functions of collecting, cooling, pasteurizing, bottling, etc., and for wholesaling and retailing, the overall profit allowed by the Board (based on average costs for a sample of creameries and depots) was increased over the decade ; on the manufacturing side, whilst the average wholesale price of butter fluctuated and showed a general decline, that of cheese, only very small amounts of which were produced, showed a substantial improvement over the decade, especially after 1960.

One of these three dairy societies was concerned only with retailing milk, purchased from the M.M.B., either directly to households or in various forms in its milk bar. The gross margin for this society was at least double that for the other two ; but each society showed an increasing gross margin over the decade.

Operational expenses per unit of turnover were, as was the gross margin, less for the larger of the two manufacturing societies. Although this difference may well reflect some economy of scale, it may also be due to the effect of the varying functions which the two societies performed ; and it was not possible to assess the full extent of these functions. The operational expenses per unit of turnover were about twice as much for the retailing society as for the other two. Milk retailing, either directly to households or in milk bars, is an activity which involves relatively high labour costs per unit of turnover in processing, bottling and delivering.

As in the case of requisite societies, salaries and wages constituted the largest single item of operational expenses—about 62 per cent in 1965—and they seem to have assumed an increasing significance over the decade. Labour utilization is, therefore, an obvious sphere in which to seek economies.

Here again the larger of the two manufacturing societies showed the lower cost per unit of turnover.

Despite the higher rates of profit allowed by the Board for the various functions performed by all three dairy societies, the profit per unit of turnover for the two manufacturing ones dropped between 1960 and 1965 whilst that for the retailing one showed no improvement. However, despite a general decline in profit per unit of turnover the level in 1965 was still satisfactory. Generally similar trends are discernible when the profits are measured in relation to share capital, owned capital, and total capital, and although these largely reflected the general profits they were also partly the result of a general increase in the amount of each category of capital employed. The retailing society showed much the better returns on capital, too, especially in the latter years of the decade. Of the two manufacturing societies, the larger showed by far the better results measured in relation both to turnover and to capital throughout the decade.

Livestock Marketing Societies

These were concerned largely with the selling, at auction marts, of members' livestock, mainly dairy and store cattle and sheep. The interesting features of the financial results for the three societies whose accounts were analysed were :—

- (a) That their operational expenses and gross margins per unit of turnover declined between 1955 and 1965. Their total operational expenses in fact increased by about 60 per cent, but their turnover was more than doubled. Although these changes suggest that the increase in turnover achieved appreciable economies of scale, it was nevertheless the middle-sized society that showed the least cost per unit of turnover.
- (b) That the average profit per unit of turnover was very small, averaging less than 1 per cent in each of the three years 1955, 1960 and 1965. Whereas in 1955 and 1960 one society showed a fairly satisfactory profit, in 1965 those for all three were below 1 per cent of turnover. The fact that the returns on all categories of capital were relatively high reflects the small capital funds employed in relation to turnover.

Poultry and Egg Societies

The one society whose accounts are here analysed was the only specialized co-operative poultry and egg marketing society in Wales between 1955 and 1965. This was the West Wales Egg and Poultry Producers, Ltd., it was found-

ed in 1954, just three years prior to the setting up of the British Egg Marketing Board, and was voluntarily liquidated early in 1966. Its main function was the collection and grading of eggs on behalf of the Board, but it also purchased from the Board a large proportion of the eggs it collected for wholesaling. As a sideline it processed old hens and table birds for wholesaling in South Wales markets.

The society made only a meagre profit in 1960 and incurred a heavy loss in 1965, after which it was soon liquidated. The Board's allowances for collecting, candling, grading and packing remained unchanged at 3.07 pence per dozen in 1960 and 1965, whilst the margin between its first hand selling price and the retail price of eggs was greater for the latter than for the former year. Between these two years, however, the society's operational expenses per unit of turnover were almost doubled, whilst its gross margin increased by only 10 per cent. The reasons for its failure seem to have been :—

- (a) A substantial drop in turnover between 1960 and 1965, caused by the fact that so many local farmers cut back and gave up egg production. This had the effect of increasing operating costs per unit of eggs handled ; and in order to fulfil its contracts the society purchased large quantities of eggs from Ulster—a transaction which proved to be a most unprofitable one.
- (b) By 1965 the society was very heavily in debt to the bank and its trade creditors. It had no reserves ; and its share capital was relatively low at about £6 per member, accounting for only 34 per cent of its total capital.

Woodland Societies

The four woodland societies taken together made a profit in each of the years 1955 and 1960 and they suffered a loss in 1965. In the more recent years up to 1965 only the South Wales Woodland Society has traded with any degree of success.

By far the most important item of expenditure for woodland societies is ' salaries and wages ', although it varies tremendously as between the four societies. This item is obviously the dominant determinant of profit. Thus in 1965, salaries and wages amounted to only 7 per cent of turnover for the South Wales Woodlands, 25 per cent for Usk and Wye, 40 per cent for Flintshire Woodlands and just over 50 per cent for Dovey Woodlands. The first two societies each showed a profit of about 2.4 per cent of turnover. The other two showed substantial losses during that year ; they appeared to be very much overstaffed in relation to their volume of business. One important reason for this was that members were not as loyal to the society as they might have been and disposed of a high proportion of their mature timber

through private merchants, thereby depriving the societies of the most profitable side of their business, namely the processing of timber for resale. Processing can be lucrative if done on a sufficiently large scale. South Wales Woodlands overcame this difficulty by employing fewer staff and using contract labour for the seasonal and less profitable tasks of planting and weeding for their members.

A larger release of timber for processing would strengthen the finances of the societies and enable them to pay more competitive prices for their members' timber.

Group Marketing of Livestock

By 'group marketing' is meant the organised joint sale of their product(s) by a group of farmers who undertake to abide by certain regulations, which are necessary for the success of such an organisation.

Although the earlier and traditional forms of co-operation (i.e. the marketing of such commodities as milk, eggs and livestock through co-operative societies) can be regarded as group trading, they do not fall within the modern usage of the term. The modern 'group' differs from the traditional co-operative marketing society in that its members have to accept a varying degree of control of their production of the commodity to be marketed through the group, and a very large degree of control over their method of disposing of their product(s).

In Wales, group marketing in the modern sense of the term has been in existence only since 1963, when first Welsh Calf Suppliers Ltd. and soon afterwards a number of pig-weaner groups and another calf-supplying group were established. It is fair to say that it is in the marketing of weaners that group marketing has made the most rapid strides in Wales—and that only since 1964. Whilst the suckled calf societies, the first of which—Brecon and Radnor Suckled Calf Rearers, Ltd.—was registered with the W.A.O.S. in 1955, had and still have to comply with certain regulations (mainly concerning the quality of the calves they present for sale), they nevertheless represent group marketing in rather a broad sense. It was the setting up of the weaner groups that marked the advent of group marketing according to the stricter modern meaning of the word, whereby members' actions and choice, in the spheres both of their production and (more especially) of the marketing of their product, have to comply strictly with the numerous regulations laid down by the group.

These regulations include the following provisions :—

Calf Groups :

1. The breeder must undertake to supply the group with a stipulated proportion of calves which achieve certain quality, weight and health standards.

2. The breeder must declare at certain intervals the number of calves he expects to be able to sell to the group during the ensuing 6 months.
3. A service register must be maintained for the organizer of the group.
4. The breeder's herd and calves must be open to inspection by the group representative, and the agreement between the member and the group can be cancelled if the breeder consistently delivers unsatisfactory calves and does not take steps to improve the quality of his stock.
5. The calves must be fed on dam's milk for the first four days and whole milk thereafter.
6. The breeder must place the marketing of the calves solely in the hands of officials of the group, whose responsibility it is to sell all delivered calves to the best possible long-term advantage of the breeders, and to promote research and recording for the benefit of its members. The price to the breeder is determined by the group, and is paid *according to the weight of the calves accepted* and at rates fixed from time to time—usually an agreed minimum price per lb. liveweight with a bonus payment per calf to all breeders according to the prices realized.

Weaner Groups :

The regulations governing membership of weaner groups are broadly similar to those for calf marketing groups. They can be separated into about four categories, governing respectively the supply of weaners, their quality and health, their assembly and their prices.

In order to regulate supplies, it is compulsory for all members to offer all their weaners to their groups, unless consent is obtained from the group organizer to sell a certain proportion elsewhere. In the case of many groups there is a rule forbidding members to increase the size of their breeding herds by more than 25 per cent without sanction from the group. Each breeder has to give notification of his future marketings. To ensure the quality of the weaners sold by groups, certain minimum standards of health and quality are laid down : for example, the breeding stock must be inspected before membership is accepted ; only weaners within a stipulated weight range are eligible ; and all unsuitable weaners can be rejected by the panel of inspectors at the collecting centre. Furthermore, the weaners must be earmarked so that

pigs which turn out to be in any way defective at the feeding stage can be traced back and returned to the original breeder. Groups will not accept blue pigs if they are ultimately intended for bacon production. A group has the power to discontinue membership in cases where, after a series of rejections of pigs and after inspection by the group panel, no improvement in weaner quality becomes apparent.

The group exercises a certain control over feeding practices. Thus all pigs must be weaned at least one week prior to sale and fed on approved rations thereafter; no swill may be fed to breeding stock or weaners.

Owing to the distance between members' farms and their relatively small individual output, Welsh weaner groups have made it each member's responsibility to deliver their animals to the collecting centre, where they are inspected, weighed and loaded for dispatch to buyers. This method has at least the advantage of lessening the risk that disease may be spread by vehicles or by contact between batches of pigs from different farms before their delivery to the buyers.

It is worth noticing that Welsh groups do not enforce the use of approved boars or the purchase of feeds from any particular source.

These regulations make it obvious that the aim of weaner groups is to provide feeders with a reasonably regular supply of healthy, high-quality animals at desirable weights. But in addition to this they aim at supplying them at prices which are satisfactory to both breeders and feeders, and which do not fluctuate unduly from time to time. The prices of those sold through groups are negotiated between each group and its buyer(s). But most group representatives are in fact guided by the periodic 'price' recommendations made by the Quality Pig Federation of Wales (to which most groups are affiliated), which in turn is influenced in its assessments by the fact that the F.M.C. is such an important buyer from Welsh groups, purchasing it is thought about half the output of all group members in Wales. In fact about 85-90 per cent of F.M.C. purchases of weaners in Wales are made from weaner-groups.

One important feature of weaner groups is that payments are made according to the weight of the animals, which is a welcome advance on the auction market system of payment on the hoof.

Naturally the prices of weaners must reflect the general supply-demand relationship for store pigs, the current level of guaranteed prices for finished pigs, the cost of feedingstuffs and the weight and quality of the weaners being sold. The final method of price determination, devised by the Quality Pig Federation of Wales and now adopted by almost every group, is the fixing of a basic price per pig supplemented by an additional payment per lb. live-weight. The whole purpose of this system is to encourage the production of lighter rather than heavier weaners, the latter being generally less attractive to the feeder. Hence the tendency over the years has been to pay a higher

basic price and a lower supplement. In June, 1967, the prices adopted were :

(a) £3.0 basic plus £0.071 or £0.075 per lb. and

(b) £3.25 basic plus £0.067 or £0.071 per lb.

In two cases out of a total of 16 groups the supplementary price was reduced by as much as 4d. or 5d. per lb. for weights exceeding 60 lb. In Wales, this particular method of price determination is adopted rather than any alternative system (e.g. differential per lb. rates at different weights) which could also encourage the production of lighter animals, presumably because of the influence exerted by the Quality Pig Federation of Wales. It permits of smaller variations in price as between groups, which is one of the aims of the Federation; and no doubt its use is also encouraged by the fact that such a large proportion of the throughput of weaner groups is destined for one buyer only, namely, the F.M.C.

Group marketing of weaners has made rapid strides in Wales over the last four years, much more so in fact than that of calves has done. Between 1963 and 1967 the number of weaner groups was more than trebled (from 6 to 19) and their total turnover was also approximately trebled from about 1,000 to nearly 3,000 animals per week. The value of their total turnover in 1967 was just over £1 million. Membership between these years increased from 315 to 1846. On the basis of the official June figures for the breeding herd in Wales, and if we assume (a) that there is an output of 15 weaners per sow and (b) that three-quarters of the output of weaners in Wales are marketed (the other quarter being kept for fattening on the farms), then group marketing would have accounted for about 37 per cent of the total sale of weaners in Wales in 1967, compared with just over 10 per cent in 1964.

No new calf marketing groups have emerged since the setting up of Welsh Calf Suppliers, Ltd., in 1963 and Livestock Producers (Wales) Ltd., in 1964. The total value of the turnover of these two groups has reached almost £0.5 million, and their total membership is about 1,300. It is thought that the two Welsh calf groups, together with the Select Calf Producer Group at Shrewsbury, handle about 20-25 per cent of all 4-14 day-old calves marketed in Wales.

Anglesey Quality Pig Producers' Society

It is necessary at this stage to pay attention to one weaner group in particular: namely, the Anglesey Quality Pig Producers' Society. In due course, this society has come to incorporate both a weaner-marketing group and a bacon-producing unit. All the weaners that cannot be absorbed into the finishing unit are sold to the F.M.C. and to finishers. The setting up of both the weaner-marketing and the bacon-producing sections was the result of

many factors. In the first place, Anglesey was traditionally a weaner-pig exporting area, where pig producers had latterly become keenly aware of the relatively low prices they were paid for their weaners by local dealers, owing partly to the poor quality of the animals themselves and partly to the unfavourable situation of Anglesey in relation to that of the finishing units and consuming centres. In the second place, much barley was being delivered from the county to Liverpool and Manchester only to be returned again, at a much higher price, as pig meal. Finally, the Milk Marketing Board Creamery at Llangefni had surplus milk available for disposal.

It was the society's original intention to set up a 1,000-pig fattening unit; but such was the enthusiasm of farmers in the area and the interest shown by the M.M.B. that in fact a two-tier company, known as the Anglesey Quality Pig Marketing Company, was set up jointly by the Society and the M.M.B. with the object of operating a 4,000-pig fattening unit and of marketing members' weaners. The society and the M.M.B. have each contributed £25,000 towards the financing of the scheme, and about 350 farmers now market about 25,000 weaners annually through the society. Its annual output of bacon pigs is about 10,000.

THE EFFECTIVENESS OF CALF AND PIG-WEANER GROUPS

The effectiveness of group marketing must be measured by the extent to which it achieves its objects. Its primary object is to sell members' products on the best financial terms possible: i.e. to increase their net income. If this is to be done, the prices realised for weaners and calves by group marketing must be generally higher than those realised in auction markets, and must show less periodic fluctuation. There must also be regular outlets for a regular supply of animals. Group officials obviously serve as a link between group members (producers) and purchasers (usually feeders), and can thus plan joint production programmes amongst members, negotiate contracts with purchasers, and convey to the former information as to the exact needs of the latter, in terms of type of animal, acceptable prices, etc. It is therefore another objective of group marketing to ensure a regular supply of animals of a high standard of health and quality.

Weaner Groups

Prices :

The prices paid by individual groups for a 50 lb. weaner were compared with those obtained for weaners of 8-10 weeks (i.e. approximately the same weight), for the first week in each month in 1967, in various auction markets. These prices are shown in the charts on pages 94 and 95. The most striking feature of these charts is the relative uniformity in the pattern and stability of group prices compared with the frequent and sometimes violent fluctuation in market prices for weaners. In fixing prices in advance over a period of three

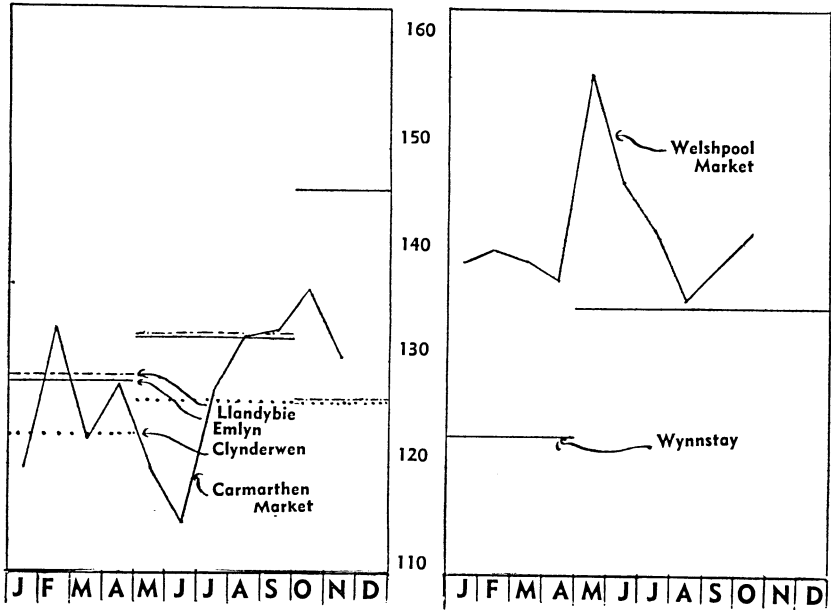
to five months, the groups have provided a level of price stability previously unknown to the weaner trade in Wales. This must stand as the primary achievement of these groups. To know in advance what is in effect a guaranteed price over a period of from three to six months is obviously a tremendous advantage to the producer: he can now plan ahead, willingly agree to maintain the size of his breeding herd, and thus supply a reasonably consistent flow of weaners to the group. But the system obviously benefits the purchaser as much as it does the producer, for the former too can now plan ahead with more certainty, knowing exactly how much he will have to pay for his weaners and roughly how many of them will become available to him.

With regard to the prices paid to producers by their groups compared with those they would have realized in the auction markets, it appears that, in relation to weighted annual market prices, some producers have benefited whilst others appear to have sold at a disadvantage. Thus, of the three groups situated within about 20 miles of Carmarthen, one paid a slightly higher average price per 50 lb. weaner than those recorded in the auction market, whilst the other two paid slightly less. The average price for Wynnstay Quality Pig Group was only 131 shillings per 50 lb. weaner, whereas that for the auction market was 143 shillings. On the other hand, the groups in Anglesey and South Caernarvonshire paid average prices per 50 lb. weaner of 126 and 129 shillings respectively, compared with one of only 114 shillings at Llangefni market. These comparisons serve to illustrate another aim of the Quality Pig Federation of Wales: namely to bring about greater uniformity in weaner prices throughout the principality. The Federation periodically advises groups as to the minimum prices they should charge and this policy has achieved a high degree of uniformity in prices as between groups. Average prices for individual groups in 1967 revealed only a 5-shilling difference per 50 lb. pig. Whilst group members in South and North West Wales seem to have benefited from higher prices than were obtainable in the market, those who would otherwise have sold their pigs at Abergele and Welshpool seem to have suffered in this respect—or so it appears from both 1966 and 1967 prices. It should be pointed out that the Wynnstay group was rather unfortunate in that it had negotiated a contract covering a period of twelve months and hence could not re-negotiate prices until May, 1967. On the other hand, a shortage of pigs pushed market prices to an exceptionally high level (even for the Welshpool market) in April, May and June, 1967. This caused the very wide difference between the average group price and the average market price for 1967. It speaks well for the group system and for the price stability it achieves that farmers, with very few exceptions, remained loyal to their group when in fact they might have obtained appreciably better prices in the auction market. It is fair to point out that prices in some markets may well have risen on account of

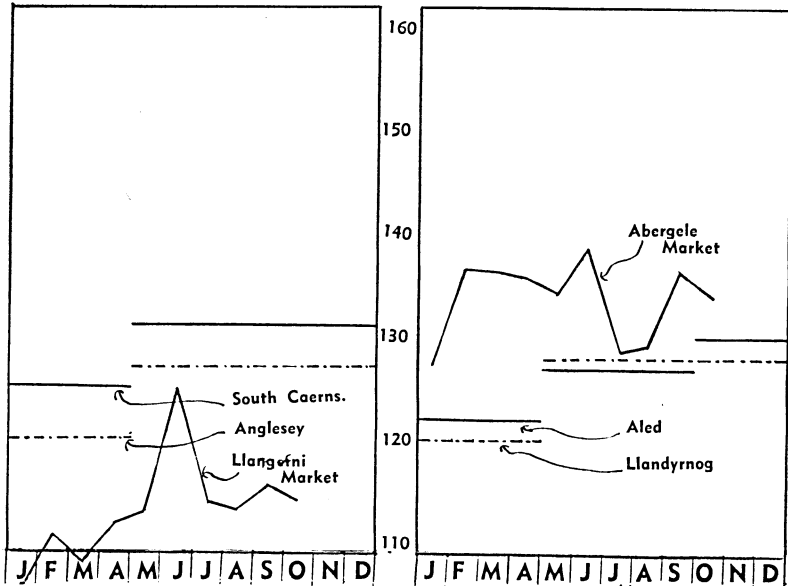
Monthly Market (weighted) Prices and Average Group Prices (in shillings) for a 50 lb. Weaner 1967

Group Prices represented by horizontal lines

Shillings

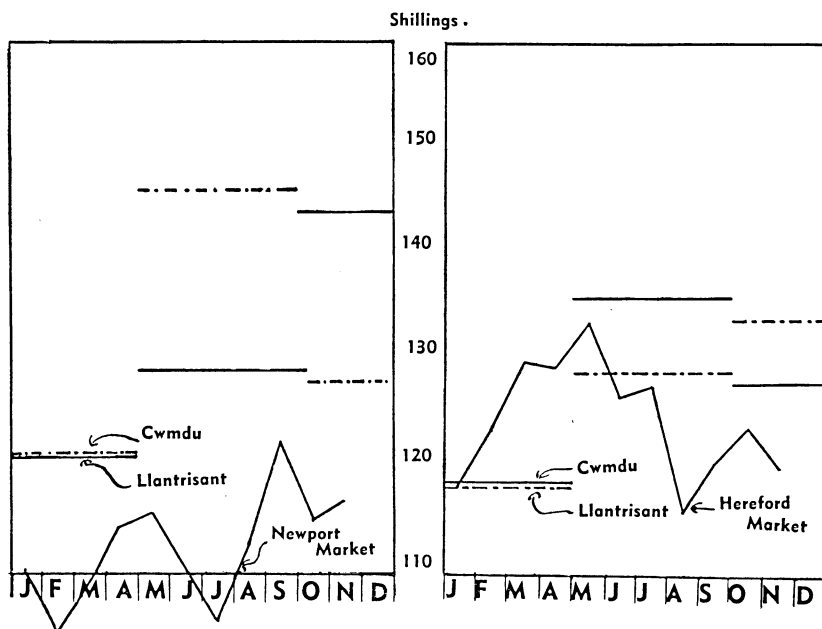


Shillings



Monthly Market (weighted) Prices and Average Group Prices (in shillings) for a 50 lb. Weaner 1967

Group Prices represented by horizontal lines



the weaner groups having caused a substantial reduction in supply of pigs to these markets.

Although the Q.P.F.W. advises groups on minimum prices, the latter negotiate the actual prices themselves, a fact which is of the utmost economic significance. It is important that prices should reflect the relative advantages which producers in various areas have in respect of transport costs, land values and the quality of their product.

Whilst it has not been possible to assess fully purchasers' views on group marketing, those expressed by two of them suggest a high degree of satisfaction with the group system.

Anglesey Quality Pig Marketing Society—Feeding Unit

With regard to the feeding unit of the Anglesey Quality Pig Marketing Society, its ultimate success must be measured largely by its general level of profitability and by the levels of interest and dividend it is able to pay its shareholders and pig-supplying members respectively. Since the feeding unit has been in operation only since early 1966, it is too soon to attempt to

measure its degree of success. It is at least encouraging that the unit has shown a modest profit during its first year in business and at a time when weaner prices were high and bacon prices low. It is expected to make bigger profits when market conditions become more favourable, as the quality of weaners improves and as the management gains in experience.

Other weaner groups, however, which may be thinking of setting up similar feeding units, would be wise to bear in mind both the high capital requirements of such a project and the special circumstances in which this unit in Anglesey was set up. The fixed capital requirements work out at £21 per pig per batch; and in this case, for reasons already mentioned, the Milk Marketing Board has provided half the initial share capital or about 30 per cent of the total fixed capital. The 350 pig-producing farmer-members own only £6,000-worth of shares (or £17 per member), compared with £19,000-worth owned by farmers who do not produce pigs. Whilst pig-producing members, since they benefit from weaner-prices, may be prepared to go without interest on their shares and dividends, the other farmer-members will soon expect a fair return on their capital. A sudden withdrawal of capital by non-pig-producing members would place the Society in a difficult financial situation. Since it may take some years before reasonable interest rates can be paid on share capital, with the consequent danger that appreciable sums may be withdrawn before adequate reserves can be built up, it is imperative that pig-producing members should appreciably increase their shareholding. The minimum level of profit which can satisfy the needs of shareholders, reserves and trading members is considered to be 5 per cent of turnover: i.e. about £6,000 on a turnover of £125,000.

Calf Groups

It is not possible to make an accurate comparison of prices paid by groups in Wales with those realised in auction markets. The managers of two Welsh calf groups stated that in general the prices they paid compared at least favourably with those obtained in the open market. Since groups pay on a weight basis, however, it is likely that calves of exceptionally good potential would fetch more at auction than by group marketing.

Prices are settled only a few weeks in advance. Both the supply of and the demand for calves, in total and by category, vary appreciably seasonally and from year to year so that advance price-fixing and the organising of supplies is rather more difficult than with weaner pigs. Although members are informed of the prices at least a week in advance, group organizers try not to make substantial changes more often than four times annually. Whilst the actual prices realized through group marketing are probably only marginally, if at all, better than those obtained through auction marts, the rather greater stability and the assured market offered by the groups is obviously attractive to an increasing proportion of Welsh calf producers.

Marketing of Lambs

It is noteworthy that two fat-lamb marketing groups were formed in mid-1967. Whilst it is too soon yet to judge the degree of success or otherwise they are meeting with, it is hoped that these are the first of many more such groups and that their formation marks the beginning of a more successful era of the fat lamb marketing in Wales.

CAPITAL STRUCTURE AND CREDIT SITUATION OF PRODUCE SOCIETIES

Capital Structure :

In comparison with requisite societies, marketing societies in general have a much healthier capital structure. Thus, as was shown in Chapter 2, 72 per cent of all the capital employed by 18 marketing societies in 1965 was owned by the society, in contrast to a figure of only 34 per cent for the requisite societies; loans represented only 1.5 per cent and current liabilities only 27 per cent of total liabilities, compared with 13 and 53 per cent for the requisite societies.

Whereas for the requisite societies, taken as a whole, share capital accounted for just over one-fifth of total capital and reserves and undistributed surplus for only 12 per cent, the marketing societies generally showed corresponding figures of 50 and 22 per cent.

The produce societies employ more capital resources in relation to their turnover than do the requisite societies: e.g., the turnover of total capital in 1965 was 4.9 for produce societies compared with 11.9 for requisite societies. The amount of capital employed in relation to turnover naturally varies according to the type of business that societies conduct. Hence it is highest for the dairy societies, with all their buildings, processing equipment, transport vehicles, etc.; it is also high for the woodlands societies, which have much capital tied up in land, equipment, and stocks (of young trees and cut timber), and for the poultry and egg packing stations.

Credit and Credit-Worthiness

As was demonstrated in the case of the requisite societies, the ratio of trade debtors (accounts receivable) to (a) trade creditors and (b) trade creditors and bank overdraft gives an indication of the cost of credit. The dairy societies maintained a stable and fairly healthy relationship between debtors and creditors over the decade, but they have tended to seek more credit from their supplier, the M.M.B., rather than to run larger overdrafts.

Since their customers have been increasingly slow in paying their bills, the livestock marketing societies have had to run larger bank overdrafts and incur higher financial charges over the decade; and the woodland societies have experienced a similar set-back, especially since 1960.

The West Wales Egg and Poultry Society faced a further deterioration in its credit situation between 1960 and 1965, a fact which no doubt contributed to its liquidation in 1966.

With regard to their liquidity, the produce societies as a whole are again in a

Table 2

**OWN CAPITAL, CREDIT WORTHINESS, AND RETURN ON CAPITAL
PRODUCE SOCIETIES**

	<i>Share Capital per Member</i>	<i>Share Capital: Total Liabili- ties</i>	<i>Own Capital: Total Liabili- ties</i>	<i>Turn- over of Capital</i>	<i>Current Assets: Current Liabili- ties</i>	<i>Liquid Assets: Current Liabili- ties</i>	<i>Trade Debtors: Trade Credi- tors</i>	<i>Trade Debtors: Trade Credi- tors and Bank Overdraft</i>	<i>Trade Credi- tors: Bank Overdraft</i>	<i>Profit as per cent of Share Capital</i>	<i>Profit as per cent of Owned Capital</i>	<i>Profit as per cent of Total Capital</i>
1965												
Dairy Societies	167.2	0.5:1	0.8:1	3.3	2.2:1	1.2:1	1.1:1	1.0:1	10.2:1	20.0	14.0	10.7
Livestock Marketing	62.4	0.5:1	0.8:1	13.7	1.4:1	1.4:1	18.4:1	1.0:1	0.1:1	22.7	13.4	11.0
Poultry and Eggs	N/A	0.3:1	0.3:1	4.6	1.0:1	0.9:1	0.8:1	0.4:1	0.8:1	54.9	54.9	18.7
Woodlands	47.6	0.4:1	0.5:1	3.5	1.8:1	1.7:1	5.3:1	1.8:1	0.5:1	- 4.7	- 3.4	- 1.8
1960												
Dairy Societies	112.3	0.5:1	0.7:1	3.9	1.8:1	1.3:1	1.1:1	1.0:1	13.7:1	31.4	21.1	15.3
Livestock Marketing	60.3	0.4:1	0.5:1	8.9	0.9:1	0.9:1	14.4:1	0.6:1	0.1:1	17.4	12.9	6.9
Poultry and Eggs	5.9	0.3:1	0.5:1	8.3	1.3:1	1.2:1	1.0:1	0.7:1	3.6:1	- 39.8	- 29.0	- 13.9
Woodlands	59.1	0.4:1	0.5:1	2.8	2.0:1	1.6:1	1.0:1	0.9:1	11.9:1	- 6.5	- 5.2	- 2.7
1955												
Dairy Societies	69.3	0.5:1	0.6:1	4.7	1.3:1	1.1:1	1.1:1	0.9:1	6.0:1	21.4	16.7	9.8
Livestock Marketing	72.6	0.5:1	0.6:1	10.5	1.0:1	0.9:1	4.3:1	1.0:1	0.3:1	18.0	15.4	9.6
Woodlands	57.9	0.4:1	0.6:1	1.7	1.6:1	1.2:1	1.6:1	1.1:1	2.2:1	Negl.	Negl.	Negl.

much healthier state than the requisite societies and, in this respect, they have gained in strength over the decade.

The very fact that each of the main types of society owns a relatively high proportion of the capital invested in its business means that they all incur lower credit charges. It also means that they are much more credit-worthy and are in a better position to attract borrowed capital for expansion, if and when such a need arises.

CHAPTER 6

THE WELSH AGRICULTURAL ORGANISATION SOCIETY

Objectives

The W.A.O.S. was formed in 1922 as the central body for the promotion and organisation of agricultural co-operative activities in Wales. Until 1967 its objectives, as laid down in its Register of Rules in 1945, included an advisory function as a disseminator of technical and other information relating to both the production and the business side of farming and of rural industries. It has not, however, at any time been active in this field because it was already very adequately covered by other organisations including the N.A.A.S., the Universities and commercial concerns. The energies of the W.A.O.S. have in the main been directed, first towards promoting co-operative action amongst farmers in the marketing of their products and in the purchasing of their production requisites, with all that this entails in the form of organisational and business advice to co-operative societies, and secondly, towards safeguarding the interests of the agricultural co-operative movement through providing adequate representation in discussions with Government Departments, Marketing Boards, the C.W.S. and other organisations.

Recent Government legislation on agricultural co-operation led the Society to examine once more its objectives and in 1967 the Council of the W.A.O.S. restated these in somewhat amended, and certainly in more specific, terms. Its objectives are now :—

- (a) " to organise, promote, encourage, develop and co-ordinate co-operation in agriculture in Wales, including co-operation and mutual assistance in production, storage, preparation for market, marketing, transport, the provision of buildings, equipment, supplies, and services for farmers and other producers, research and other incidental activities" ;
- (b) " to spread information among producers about the principles and methods of co-operation in the supply of the requisites and in the production and marketing of the produce of agriculture" ;
- (c) " to conduct research, study, and experiments directed to finding, evaluating and applying new or untried ways of applying such principles and methods, and to publish the results of the research, study and experiments" ;

- (d) " so far as may be necessary or expedient for the accomplishment of the aforementioned objects, to carry on the trades and business of accounts, auditors, book sellers, commercial and general agricultural advisors, and publishers."

Organisation

The W.A.O.S. is a purely advisory body with no powers of compulsion over its members, who comprise nearly all of the agricultural co-operative societies in Wales. Its policy is formulated and controlled by a Council of 36 members, three-quarters of whom are elected by and represent individual societies or specialist groups of societies, the remainder being appointed by other agricultural organisations such as the National Farmers' Union, the Young Farmers' Movement and the Royal Welsh Agricultural Society. The Council delegates detailed matters of management to a Management Committee of eight. As at June, 1968, the Society employed a permanent staff of twelve persons consisting of :

- one Director
- one Senior Executive Officer (part-time)
- three Executive Officers
- one Office Manager
- one Debt Collecting Officer
- one Public Relations Officer (part-time)
- four clerical and secretarial staff.

All but one of the directing and executive staff possess academic or professional qualifications at least equivalent to a university degree.

Membership

Approximately 95 per cent of Welsh agricultural co-operatives are affiliated to the W.A.O.S., a proportion which is higher than that achieved by the central organisation in any of the other countries of the United Kingdom.

The Activities of the W.A.O.S.

The activities in which the W.A.O.S. has hitherto been engaged fall into three categories : the *promotion* of agricultural co-operation, the *representation* of co-operative societies in their dealings with various outside bodies and organisations, and the *servicing* of societies.

Promotion

The W.A.O.S. assists the development of agricultural co-operation by providing various kinds of assistance to Welsh farmers who wish to combine for their mutual benefit. Thus it will help to determine the feasibility of

setting up new societies and will assist in their registration and in their mutual organisation. It will consider whether it is advisable for societies to undertake new kinds of business and will help in bringing about co-operation between societies for the bulk purchase of supplies and other activities. It constantly examines new ways of applying co-operative principles in agricultural marketing and advises farmers accordingly.

Between 1954 and 1960 it assisted in the setting up of egg-marketing societies, several suckled calf marketing societies, and nearly 50 rabbit-clearing societies. Since 1963 it has taken a very active part, with the N.A.A.S., in setting up young calf and weaner-pig groups. No fewer than 19 of the existing 22 weaner-pig groups in Wales were instituted by, and one is still serviced by, the W.A.O.S. It was on the initiative of the W.A.O.S., too, that the Quality Pig Federation of Wales was set up. An indication of the degree of success achieved so far by calf and weaner groups was given in a previous chapter.

The setting up of new marketing societies and groups, and the attention they demand in the initial stages, have unavoidably taken up a rather disproportionate amount of W.A.O.S. time over the last 10-12 years.

The W.A.O.S. co-operated with the N.F.U. in the establishment of County Syndicate Credit Companies, a much needed arrangement whereby members can borrow specified sums from Barclays Bank with the security provided by the N.F.U. In 1962 the W.A.O.S. founded the Accounts Services Ltd., which operates as a debt-collecting agency for agricultural co-operatives and which is self-financing. Finally, two early potato societies and one minor society for the improvement of common and hill land were formed in 1963.

The W.A.O.S. deserves credit for the fact that none of the co-operative societies it has helped to form during the past ten years has failed. They have, however, met with varying degrees of success. The most successful are the weaner-pig groups and the suckled-calf societies. The Credit Companies are operating successfully, and Accounts Services Ltd. is proving effective—it recovered debts amounting to about £120,000 from its commencement in 1962 to the end of 1967.

There are occasions when the W.A.O.S. has to advise against the setting up of new societies, e.g., where a new weaner group is proposed for an area which can be serviced by an existing group. In that no areas are outside the operating radius of an existing society it always advises against the setting-up of new requisite societies.

It has encouraged joint action by societies and some progress has been made in this direction over the last seven or eight years.

It has paid considerable attention to the need for rationalizing the structure of co-operative marketing of farm supplies and has published several reports on the possibility of merging small societies in certain areas.

Finally, it organises symposia and lecture courses for the societies' managers and members of their staffs.

Representation

The W.A.O.S. represents the Welsh agricultural co-operative movement in consultations with Government Departments and other institutions and prepares evidence and information as necessary or as called upon in connection with a wide range of enquiries. As an example, the Select Committee on Agriculture recently requested and was provided with a memorandum on the effects on agricultural co-operatives of Britain's entry into the European Common Market. Again, in 1959-60 it negotiated with the Egg Marketing Board for a change in the system of allowances for egg-packing stations and it has frequently represented the interests of individual societies in disputes that arise between themselves and other bodies. In 1966 and 1967 the W.A.O.S. was largely concerned with the (then) Agriculture Bill and its possible effects on the agricultural community and upon the responsibilities of the W.A.O.S. It made representations at meetings of the Federation of Agricultural Co-operatives (in Britain and Ireland) and discussed with M.P.s the contents of the Bill, certain points of interpretation, and the likely effects of the establishment of the Central Council for Agricultural and Horticultural Co-operation on agricultural co-operation in Wales and on its own functions.

Services

The duties of the W.A.O.S. which fall into this category include :—

1. Attendance by one or more of its representatives at societies' annual general meetings, to discuss past performance and future plans and to provide general assistance.
2. Assistance and advice to societies on the appointment of managerial and executive staff.
3. General advisory work (e.g., on the keeping and analysis of accounts, on legal matters, on the feasibility of new projects, on the best method of setting up a new society, etc.).
4. Publication of a quarterly journal, " Farmer Business in Wales ", which first appeared in 1966. The journal serves as a means of expressing the views of agricultural co-operatives and keeping them informed on matters relating to co-operative business. In addition the W.A.O.S. aims at projecting the correct image of

the co-operative movement and of itself to the general public. It was partly for this purpose that a part-time public relations officer was appointed fairly recently.

The effort to serve co-operative societies has not invariably met with the response it deserves. In 1959 the W.A.O.S. appointed a work study officer to work on a fee-paying basis on the problems of individual societies. The demand for his services at five guineas a day was most disappointing and when he left for another post the vacancy was not filled.

Criticisms

It is clear that agricultural co-operative societies generally place a high value on work done and services provided by the W.A.O.S. This does not mean, however, that its advice is always acted upon, especially if acceptance involves radical changes. Whereas, for example, societies may be prepared to amend their rules, or to introduce a new system of accountancy, they are much less prepared, as the record shows, to consider far-reaching recommendations concerning the reorganisation and amalgamation of societies.

However, although there is no widespread and deep dissatisfaction with the W.A.O.S. among agricultural co-operatives, it is not entirely free from criticism and some co-operative society managers and others believe that it could be better. The most commonly voiced criticisms were :—

1. The W.A.O.S. was too eager to start new ventures without fully assessing the prospects and without providing adequate guidance and shepherding in the initial stages.
2. The W.A.O.S. should keep co-operatives better informed on market conditions.
3. The W.A.O.S. should provide a better general information service—translating into simple language, for example, new statutory regulations and other developments concerning co-operative business.
4. The W.A.O.S. should exercise more authority and initiative and do more advisory work based on detailed management and business analysis than it does now : in the words of one manager " it should attempt to do more than turn up at societies' annual general meetings ".
5. The staff of the W.A.O.S. were not qualified to give detailed management and commercial advice.

6. The W.A.O.S. were not sufficiently involved in the business of co-operation—it should be organised to buy in bulk on behalf of requisite societies.

It has proved difficult to assess the degree of justification for these criticisms. The simplest to deal with are those concerned with the exercise of authority and the proposal that it should be a trading body buying in bulk for requisite authorities. The fact is that by its very nature the W.A.O.S. has no authority in the sense of having a right to impose its will upon independent co-operative societies, and clearly as it is now constituted it is not an appropriate body to engage directly in co-operative trading. It is obviously intended as, and is, an institution for the provision of services and advice. Its authority will depend, therefore, solely on the quality of its service and advice and on the vigour with which it performs its duties. It may be that in both respects the W.A.O.S. has fallen short of the ideal but in at least one respect it operates from a position of weakness. In so far that its service or advice is unpalatable to an individual society and causes discord, then the individual society can retaliate by withholding affiliation fees. This has been known to happen. The possibility of loss of income may well cause an undue degree of discretion and too mild an attitude in the performance of its functions.

The other criticisms are largely concerned with the scope and nature of the services which it renders and to a large extent these are determined by the finances at its disposal.

Finances of the W.A.O.S.

Up to 1968 the W.A.O.S. has been financed by affiliation fees paid by societies, by grants from the Ministry of Agriculture, by a subscription from the N.F.U. and by occasional grants from other organisations (e.g., A.M.D.E.C.) for special purposes. Income has not remained stable for any length of time. In the 1950s the Ministry of Agriculture paid a deficiency grant which represented the difference between the Society's budgeted expenditure and its income from other sources. Subsequently the Minister took the view that the W.A.O.S. should become more self-supporting and that assistance should be related to the degree of self-help exhibited by the co-operative movement—grant was paid at a rate of £0.75 or £0.875 per £1 of income derived from affiliation fees. From 1965 to 1967 the Ministry virtually marked time awaiting the passage of the 1967 Agriculture Act and the provisions it contained for dealing with the development of agricultural co-operation. The scale of affiliation fees paid by societies remained unchanged at 10 shillings per £1,000 turnover, at least since 1957, despite the gradual increase to £1 recommended by the Organisation and Method Review of the W.A.O.S. carried out by the Treasury in 1957. The W.A.O.S.

Council took the view that societies could not be expected to accept an increase in affiliation fees during a period of falling profits and the only change introduced was to increase the maximum affiliation fee—paid only by the largest societies—to £300.

The following statement relating to 1967 indicates the structure of W.A.O.S. expenditure and income.

INCOME AND EXPENDITURE ACCOUNT 1966 AND 1967

<i>Expenditure</i>		<i>Income</i>			
1966		1967	1966	1967	
£		£	£	£	£
12,172	Salaries and Wages	13,585			
2,738	Staff Expenses	2,231		Fees & Subscriptions :	
1,064	Stationery & printing	1,150		Affiliation Fees	7,794
	Postages, etc.			Earned Fees	1,595
812	Telephones, etc.	770	9,693	N.F.U.	500
1,666	Other expenses	1,475		Individuals	112
				—	10,001
			6,000	Block Grant (M.A.A.F.)	6,000
			2,360	A.M.D.E.C. Grant	2,832
			399	Other	378
<u>18,452</u>		<u>19,211</u>	<u>18,452</u>		<u>19,211</u>

The Central Council for Horticultural and Agricultural Co-operation

As provided for in the Agriculture Act 1967 the agricultural ministers set up in the autumn of 1967 the Central Council for Horticultural and Agricultural Co-operation. Briefly the functions of the Council are to promote, develop and co-ordinate co-operation in agricultural and horticultural production, storage and marketing ; to encourage research study and experiments directed towards finding and evaluating new and untried ways of developing co-operation in production and marketing, to publish the results of research studies and experiments and to disseminate among producers the principles and methods of co-operation.

The Council must put itself in a position to advise the Minister on all matters relating to co-operation in Agriculture and Horticulture and it will administer grants made available by the Government for a wide variety of co-operative purposes. Wide as the functions of the Council are, however, the assistance that it is empowered to give to existing requisite societies is extremely limited—it is confined to a contribution towards the cost of conducting feasibility studies connected with the possible extension into new fields of their co-operative activities.

The Central Council and the W.A.O.S.

The establishment of the Central Council for promoting and developing agricultural co-operation in the United Kingdom and as the sole administrator of Government funds for co-operative purposes clearly had important implications for a body such as the W.A.O.S.—implications both in respect to its functions and its finances. In response to a memorandum submitted by the W.A.O.S. to the Central Council, and after discussion between the Council, the W.A.O.S., and the N.A.A.S., an interim agreement was reached relating solely to the financial arrangement and a programme of work to be carried out by the W.A.O.S. as agent for the Council in the year 1968/9. Provision was made for the position to be reviewed in October 1969, when consideration could be given to negotiating appropriate longer term arrangements. The agreement is shown as Appendix 3 to this report.

For the want of any better guide it has been assumed, for the purpose of this report, that the long-term relationship between the Council and the W.A.O.S. will follow broadly the lines suggested by the interim agreements. These are that whereas the ultimate responsibility for the promotion and extension of agricultural co-operative activity will rest upon the Central Council it will nevertheless choose to make full use of the expertise, local knowledge, and goodwill accumulated over the years by the W.A.O.S. In consequence the W.A.O.S. will continue, as in the interim arrangement, to act as the agent for the greater part of the promotion and development work to be carried out and will advise the Council on co-operative matters in Wales. It is also assumed that promotional and development work will be financed by funds made available by the Council on a mutually acceptable scale and will be fixed for periods of time sufficiently long to provide the degree of stability and confidence necessary to allow effective programmes of work to be developed. There is little doubt that the year-to-year financing and variations in the amount of grant which was a feature of the past was not conducive to high morale and initiative. It seems essential that grants should be fixed for not less than three-yearly periods.

On the assumption that the Central Council grants to the W.A.O.S. and the sums which the Council will itself spend in Wales on promotion and development will be fully adequate to the work that needs to be done, the remainder of the W.A.O.S. income, consisting almost entirely of affiliation fees, should be available for the provision of services to existing and established societies. The nature and extent of these services will depend upon the amount of other income available and the extent of the services which are required.

Affiliation Fees

As stated earlier the scale of affiliation fees has remained constant at 10 shillings per £1,000 turnover for a number of years though the maximum contribution has been increased to £300 for any single society. Taking

into account the operation of the provision for a maximum contribution and the non-payment of fees by some societies the effective rate has been somewhat lower. In 1966/7 the effective rate of affiliation fee was £0.413 per £1,000 turnover. Even so this rate was higher than the rates of fees paid to the corresponding Central Bodies in England and Scotland which were £0.113 and £0.071 per £1,000 turnover respectively in 1966/7.

Accepting the proposition that affiliation fees should in principle be devoted to the provision of services to existing societies it is not easy to arrive at an unequivocal recommendation as to the appropriate rates. On the basis of the best estimate of time and resources devoted to the different categories of W.A.O.S. activity, it would appear that rather less than half, say, 45 per cent, was devoted to promotion and extending the co-operative ideal. The remainder, about 55 per cent of the total resources, was absorbed by representational work (20 per cent) and services to individual societies (35 per cent). In round terms this meant that representational and other services to existing societies in recent years accounted for an expenditure of about £10,000 a year, of which representational services would absorb £2,000 and direct services about £8,000.

There is a fundamental difference between the representational and direct services performed by the W.A.O.S. The representational functions are performed on behalf of the co-operative societies as a whole and to the extent that the larger societies have more to gain or lose from efficient representation than smaller societies, it is reasonable to expect them to pay in proportion to their size of business.

The direct services performed by the Society are, however, performed for individual societies and the extent to which any individual society benefits depends upon the extent to which they make use of the service; and this varies greatly. In general it is the societies in difficulties, and this generally means the smaller societies, who seek most assistance from the W.A.O.S. The kind of assistance sought reflects their inability to obtain from within their own staff the kind of expertise needed for the conduct of modern business—assistance, for example, in the keeping and presentation of accounts, in obtaining additional capital and in staff selection and so on. In so far that they are the smaller societies they also make the least contribution to W.A.O.S. funds. There is, therefore, an element of subsidisation of the weaker by the stronger societies. In principle subsidisation of the weak by the strong is in accord with the ideals of the co-operative movement. In practice, however, and in the circumstances of agricultural co-operation in Wales many of the larger societies have displayed some discontent with the situation as it exists and it would seem that this discontent is justified. It is argued that assistance would be justified to co-operatives operating in unfavourable conditions and in areas which could not be serviced by other stronger or more efficient societies. This, however, is rarely the case. Indeed, in most instances the

services of the W.A.O.S. are absorbed by societies established in areas and on a scale where they are unlikely to become viable and serve only to impede the progress and development of the more progressive and efficient societies. In this sense the support given by the W.A.O.S. to weak societies is in conflict with their policy of promoting amalgamation and a reduction in the number of societies.

The conclusion of this argument is that to the extent that affiliation fees are devoted to the provision of services, it is difficult to make a strong case for an increase in the rates of affiliation fees or in the maximum rate of contribution. If, however, a policy of amalgamation of societies were successful, then consideration would need to be given, at least, to an increase in the maximum contribution, and possibly also to the rate per £1000 of turnover.

Direct Services to Societies

It has already been said that most affiliated societies appreciate the work done for them by the W.A.O.S. but there was also a fairly general feeling that more could be done. Few were explicit, however, in making suggestions for improvement, but three possible lines of action have emerged.

The first suggestion relates to the field of management accounting. The impression gained in discussion with society managers was that the W.A.O.S. was reasonably competent in the provision of advice on every-day accountancy methods—advice which was also, of course, readily available from professional accountants in the areas of the societies concerned. On the other hand, management advice based on detailed analysis of the business, advice on such matters as cost control, budgeting, transport management, pricing policy, etc., was not readily available, nor did the W.A.O.S. appear adequately equipped to give such advice. Among the more progressive societies the lack of advice was clearly recognised.

The second suggestion relates to the application of work study to the problem of improving working methods and labour productivity. This field is not new to the W.A.O.S. since for a time a work study officer was engaged and his services were hired out to societies. The service was discontinued, however, after a very short period. Despite this discouraging experience the need for such a service exists. The variation in labour efficiency, which the analysis of the records set out in earlier pages discloses, is adequate proof of this. It is possible that the previous venture failed because of inadequate preparation of the ground. Despite the fact that work study has been employed as a tool of management in many industries in this country for forty years or more, it is still mistrusted, largely because its objectives are misunderstood. These must be clearly explained both to management and workers if it is to be successfully employed. It is suggested that the W.A.O.S. should explore ways of reintroducing this service after carefully preparing the ground in consultation with individual co-operative managers. In the first instance it

might be sensible to organise two- or three-day appreciation courses in work study for managers and supervisory staff. One possibility would be to arrange for a suitable educational institution to provide these courses.

The third suggestion concerns sales promotion. To a large extent societies do not seek increases in sales through attracting additional members. In this respect they play a passive role. The tendency is to wait for the approach to be made by farmers wishing to become members rather than to go out to canvass in order to get new members. Canvassing campaigns should be organised on a systematic and periodic basis and sales with non-members should be stimulated by advertising in the local press or through any other media which might be available. The W.A.O.S., if it could acquire suitable expertise in this field, could be of great assistance to individual societies in mounting sales promotion programmes of this kind and perhaps, too, in stimulating supplying manufacturers to act in concert with societies in a joint approach to this kind of activity.

The affiliation fees at their present level would not allow the services outlined in the preceding paragraphs to be developed as a free service nor is it desirable that they should be free. The suggestion is that they should be provided on a fee-paying, self-supporting basis, but that the affiliation fees should serve as the "pump priming" fund necessary to meet expenses incurred in the initial development of the services.

Staffing and Organisation

It is not proposed to discuss in detail the staffing of the W.A.O.S. but some general comments can be made. First, in relation to the work to be done the staff of the W.A.O.S. is small, but perhaps more important than this, it tends to be non-specialist in character. Apart from one accountant and a part-time lawyer, the others by training and experience are more suited to employment in the tasks of promoting and developing the ideals of co-operation than in attempting to provide existing societies with specialist services. Secondly, the impression has been gained that the W.A.O.S., to some extent, has dissipated its energy by attempting to maintain too wide a contact with the co-operative movement in general. It seems unnecessary, for example, for the W.A.O.S. to attend annual general meetings of individual societies to the extent that they do, and it is suggested that in these matters they should be selective to the extent that they participate only in those activities of societies to which they can make an effective contribution. In this connection, too, the W.A.O.S. might consider the possibility of divesting themselves of the responsibility for organising meetings such as the regional conference of managers and placing the responsibility for this type of activity upon local secretaries elected from the ranks of co-operative society officials.

Thirdly, as a matter of staff organisation and of accounting practice a clear distinction should be made between work in development and promotion

and the provision of services to existing societies. In terms of staff this means that apart from the Director and the common clerical services, staff should be allocated exclusively to one or the other categories of work. In terms of accounting it means that expenditure on the different categories of work should be separately budgeted and accounted for, each category being kept within the financial provisions made. Thus promotion and development activity would be limited to the funds made available for this purpose by the Central Council for Agricultural and Horticultural Co-operation and direct services and representation provided to the extent made possible by revenue from affiliation fees and fees earned.

Finally, bearing in mind the varied and rather general nature of the duties of W.A.O.S. personnel, it has in the past succeeded in attracting persons of good calibre and this despite scales of salaries which compared unfavourably with those in other occupations requiring similar qualifications and qualities. Work in the co-operative movement has perhaps a special appeal to persons with a strong sense of vocation, but with co-operation coming to be regarded as merely a particular form of business organisation rather than a 'movement' this special appeal can not be relied upon in future. The ability of the co-operative ideal to survive will depend upon commercial success and, in this context, adequate salaries for the right persons will be essential.

CHAPTER 7

SUMMARY AND CONCLUSIONS

Requisite Societies

The typical Welsh requisite society is small, only 3 out of 38 have annual turnovers exceeding £1 million a year, only six exceed £0.5 million a year. Nevertheless the six largest societies do approximately half the co-operative trade in requisites in Wales, the other half is shared between 32 societies. The larger societies tend to be concentrated in the more intensive farming areas and provide a wider range of goods and services and achieve higher sales per member than the smaller societies. The geographical distribution of societies shows clearly that there is no clear demarcation of their spheres of operation and that territorially they overlap to a significant extent especially in those areas served by small societies.

The average capital invested per £100 turnover in 1965 amounted to £36 and £21 for requisite societies and marketing societies respectively. The corresponding figures for English societies at £30 and £19 were significantly lower. A substantial and increasing part of the capital is represented by credit provided by suppliers of goods.

In the ten years to 1965 but especially in the period 1960-1965 the profitability of the requisite societies deteriorated substantially from £4.2 to £100 turnover in 1955 to £1.2 in 1965—a drop of 71 per cent.

The deterioration in profitability has, in general, been common to all requisite societies except the very smallest, which have achieved economies by allowing farmers to collect their own purchases, and reducing services generally and thereby saving on labour costs. On the whole, the economic efficiency of labour utilisation declined badly over the decade, particularly in the large societies and must have been further adversely affected by the imposition of the Selective Employment Tax in 1966.

With their profits falling the societies have not in recent years been in a position to pay any real dividends. Of the 19 societies examined in detail 18 paid dividends in 1955 but only 9 did so in 1965 and the average dividend fell from 3.2 per cent to 1 per cent of turnover.

In attempting to explain variations in profitability a number of factors were examined in detail. These include gross margins, operational expenses credit charges and discounts and of course the size of societies. The gross margin, that is the difference between a co-operative's buying price and selling price, is important in determining the level of profitability. On the other hand, gross margins did not appear to be directly related to size of turnover but more to the composition of sales and purchases. The larger the proportion of sales consisting of machinery, implements, hardware and pharmaceuticals in relation to feed and fertilizers the higher the gross margin.

By virtue of this fact there is an indirect relationship with size in that it is the larger societies which can diversify their activities and can provide the necessary standard of services associated with machinery and implement sales.

Whereas there is a clear relationship between gross margins and profits, there was no such relationship between the level of operational expenses and profits. On the other hand there was a relationship between operational expenses and gross margins. The conclusion is that competition was not so severe as to prevent co-operatives from manipulating selling prices to cover high operational costs where these were concerned, and to that extent pressure to improve operational efficiency was reduced.

Management and labour costs varied considerably and nothing short of detailed examination of working methods of individual societies could explain them completely. It is clear, however, that co-operatives do not extensively employ work study methods to improve efficiency and that moreover management and labour costs do not vary closely with size of society, and, if anything, tended to be higher in the case of the larger co-operatives. The same tendency has been noted in English societies up to those with a turnover of £2 million a year. The salaries paid to managers varied even between posts of comparable responsibility but were generally lower than those recommended by the W.A.O.S.

Transport costs, because of varying methods of accounting, were difficult to examine, but societies did not generally systematically examine the relative merits of different possibilities and the way in which this problem should be approached is suggested in the report.

Although statistical analysis did not show a very strong relationship between the size of co-operatives and operational costs, in general the *average* figures for societies of different sizes suggest that such a relationship does exist. On the other hand, there was a very strong relationship between the size of branch establishment and operational costs and it is clear that many societies dissipate the advantages of scale by operating a large number of branches. The evidence shows that the smaller branches were often associated with areas of low farming intensity and low sales per member.

There are indications that the larger societies make the most efficient use of their capital resources but that, in general, the capital position of societies has deteriorated and that many of the risks of co-operative trading are borne by suppliers rather than by societies themselves. Efficiency in the use of capital as shown by turnover per £100 capital, the rate of stock turnover, and return on capital, has decreased.

Conclusions

(1) There are too many requisite societies (and there would be advantages in reducing their number and increasing their average size. The advantages would include :—

- (i) The avoidance of territorial overlapping and costly duplication of services.
- (ii) The ability to provide more comprehensive services to farmers and to trade in a wider variety of goods showing greater profit potential.
- (iii) The ability to attract and pay salaries appropriate to high grade management and sales personnel.
- (iv) The ability to adopt a greater degree of mechanical methods both in manual and clerical operatives and to make more effective use of transport.
- (v) The ability to make more effective use of capital.

On the basis of the examination of the performance of the Welsh societies and from what is known about the English societies it is proposed that an appropriate size of society would be one which had a turnover of the order of £1 to £2 million. It follows that, on the basis of co-operatives' present share of trade in farm requisites, despite the relatively unfavourable topographical conditions, Wales needs no more than nine societies.

For example, appropriate groupings for the purposes of amalgamation into nine societies could be as follows :—

					<i>Turnover—£ Million</i>
Group (1)	Pumpsaint	..	..	..	0.483
	Llangadog	..	..	..	0.090
	Llandyssul	..	..	..	0.217
	Llanybydder	..	..	..	0.104
	Newcastle Emlyn	..	..	..	0.414
	Vale of Teifi	..	..	..	0.206
				Total	1.514
(2)					
	North Cards	..	..	..	0.346
	Llanarth and New Quay	..	..	..	0.075
	Vale of Aeron	..	..	..	0.250
	Blaenpennal	..	..	..	0.213
	Llanidloes	..	..	..	0.134
	Dysynni	..	..	..	0.130
				Total	1.148

(3)	Trawsfynydd	..	..	..	..	0.108
	Talsarnau	..	..	..	..	0.024
	Dolgellau	..	..	..	..	0.065
	Hufenfa Meirion	..	..	..	..	0.070
	Llanfrothen	..	..	..	..	0.060
	Eifionydd	..	..	..	..	0.580
	Y Foel	..	..	..	..	0.420
						<hr/>
	Total	..				1.327
						<hr/>
(4)	Monmouth and Mid. Glamorgan	..			..	0.377
	Chepstow	..	..	..	..	0.430
	Pyle	..	..	..	..	0.028
						<hr/>
	Total	..				0.835
						<hr/>
(5)	West Brecon	..	..	..	..	0.615
	Hay-on-Wye	..	..	..	..	0.400
						<hr/>
	Total	..				1.015
						<hr/>
(6)	Vale of Clwyd		..	..	..	0.719
	Nantmachno	..	..	..	..	0.062
	Corwen	..	..	..	..	0.366
						<hr/>
	Total	..				1.147
						<hr/>
(7)	Wynnstay Farmers		..	..	..	1.133
						<hr/>
(8)	Clynderwen	..	..	..	..	1.238
	Crymmych	..	..	..	..	0.258
	Haverfordwest	..	..	..	..	0.425
						<hr/>
	Total	..				1.921
						<hr/>
(9)	Carmarthen Farmers		..	..	..	1.642
	Llanelli	..	..	..	..	0.259
	Pontarddulais	..	..	..	..	0.170
	Swansea	..	..	..	..	0.124
	West Glamorgan	..	..	..	..	0.036
	Ammanford	..	..	..	..	0.071
						<hr/>
	Total	..				2.302
						<hr/>

(2) The merging of societies needs to be accompanied by further rationalisation within societies to avoid the dissipation of economics of scale by the establishment of too many branches. Branches with a turnover of less than £250,000 should be very critically examined.

(3) The larger societies resulting from amalgamation should exploit fully the possibilities of diversifying and engaging to a greater extent in trading in goods and services offering the higher profit potentials. Such societies also consider the possibility of widening their gross margins on feed by installing their own milling and mixing equipment.

(4) In the larger establishments which would result from amalgamation and rationalisation of branch establishments working methods should be subjected to critical examination and modern methods of work study and management accounting should be applied.

(5) Efforts should be made to achieve a greater financial involvement of members in the affairs of societies by an all-out drive to increase share capital per member from the present very low average of £21 a member.

(6) Attempts should be made to arrest the increase in the volume of working capital required and the decline in the efficiency with which it is used by applying measures of credit restrictions and credit charges more rigidly and by closer control of stocks in trade.

(7) There is nothing in the present assessment of the performance of co-operative societies which conflicts with the findings of the Maxwell Stamp report that the funds at the disposal of the societies at present are inadequate to finance new developments. On the other hand it is a firm conclusion that it would be unwise to invest any substantial additional amounts of either public or private funds unless at the same time the proposals for mergers and rationalisation were carried out.

(8) Finally the preparation of this report has pinpointed many weaknesses in the accounting practices of societies. Much of the report is based on the material contained in AR 17 submitted annually to the Registrar of Friendly Societies, but a great deal more was obtained from two questionnaires submitted to managers. Many societies failed to supply all the facts for which they were asked, in particular details of the sales and purchases of individual items of merchandise. There was also much inconsistency in the way in which certain data were recorded. Whilst in most cases the cost of hired transport, for example, was added to the purchase price of goods, in others it was added to motor expenses incurred on the society's own vehicles.

Again, while the value of sales for most societies included the credit charge, and the cash discounts allowed were shown as expenditure, on some forms it was the net sales figure that was given. Finally, it was surprising to find how many societies could not confidently provide the half-yearly value of stocks, the half-yearly sales and amount of the debts owed to and by the society.

Much of the inadequacy and inconsistency in the methods of recording the information on form AR 17 was due to the varying standards and requisites of different auditors. It is recommended that societies should adopt a common form and common conventions in their accounting. This is a sphere in which the W.A.O.S. is well placed to assist.

MARKETING SOCIETIES

Co-operative marketing societies have experienced contrasting fortunes over the past decade or so. Dairy societies have shown reasonable profits, livestock marketing and woodland societies very meagre ones, and the two poultry and egg societies in existence until 1965 met with increasing financial difficulties. Taken together, their capital structure is much healthier than that of requisite societies, but their credit situation has deteriorated and, although they are not in immediate danger, this aspect of their business needs careful watching.

Co-operative societies market only a very small proportion of Welsh farm output and have ample scope for expansion. As they are subjected to increasing economic pressure, farmers are likely to be more concerned with, and will wish to exert more control over, the marketing of their products. Moreover, the fact that the government is now prepared to give financial assistance for this purpose should provide further impetus. It has to be remembered, however, that differences in the relative importance of the various products and the effectiveness of other existing forms of marketing mean that co-operative methods cannot be applied in the case of all commodities with comparable ease and success.

Dairy Societies

Three of the four dairy societies in existence in 1965 were established when milk production was first introduced into, what were at that time, traditionally livestock rearing areas. They were set up through the initiative of local farmers and the W.A.O.S. The Milk Marketing Board, which had then been in existence for only a few years and was committed, in its written constitution, to the encouragement of co-operative marketing, raised no objection to the establishment of these societies. The decline in milk production in this part of Wales during recent years has induced one of these creameries

(Hufenfa Meirion) to sell its collecting and manufacturing business to Northern Dairies and to concentrate on milk retailing and the sale of farm requisites. The other dairy society, a retail business in Cardiff, which is not truly a farmer's co-operative, was set up in the early post-war years and is operating very successfully. Since its establishment in 1933 the M.M.B. has absorbed several co-operative creameries, partly because they could not raise the capital to install the processing equipment necessary to meet the increasing flow of milk and the high standards of hygiene of modern times, and partly because of the pressure to rationalise transport arrangements which existed during the war years.

The conclusion is that with the present pattern of collecting, processing, and distribution so well established under the auspices of the M.M.B., any further co-operative arrangements would be superfluous.

Livestock Marketing

It is estimated that the co-operative marketing of livestock in Wales was approximately doubled between 1955 and 1965, but even so it accounts for less than 5 per cent of the total trade in livestock. Finished animals—beef, pigs and sheep—are far less important in Welsh markets than are store animals and dairy cattle. The principal methods of marketing livestock in Wales are through auction marts and private dealers. As far as store stock are concerned, these methods have three inherent weaknesses :—

- (1) They are not effective in regulating the flow of animals on to the market.
- (2) In consequence they do not bring about stability of prices and supplies which is important to both rearers and feeders.
- (3) They tend to create a barrier between the seller and final buyer, and do not clearly reveal to the rearer the type and quality of stock which the feeder needs.

Co-operative action by pig producers in setting up weaner groups is going a long way towards overcoming these difficulties, but group marketing of calves has met with less success, largely because the seasonality of supplies makes their efficient organisation more difficult but also because dairy farmers, who produce most of the calves and for whom they are a by-product, are not always very concerned about the prices they receive for them. The suckled calf societies do not actually market the calves themselves ; they merely organise and publicise the sales (which are conducted by auctioneers) and encourage the production of a certain type of animal. They cannot do much to stabilise prices.

Two store cattle marketing groups are at present passing through a trial period. While they are meeting with some success, they are also experiencing some difficulties, the most important of which is that of finding adequate numbers of animals of the size and type required by feeders on any particular date, owing to the tremendous variation in those reared on different farms. Although this is a problem which group organisation can help solve, in the case of both suckling calves and older stores it will be a long process. Co-operating farmers need time in which to bring about the necessary changes in their herds and breeding policies.

Two groups are at present operating, for a trial period, marketing schemes for fat lambs. The number of breeding ewes in upland and hill areas has been increasing steadily since the war years ; but more recently, because the margin on the feeding of lambs has become less favourable, prices for stores have fallen. Welsh hill and upland farmers are, therefore, endeavouring to fatten off a larger proportion of their annual lamb crop. Such, however, is the variation in the size and type of Welsh lamb, that greater uniformity could be achieved by well organized group marketing with the application of some system of grading. This development in addition to meeting the needs of the trade, would be likely also to bring financial benefit to producers. It is also possible that, with a highly organised marketing system at home, a substantial export market could be opened up in Europe.

Co-operative Egg Grading and Packing

Several co-operative egg grading and packing stations were set up in Wales within the first ten or twelve years after the Second World War. Only two of these were specialist societies, all the others being attached to already existing requisite and marketing societies. The decline of egg production in Wales (which manifested itself in the reduction in the number of producers as well as in the size of so many Welsh flocks), together with pressure exerted by the Board's policy concerning allowances to packers, has compelled five—including the one specialist society—out of a total of seven co-operative packing stations to terminate their businesses over the last three or four years. The two remaining packing stations are not being run profitably. While their failure in the past has been due to some extent to internal weaknesses, external circumstances, over which they had little or no control, played a dominant part.

The Government has accepted the Re-organisation Commission's recommendation on the Egg Marketing Scheme and there will be a free market for eggs within a comparatively short period. A free market for eggs will create very stern competition amongst packers and will demand the utmost efficiency in collecting, grading, and packing, but there is no fundamental reason why a farmers' co-operative should not be as successful as any other kind of organisation.

**PERCENTAGE DISTRIBUTION OF LAYING FLOCKS AND LAYING HENS
IN WALES ON HOLDINGS OF $\frac{1}{4}$ ACRE OR MORE 1966**

	<i>Under 50</i>	50-99	100-199	200-499	500-999	<i>1,000 and over</i>	<i>Total</i>
Flocks	75.2	13.5	5.9	3.5	0.9	1.0	100
Birds	18.6	10.0	9.1	11.6	6.9	43.8	100

Total number of flocks : 24,493.

Total number of birds : 1,977,537.

The statistics showing the size distribution of flocks in Wales indicate, however, that Welsh packing stations will continue to have a difficult task.

Only 11.3% of all Welsh flocks, i.e. about 2,800 flocks on holdings of $\frac{1}{4}$ acre and above, are of 100 birds or more and therefore capable of producing *at least* one case or 30 dozen eggs per week ; and only just over 1,200 flocks are of 200 birds or more. The costs of collection will inevitably be high. These facts may have uncomfortable implications. It is possible that egg collecting and packing in Wales will be so unattractive that private packing stations will cease to operate and that co-operative action will be the only means of retaining egg production as a supplementary source of income on many Welsh farms. If this were so, then societies would need very tight organisation, the imposition of rigid rules and strict discipline on the part of their members. It is unlikely that any society would be successful except upon the basis of contracted supplies and sale by members through the co-operative society only.

Seed Societies

With the exception of Dyfed Seed Limited, which supplies many types of seed to co-operative societies and others, the existing Welsh seed societies are concerned with the marketing of farmer-members' potato or cereal seed. In view of the fact that conditions in many parts of Wales are well suited for either cereal or potato seed production it is surprising that so few farmers are interested in pursuing this enterprise and that so few societies are in existence. Within those that do exist the number of active, as opposed to registered, members are relatively few, and one often hears complaints of disloyalty to the society. At the same time one must bear in mind that, because of the vagaries of the weather, the supply, and hence the price for seed, tend to fluctuate appreciably from year to year. It is believed that there is a promising market in parts of England and Wales for Welsh seed, if societies would only persevere in their efforts.

Conclusions

1. Additional co-operative activity in the field of milk marketing is unnecessary but there is substantial scope in other directions, especially in the field of livestock marketing.

2. The greatest strides have been made in the co-operative marketing of weaner pigs but whilst they have much to commend them, the evidence is not conclusive that they invariably secured better returns for their members. They need to make full use of all the market intelligence available in order that their pricing policies compare favourably with the free market.
3. In increasing the number of pig groups care must be taken that they do not become competitive with each other and that they do not duplicate services.
4. Weaner-groups should hesitate to extend their activities to include fattening until the success or otherwise of the Anglesey feeding venture is established.
5. The marketing of store cattle, store and fat lambs is highly seasonal and the amount of experience gained hitherto is slight. The establishment of additional groups should be approached cautiously and should be preceded by properly conducted feasibility studies which would assess both supplies and outlets.
6. Egg marketing is likely to prove difficult and may force farmers to co-operate or to get out of egg production. If new egg marketing societies are established a prerequisite of success will be the development of contractual arrangements with producers to ensure continuity of supplies and the enforcement of rigid discipline.

THE WELSH AGRICULTURAL ORGANISATION SOCIETY

The activities of the W.A.O.S. have been concerned with promoting the development of co-operative action between farmers in the purchasing of production requisites and marketing their products, with representing the agricultural co-operative movement in its relations with other and ancillary interests and with providing services of various kinds to its affiliated societies. These services it has performed from an insecure base of limited and fluctuating funds.

The majority of societies respect the work done by and appreciate the services provided by the W.A.O.S. Even so, it has not been entirely free from criticism, which has been directed very largely at the service elements of its function ; in particular that its services are inadequate in respect of business and market intelligence, and that its advice is not sufficiently authoritative.

The financial situation of the W.A.O.S. and its direct responsibilities may change as the result of the setting up of the Central Council for Agricultural

and Horticultural Co-operation. The Central Council has the statutory responsibility for promoting agricultural co-operation in Great Britain and for the administration of funds for this purpose. The long term relationships between the Central Council and the non-statutory bodies, such as the W.A.O.S., have not yet been arranged but it is assumed that they will be on the lines of the interim agreement for the year 1968/9. Under this arrangement the W.A.O.S. will act as the Central Council's agent in Wales for the promotion of co-operation in agricultural trading activities (but not in agricultural production activities) and for these activities it will receive funds on adequate scales from the Central Council.

In order to continue its functions of representation and service to existing societies the W.A.O.S. will rely upon affiliation and other fees. For a number of reasons it is not considered justifiable to increase the affiliation fees at the present time.

The main conclusions are that :—

1. The W.A.O.S. should distinguish clearly between its promotional and developmental work on the one hand, and its representational and service work on the other, by specifically allocating staff to each sector and accounting for them separately.
2. The promotion and development work should be kept within the limits of the funds made available by the Central Council for Agricultural and Horticultural Co-operation.
3. The affiliation fees should be devoted exclusively to the financing of its general representational functions and the provision of services to its affiliated societies.
4. The services which appear to be most desirable include :—
 - (a) a management accounting service capable of advising on such matters as cost control, budgeting, pricing policy, etc. ;
 - (b) a work study service ;and (c) a sales and membership promotion service for established societies.
5. The amount available from unchanged affiliation fees will not permit the services to be provided free of charge. They should be developed on a fee-paying basis and the affiliation fees should simply serve as a " pump priming " fund to meet expenses incurred in the initial phases of development.

6. The W.A.O.S. must not dissipate its energy by maintaining too wide a contact with the co-operative movement and should participate in those activities in which it can make a positive contribution. It should consider the possibility of devolving upon local societies the responsibility for local and regional conferences.
7. With co-operation coming more and more to be regarded as a form of business organisation rather than an ideological movement it may lose its vocational appeal. The development of the services suggested will require that commercial scales of salaries are paid to properly qualified persons.

APPENDIX 1

CO-OPERATIVE SOCIETIES IN WALES 1966

A. Requisite Societies

<i>Name of Society</i>	<i>Headquarters</i>	<i>Number of Establish- ments</i>
Amaethwyr Dysynni	Towyn	1
Ammanford Farmers Ltd.	Ammanford	1
Blaenpennal and District Agricultural Co-operative	Tregaron	5
Carmarthen Farmers Ltd.	Carmarthen	14
Chepstow Farmers Ltd.	Chepstow	1
Clynderwen and District Farmers Association	Clynderwen	6
Corwen and District Farmers Association	Corwen	1
Crymmych and District Farmers Association	Crymmych	2
Dolgellau Farmers Ltd.	Dolgellau	1
Eifionydd Farmers Association	Pwllheli	10
Emlyn Agricultural Society Ltd.	Newcastle Emlyn	2
Foel Agricultural Co-operative Society Ltd.	Llangefni	5
Hay and District Farmers Co-operative Society Ltd.	Hay-on-Wye	2
Haverfordwest Agricultural Co-operative Society Ltd.	Haverfordwest	2
Llanarth and New Quay Farmers Co-operative Society Ltd.	Llanarth	2
Llandyssul Agricultural Co-operative Society Ltd.	Llandyssul	2
Llanelli and District Farmers Society Ltd.	Llanelli	3
Llanfrothen and District Agricultural Co-operative Society Ltd.	Penrhyndeudraeth	2
Llangadock and District Agricultural Co-operative Society Ltd.	Llangadog	1
Llanidloes Farmers Ltd.	Llanidloes	1
Monmouth and Mid-Glamorgan Farmers Ltd.	Basseleg	3
North Cardiganshire Farmers Ltd.	Aberystwyth	3
Pontardulais and District Farmers Association Ltd.	Pontardulais	2
Pumpsaint and District Agricultural Co-operative Society Ltd.	Llanwrda	5
Pyle Agricultural Co-operative Society Ltd.	Pyle	1
Swansea and District Farmers Association Ltd.	Gowerton	2
Talsarnau and District Co-operative Society Ltd.	Talsarnau	1
Trawsfynydd Farmers Co-operative Society Ltd.	Trawsfynydd	2
Uwchaled Co-operative Association Ltd.	Cerrig-y-druuidion	1
Vale of Aeron Co-operative Society Ltd.	Lampeter	1
Vale of Clwyd Farmers Ltd.	St. Asaph	6
Vale of Tivy Agricultural Society Ltd.	Cardigan	4
West Breconshire Farmers Association Ltd.	Brecon	8
West Glamorgan Farmers Association Ltd.	Llangyfelach	1
Wynnstay and Montgomeryshire Farmers Ltd.	Llansantffraid	7

B. Produce Societies—1966

<i>Name of Society</i>	<i>Headquarters</i>
Farmers' and Dairymen's Mutual Ltd.	Cardiff
Hufenfa Meirion Ltd.	Dolgellau
Llaethdy Meirion Ltd.	Dolgellau
South Caernarvon Creameries Ltd.	Chwilog
Abergavenny and District Farmers Marketing Association	Abergavenny
Brecon Marts Ltd.	Brecon
Devils Bridge Auction Mart Ltd.	Ystrad Meurig, Cards.
Farmers' Marts (R. G. Jones) Ltd.	Dolgellau
Livestock Producers (Wales) Ltd.	Newcastle Emlyn
Talybont and District Farmers Markets Association Ltd.	Talybont-on-Usk, Brecs.
Talybont (Cards.) Farmers Mart Ltd.	Aberystwyth
Anglesey Quality Pig Marketing Co. Ltd.	Holyhead
Clynderwen and District Quality Weaner Group Ltd.	Clynderwen
Cwmdu Weaners Ltd.	Brecon
Dysynni Quality Weaner Pig Group Ltd.	Towyn
Emlyn Quality Weaner Group Ltd.	Newcastle Emlyn
Llandebie Quality Weaners Ltd.	Ammanford
Llandyrnog Weaner Group Ltd.	Ruthin
Llantrisant Quality Weaner Group Ltd.	Cowbridge
North Pembrokeshire Weaner Group Ltd.	Crymmych
Ruthin and District Pig Weaner Group Ltd.	Ruthin
South Caernarvon Quality Weaner Group Ltd.	Pwllheli
Brecon and Radnor Suckled Calf Rearers Ltd.	Brecon
Cardiganshire Suckled Calf Producers Ltd.	Aberystwyth
Merioneth Suckled Calves Ltd.	Dolgellau
Montgomeryshire Suckled Calf Rearers Association Ltd.	Newtown
North Wales Suckled Calf Association Ltd.	Abergele
Welsh Calf Suppliers Ltd.	Monmouth
Prescelly and North Pembrokeshire Suckled Calf Rearers Ltd.	Newport
Pencader Farm Produce Ltd.	} No longer operating
Plynlimon Hatcheries Ltd.	
West Wales Egg and Poultry Producers Ltd.	
Welsh Half Bred Sheep Breeders Association Ltd.	Aberystwyth
Y Gymdeithas Wlan	Dinas Mawddwy
Dovey Woodlands Ltd.	Machynlleth
Flintshire Woodlands Ltd.	Mold
South Wales Woodlands Ltd.	Llandovery
Usk and Wye Woodlands Ltd.	Builth Wells
Brecon-Radnor Seeds Ltd.	Hereford
Clarach Seed Growers Ltd.	Llanon, Cards.
Dyfed Seeds Ltd.	Carmarthen
Hay-Talgarth Seed Growers Ltd.	Brecon
Monmouthshire Seed Growers Ltd.	} No longer operating
Montgomery Late Flowering Red Clover Growers Ltd.	
Pembrokeshire Seed Growers Ltd.	Aberystwyth
Powysland Seed Growers Ltd.	Welshpool
Gower Quality Early Potato Growers Association Ltd.	Swansea
Pembrokeshire Early Potato Growers Association Ltd.	Pembroke

APPENDIX 2

METHOD OF ESTIMATING TRANSPORT COSTS

					<i>Capacity of Vehicle</i>					
					5 tons			10 tons		
					£	s.	d.	£	s.	d.
Purchase cost of Vehicle	..	..	..	..	1500	0	0	3000	0	0
Annual Depreciation ¹										
@ 50,000 Miles per annum	..	..	..	..	375	0	0	750	0	0
@ 30,000 " " "	..	..	..	..	375	0	0	750	0	0
@ 20,000 " " "	..	..	..	..	300	0	0	600	0	0
@ 15,000 " " "	..	..	..	..	250	0	0	500	0	0
@ 10,000 " " "	..	..	..	..	187	10	0	375	0	0
Vehicle Repairs ²										
@ 50,000 Miles per annum	..	..	..	..	150	0	0	200	0	0
@ 30,000 " " "	..	..	..	..	90	0	0	120	0	0
@ 20,000 " " "	..	..	..	..	60	0	0	80	0	0
@ 15,000 " " "	..	..	..	..	45	0	0	60	0	0
@ 10,000 " " "	..	..	..	..	30	0	0	40	0	0
Tyres ³										
@ 50,000 Miles per annum	..	..	..	..	350	0	0	400	0	0
@ 30,000 " " "	..	..	..	..	210	0	0	240	0	0
@ 20,000 " " "	..	..	..	..	140	0	0	160	0	0
@ 15,000 " " "	..	..	..	..	105	0	0	120	0	0
@ 10,000 " " "	..	..	..	..	70	0	0	80	0	0
Road Fund Licence	..	..	..	..	70	0	0	95	0	0
Vehicle Insurance	..	..	..	..	30	0	0	60	0	0
Wage of Driver	..	..	..	..	680	0	0	680	0	0
Diesel Fuel (per gallon)	..	..	..	..		5	6		5	6

¹ Assuming that :

@ 50,000 miles per annum vehicles are written off over	4 years
@ 30,000 " " " " " " " " " "	4 years
@ 20,000 " " " " " " " " " "	5 years
@ 15,000 " " " " " " " " " "	6 years
@ 10,000 " " " " " " " " " "	8 years

² The cost of repairs is assumed to vary in direct proportion to mileage.

³ Assuming a life of 30,000 miles per tyre @ £210 per set (5 tonner)
 @ £240 " " (10 tonner)

Transport Costs per Mile

(a) Fixed Costs ¹

Annual Mileage	5 Ton Lorry.	10 Ton Lorry	
	One Operator s. d.	One Operator s. d.	Two Operators s. d.
50,000	7	9	1 1
30,000	11	1 3	1 9
20,000	1 3	1 7	2 5
15,000	1 7	2 0	2 11
10,000	2 2	2 8	4 0

¹ Included here are :—

Vehicle depreciation, Repairs, Tyres, Road Fund Licence, Insurance and Wages of Operator.

(b) Variable Costs per Mile (i.e., Fuel Costs) :

It is assumed that both 5-ton and 10-ton lorries have the same rate of fuel consumption, i.e., 11 m.p.g. on journeys of not more than 20 mls and 17 m.p.g. on journeys in excess of 20 mls.

Therefore Fuel costs per ml. are :—

Up to 20 mls. 6d.
Over 20 mls. 4d.

10 TON LORRY COVERING 20,000 MILES PER ANNUM (ONE OPERATOR)

Length of journey (outward and return) miles

	5	20	50	100	400
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Fixed costs per journey	7 11	1 11 8	3 19 2	7 18 4	31 13 4
Fuel costs per journey	2 6	10 0	16 8	1 13 4	6 13 4
Total	10 5	2 1 8	4 15 10	9 11 8	38 6 8

Costs per ton :—

	s. d.	s. d.	s. d.	£ s. d.	£ s. d.
100% load	1 0	4 2	9 7	19 2	3 16 8
50% load	2 0	8 4	19 2	1 18 4	7 13 4

10 TON LORRY COVERING 50,000 MILES PER ANNUM (ONE OPERATOR)

Length of Journey (outward and return) miles

	5			20			50			100			400						
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.				
Fixed costs per journey		3	9		15	0		1	17	6		3	15	0		15	0	0	
Fuel costs per journey		2	6		10	0		16	8		1	13	4		6	13	4		
Total ..		6	3		1	5	0		2	14	2		5	8	4		21	13	4

Costs per ton :—

		s.	d.	s.	d.	s.	d.	£	s.	d.	£	s.	d.					
100% load		7		2	6		5	5		10	10		2	3	4		
50% load		1	3		5	0		10	10		1	1	8		4	6	8

APPENDIX 3

AGENCY AGREEMENT BETWEEN THE CENTRAL COUNCIL AND W.A.O.S.

1. Terms of the Agreement

- (a) The W.A.O.S. will be paid an agency fee of £10,000 payable in two instalments on April 1st and October 1st, 1969.
- (b) The W.A.O.S. will submit regular progress reports, as may be required by the Council, but not less than four in this period.
- (c) Regular meetings will be held at staff level between the W.A.O.S. and Council to review progress and to establish priorities.
- (d) The W.A.O.S. will carry out, within the limits of the facilities available, any specific development work required by the Council.
- (e) The W.A.O.S. will undertake not to start new development work without consulting the Council.
- (f) The position will be reviewed in October, 1969, when consideration can be given to negotiating a longer term arrangement.

2. Services to be provided by the W.A.O.S. for the Council

- (a) The W.A.O.S. will assist in the setting up of new co-operatives to include in particular :—
 - (i) attending meetings of embryo co-operatives and giving general advice to them ;
 - (ii) giving general advice and assistance in the preparation of applications for grant ;
 - (iii) preparing constitutions and members agreements and arranging for the registration of co-operatives ;
 - (iv) assisting new co-operatives in the early stages of their development.
- (b) The W.A.O.S. will generally promote the concept of co-operation in all its forms, but in particular in production and marketing.
- (c) The W.A.O.S. will generally advise the Council on co-operation in Wales.

3. Priorities for Development in 1969

- (a) Through the Quality Pig Federation of Wales, to develop the further co-ordination and integration of pig weaner schemes, with particular emphasis on quality improvement.

- (b) To develop new calf marketing schemes and co-ordinate existing ones. In particular, special attention will be given to helping the Glamorgan Quality Cattle Producers and the Radnorshire Quality Cattle Producers, both of which are in their first season of operation. The possibility of similar organisations being set up in other areas will be examined.
- (c) To promote the idea of closer work between existing suckled calf marketing associations, including the possibility of mergers between some of them.
- (d) To continue the work of establishing Fat Lamb marketing schemes in Carmarthenshire, North Cardiganshire and Denbighshire and to assist in the setting up of new schemes in other areas. The aim is to establish in the long term a central marketing agency for local co-operatives of this kind and the W.A.O.S. will operate with this aim in mind.
- (e) In association with N.A.A.S. to assist in the setting up of production co-operatives.
- (f) To continue the work of encouraging small requisite co-operatives to amalgamate and, in particular, to give the societies concerned technical and accountancy advice on the problems involved.

