



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Potatoes - Marketing

GIANNINI FOUNDATION OF
AGRICULTURAL ECONOMICS
LIBRARY

FEB 10 1967

POTATO MARKETING GROUPS

P. J. BARON



UNIVERSITY OF NEWCASTLE UPON TYNE

DEPARTMENT OF AGRICULTURAL MARKETING

Report No. 6

1967

15s.

Potato Marketing Groups

P. J. BARON

UNIVERSITY OF NEWCASTLE UPON TYNE
DEPARTMENT OF AGRICULTURAL MARKETING

Acknowledgements

The author would like to thank all those who have helped make this report possible. In particular thanks are due to those who helped identify existing groups, to officials of the groups themselves and to those merchants who bought from the groups. Without their willing submission to lengthy interviews little could have been accomplished.

Contents

	<i>Page</i>
INTRODUCTION	7
CHAPTER I THEORETICAL BASIS AND METHOD OF INVESTIGATION .	8
CHAPTER II OBJECTIVES AND METHODS	12
CHAPTER III ORGANISATION	17
CHAPTER IV ACHIEVEMENTS	22
CONCLUSIONS	28
REFERENCES	30

POTATO MARKETING GROUPS

INTRODUCTION

Much of the renewed interest in marketing has been focused on farmers' selling groups, whose numbers have grown rapidly since 1960. This, and the possibility of future Government aid, suggests the need for their further examination. The present study was undertaken in an attempt to obtain a better understanding of the reasons for group initiation, their mode of operation, organisation and achievements.

A marketing group will fulfil all or most of the following conditions (1,2).*

1. A number of farmers who band together and market their produce,
2. Who accept that market requirements are determinants of what should be produced,
3. Who are willing to accept reasonable restrictions or directions to meet these market needs.
4. They have a limited and selective membership, and
5. Tend to specialise in a limited range of products.

The group concept embodies no distinctly new principles from those of the co-operative movement. It does, however, offer a means to strengthen these principles to meet market requirements, such as larger quantities, continuity, and standardisation. Group members recognise that these requirements involve *size*, which suggests joint action, *discipline*, which is facilitated by small numbers, and *skills* arising from specialisation. Nor are groups themselves an innovation. Many of the existing co-operative societies were initiated by small groups of farmers, and in many parts of the country, potato growers' associations, similar to some of the present day potato marketing groups, existed before the last war (3).

The above description does not, however, define a group sufficiently precisely for examination of a sample of all groups, selected on such a basis, to be feasible. Commodity differences prevent comparison of a number of different product groups, since these rarely perform identical services. It was decided, therefore, to examine a number of groups selling a specific commodity. Potatoes were chosen for the study in the hope that this would offer a reasonable number of groups, selling a fairly distinctly identifiable product, and without too great a variety of selling arrangements. Moreover, whilst livestock and egg groups have been fairly widely covered (2, 4, 5) potato groups have apparently not been examined previously. The drawbacks to a study of potato groups are their wide dispersion about the country and, for a large proportion, their relatively recent origin. This does, however, offer an opportunity to examine them during an important stage of their growth and whilst the reasons for formation are remembered.

This study, therefore, examines firstly the reasons for which potato groups were formed and the methods used to achieve these objectives. Secondly, it studies their organisation, and thirdly, it considers and attempts some evaluation of their achievements.

* Throughout the report, the numbers in brackets refer to the list of references on page 30.

CHAPTER I

THEORETICAL BASIS AND METHOD OF INVESTIGATION

THEORETICAL BASIS:

The individual farm business is small in comparison to the firms to which it sells, and opportunities for its expansion are often limited. Grouping together is one means to increase this size. The reasons behind this grouping can be considered in terms of group objectives. It is important to establish these objectives and their underlying principles, because success is more likely to result if they are clearly understood, and because organisation, operation and results can be judged only with reference to them. They can be considered from three theoretical viewpoints.

- (i) *Bargaining Power*: To increase the bargaining strength of the farmer, which is weak and disorganised in relation to buyers.
- (ii) *Market Economies*: To reduce the cost of marketing, by improving the efficiency of existing services, or achieving scale economies in certain operations.
- (iii) *Market Investment*: To provide an additional investment opportunity so that the marketing of potatoes is considered an additional enterprise to those already carried out by farmers.

Each of these is associated to some extent with size of operation, and they are inter-related with one another. Thus to improve bargaining strength, a group of farmers might join together in selling their produce, but to achieve any bargaining lever they will probably have to carry out some market service such as assembly or grading. This in turn offers possibilities of scale economies, which might yield a financial reward irrespective of a bargaining advantage. Moreover, if the project involves capital expenditure on storage sheds or prepacking plant, it might be considered as a new enterprise in its own right, with its own associated returns. Similarly, with increased size, market information may be feasible, representing a scale economy, but at the same time, by increasing members' knowledge this would improve their bargaining position in relation to market opponents. Nevertheless, it is possible to examine these separate parts of the theoretical reasoning underlying group action.

BARGAINING POWER:

This may be defined as the degree of influence one party has over another to force concessions or to effect agreement on its own terms (6). This basis for co-ordinated action is justified because of monopolistic, or oligopolistic strength on the opposing side of the market (7). It has been further explained by Galbraith (8) in terms of a natural emergence of a countervailing power to offset this monopoly power, although apparently a different social welfare criterion, that of "minimisation of social tensions" replaces the more conventional "maximisation of consumer welfare" in Galbraith's latter explanations (9). Explanations of the emergence of group action, such as those given by Dodds (1), include among other factors, the fear of big business moving into farming, or increased competition from foreign supplies, which suggest that they might well be considered within a bargaining framework.

Countervailing groups may bargain for direct financial reward, in terms of higher price, or for an indirect reward such as an assured future outlet for produce in the face of mounting competition, or to defeat backward integration by buyers into farm production. Such indirect rewards, while having a monetary value, are often only identifiable in terms of survival over a period of years. While largely immeasurable, bargaining for a place in the future market is likely to be important

when rapid changes in the technology of processing and distribution of food are taking place. These changes are occurring at the present time.

The power with which a group may bargain stems from control of supply. This could be of total saleable quantity, of quality, or of some other service such as continuity, which buyers cannot otherwise obtain, or which they could themselves only undertake at higher cost. An organisation's bargaining power may be of one or other of two types (6).

- A. Arising from *advantages* that can be *offered* to the opponent/buyer in return for accepting the group's terms: e.g. guaranteed quality, or a ready-made collection of farmers who will produce to the buyer's specifications.
- B. Arising from the *unfavourable consequences* that can be *forced* upon the opponent for refusing to accept stated terms: e.g. the loss of use of an established brand name, or having to buy from further afield.

In a country as small and as intensely populated as Britain, type B bargaining power is exceedingly difficult to achieve. This is particularly true at the outset of a group's operations since it can hardly hope to control national supply of a commodity without statutory authority. Neither is a group likely to control local supplies under a voluntary association. Moreover, buyers can obtain similar supplies elsewhere without incurring prohibitive transport costs. A group is only likely to possess type B bargaining power if it can establish its position in the market so that buyers become dependent on one or other of the services it offers. Replacement of the service by other means would then incur added cost.

Type A bargaining power represents a more feasible proposition to group organisations. Especially under changing market technologies it may be possible to offer buyers specific advantages in return for accepting the group's terms. This represents a much weaker form of bargaining power than type B since the opponent is under no obligation to accept such terms. An opponent who does not trade under the group terms does not suffer an immediate loss. If he does trade there are advantages which he may be prepared to share with the selling group. Successful use of type A bargaining power by the group may in time lead to a dependence by the buyer on it as a source of supply, so that alternative supplies could only be obtained at extra cost. This would then represent type B bargaining power.

This distinction underlies frequent assertions that marketing groups must offer some advantage to buyers over existing methods of trade. One such advantage can arise from an increase in the scale of selling operations so that potential buyers may be offered continuity or standardised grades of produce. This increase in scale may also give cost advantages to the group members. This can now be discussed under the second theoretical basis for group action.

MARKET ECONOMIES:

Marketing may be considered as part of a chain of production processes which leads to the finished product in the consumer's hands. In addition to on-the-farm production, farmers also carry out other processes in this market chain. They transport livestock to market, collect market intelligence, store and dress potatoes, and "sell" their produce. All of these activities may be susceptible to economies of scale, or more strictly of size, and this, therefore, offers a theoretical basis for farmers undertaking joint action. In theory as the size of plant is increased, up to a certain point, total average costs of production fall. Where this occurs* it is likely to be to

* See for example (10) where economies of scale are reported for potato prepacking. The long run economies of scale curve is an envelope of short run (fixed plant) cost curves, and this report also shows the advantage of operating at the optimum point of the short run curve (i.e. keeping plant fully utilised). Maximum utilisation could therefore form a related argument in favour of group action.

farmers' advantage to join together in these operations to achieve the savings in marketing or production costs. Scale economies are met with not only in plant operations such as dressing, prepackaging and storage, but also in management operations. Larger scale, through group action may offer economies so that a full time marketing manager could be employed to sell the members' produce and provide for collection and dissemination of market information.

This basis for group action is closely related to that of type A bargaining power. Thus the group, because of its increased size, is able to offer its opponents some advantage in return for trading with it, such as central billing, single point of sale through the manager, or quantity offerings to the buyer's requirements. Similarly scale economy is related to the next basis for group action, because large scale plants require a much heavier capital investment than traditional methods.

MARKET INVESTMENT:

Group marketing schemes could be considered as distinct and new enterprises, into which farmers would invest surplus capital and perhaps management. Several operators might decide that there are no profitable opportunities on their own farms for additional enterprises, or expansion of existing undertakings, and that their best alternative is to enter the market process in competition with existing market channels. Such ventures would have to be judged in comparison with alternative investment opportunities. Nevertheless, as a result of this vertical integration, they would be likely to offer advantages to buyers who trade with them. Moreover by replacing lower stages of the market chain they might achieve a position where their opponents would suffer a loss if they purchased other than from the group. Thus market investment is interrelated with bargaining and scale objectives, and to judge solely on return on capital would be misleading.

METHOD OF INVESTIGATION:

With the help of A.M.D.E.C., various other national organisations, and reports in the farming press, 25 potato selling groups were tentatively identified. These were scattered throughout Great Britain, and groups selling both ware and seed potatoes were included. An organisation selling potatoes was included if it had not more than 50 members, or had only recently exceeded this, and if at least 30% of its annual turnover represented potato sales. A group within a larger co-operative but with a separate identity and fulfilling these criteria would also have been included. Both of these figures are necessarily arbitrary. There may well be organisations with more members which would claim, and others would accept, to be groups. The membership restriction, which coincides with the maximum permissible membership of a private limited company (page 17), was chosen because it was felt to be the maximum conducive to close mutual understanding and control. The second criterion was included because certain groups have a considerable throughput of vegetables, but offer an important outlet for potatoes.

The manager, or if unavailable, the chairmen, of 22 of these 25 organisations were interviewed. Two refused to co-operate and one was identified too late to include. Of those visited, 16 were identified as groups.

In addition to the group officials, in 10 cases one or two of the groups' principal buyers were also contacted by interview or telephone. This provided a total of 12 buyers purchasing from 10 groups. Of the remaining groups, one sold to a parent concern, and 3 did not give buyers' names.

The field work was carried out between 1st January and 30th June, 1966.

The groups can be divided into 6 selling principally main crop ware, 7 selling principally seed, and 3 selling early potatoes. Most groups were of fairly recent origin as Table 1 shows.

TABLE 1. Year of Group Formation*

	Before 1960	1960	1961	1962	1963	1964	1965
Seed Groups	1**	1	1	—	1	1	2
Early	—	—	—	—	1	1	1
Main Crop	—	—	1	1	1	3	—

* Formation is taken to mean commencement of physical operation.

** One other group was in existence before 1960 but has changed its organisation since then, and has been inserted at its date of reorganisation.

Three out of the 16 were in only the first year of operation, 5 in their second year, and 3 in their third year. This preponderance of groups so recently formed makes meaningful discussion of well established groups impossible. Thus any conclusions reached may be more than usually tentative. Nevertheless, if we bear in mind that some of these groups are likely to change their form of organisation or operation in time, subsequent discussion should be of some value.

CHAPTER II

OBJECTIVES AND METHODS

OBJECTIVES:

Three distinct classes of objectives have been suggested to explain the formation of marketing groups. Any evaluation of these groups must be in terms of their specific objectives, and success or failure would be measured by the degree to which a group met them. We must therefore try to distinguish the different objectives which groups have before attempting any evaluation.

For each group an attempt was made to identify its prime instigator. For 13 this was a producer or producers. For a further 2 the N.F.U. or N.A.A.S. was considered to fill this role, and in one case a buyer started the group. In the remainder of this discussion the latter is not considered, since this group, while perhaps offering advantages to farmers, was not formed specifically to this end.

Conceptually each objective can be seen as having a monetary value. This need not mean that it can be measured in practice, nor that a group will see a given objective, such as a position in the future market, in terms of discounted future revenues, or any other monetary measurement. Moreover, a statement of intent "to make more money" is not very helpful for examination, since it hides more specific objectives. Similarly group members and managers cannot be expected to understand fully questions about bargaining power or scale economies. In an attempt to establish what groups were trying to achieve, each group manager was asked firstly an open question; "What advantages did the group expect to get on forming?" and secondly various advantages were suggested to him.

The first question very often established only that there was confusion between *objectives* and *means* of achieving them. For example, a manager would give as the group's objective, the sale of a branded product, when this is more likely to be a means to an end. Thus it could be to establish a demand and thereby a higher price, a bargaining objective, or to ensure a more accurate information flow to the group, a scale or a bargaining objective or both. In several cases, however, replies to the open question were compatible with those given about specific objectives in the second. In Table 2 answers to these two questions are enumerated.

TABLE 2. Number of Groups having listed Objectives.

	Better Market Price or Premium	Stable Prices	Secure Market	Lower Selling Costs	No. of Groups Answering
All Groups	12	2	10	7	15
Maincrop	5	0	4	3	5
Early	3	0	3	3	3
Seed	4	2	3	1	7

Note: Group may have more than one advantage in mind.

This mode of enquiry has some limitations arising from interviewing either manager or chairman. Since the group was formed the manager may have changed, in which case he may not have a clear understanding of advantages originally expected.

Even if the manager has not changed he may not have been concerned with the preliminary investigation, nor have had much contact with group policy makers. Where the chairman was interviewed more accurate expression of the advantages expected was possible, but then, data needed for other parts of the study might not have been available. Another difficulty, in the case of groups which also sell a range of vegetables, is the possibility of different objectives for vegetables and potatoes. Every attempt was made in discussion with managers of these groups to obtain answers relating to the potato side of their operations. Nevertheless it should be noted that the 3 vegetable selling groups might not have started operating with potatoes alone, and that vegetables are their prime concern.

None of the groups said they considered their operations to represent an investment objective, although one or two, which had heavy capital commitments in conventional potato market procedures, could conceivably have been examined on this basis. Market Economy, under the heading of lower selling costs was mentioned by seven groups, and for three of these this appeared to be the managers' principal concern. Bargaining objectives are considered in the remaining three columns of the table. Higher Prices and a Secure Market were the most commonly mentioned objectives; better prices appeared most important to 7 and a secure market to 5 groups. Attempts to lessen the fluctuation in prices for potatoes did not appear common. Although Table 2 breaks down the answers for the class of potato handled, no striking differences between classes emerge. It must be stressed that the evaluation of the group's main objectives is a subjective judgement emerging from discussion with the group manager or chairman. Nevertheless it appears that bargaining objectives predominate among the potato groups visited, with an emphasis on better prices or premiums, and on a more secure market. Prices or premiums are self explanatory. The meaning of market security, however, is illustrated by some of the actual replies such as "to ensure a market for potatoes"; "to achieve a steady market" or "to make sure our potatoes sell even if others do not".

As mentioned above there was confusion between objectives and methods of achieving them. The advantages which were suggested to managers may have been rather broad and open in nature and they were not asked to rank these objectives. Other studies (6) have suggested a hierarchical ordering of group objectives, in which a manager would rank any prerequisites higher than subsequent activities in a sequence of events or objectives. Thus, selling a branded product might be seen as the group's main objective, because only then can they offer a recognisable product with which they can establish a special demand. When this demand has been established the group can bargain for a higher price from the buyer. Hence activities which might better be considered methods, appear to the manager his most important objectives. Managers often stressed that while a price increase would be welcome, it was not their immediate or only aim. Since group managers were not offered a comprehensive list of objectives which they could rank, we are unable to explore this problem further. It is suggested, however, that the answers received established that the main concern of these groups is with bargaining objectives, notably for financial betterment and market security. Market economy is also an important concern of the potato groups, but even here it is not too clear whether this is an objective in its own right, or a means to increase bargaining power.

Just as it is necessary to establish objectives before evaluating group organisation and operation, a group must identify its own objectives and plan its mode of operation. Indeed, despite some confusion between means and ends, 11 of the 15 groups formed since 1960 had carried out some preparatory investigation of the potato market to try to establish what problems they faced, the relation of these to their overall objectives, and possible means of tackling the problems. The remaining 4 had not carried out any investigations, but claimed to "know what was wanted"

from previous experience. Of those which had made preliminary studies, 5 employed outside agencies, 5 undertook them themselves, and 1 did not know who had done the work. The cost of these investigations ranged from £5,000 to £0, where members or the Agricultural Central Co-operative Association had made the study. It is striking how readily some groups had invested large capital sums without any detailed preliminary investigations. At least 2 of the investigations, which were made, stopped the sponsoring group from investing in central facilities such as storage and dressing plants. In another case the first year of operation was considered as part of the market investigations, and as a result potato selling is not to be promoted any further by this group.*

METHODS:

A group is only a particular type of organisation formed to carry out marketing functions. It must abide by the same principles and has the same possibilities for operation as any other marketing institution, such as a private potato merchant. Following the question on objectives, group managers were asked how the group aimed to achieve these. Further questions and discussion established in greater detail the operations they carried out. Table 3 shows the answers received.

TABLE 3. Methods Adopted for Achieving Objectives.

	Quality Improvements	Brand Name	Contracts	Direct Selling	Better Knowledge of Market	Group Ownership of Central Facilities
All Groups	14	15	4	7	8	4
Seed	6	7	2	5	2	2
Main crops† and early	8	8	2	2	6	2

† Referred to collectively as "Ware" groups in following parts of the report.

Again, because managers were not always present at early discussions, these answers are likely to reflect the groups' present policy rather than the methods originally proposed. Since, however, groups have been operating for only a short time, original proposals and present practices will very probably be similar. As has been mentioned earlier, groups will very probably have to offer some service or advantage as a basis for type A bargaining power. This means that it is difficult to distinguish, on the basis of methods adopted, groups attempting to gain market economies from those with a bargaining outlook.

The methods which groups employed form the headings for Table 3. All but one group aimed at quality improvements. This is unfortunately one aim which group managers may feel obliged to claim, even if quality improvements are not needed, because the alternative might seem to be to condone poor quality. The interpretation to be attached to this method of attaining objectives is probably closely connected with standards of quality. In other words a group offering potatoes of a consistent quality may present some advantage to potato merchants in the form of lower inspection costs and fewer selling price adjustments. All groups did in fact

* This group is dropped from consideration when it would influence any conclusions which might be drawn from the study.

have some form of grade standardisation. For 4 of these groups the standards were applied by individual members without group inspection so it is difficult to say how "standard" these results would be. For 7 other groups an inspection system operated, and the remaining 4 undertook central dressing.

All groups branded their produce. Two seed groups suggested this was to build up a demand so that their merchant would receive repeat orders. This was not mentioned by ware groups but may still represent their real aim. Apart from building up a special demand, branding serves as an identity mark for other purposes such as tracing the group's product through various market outlets.

Contracts with buyers from the group may be a method of achieving extra return if they can be offered to the buyer as an advantage. Four groups aimed to write contracts but they were actually operated by only 2 ware groups. It may be, however, that for potato groups contracts are better considered as a result or achievement of bargaining with some other weapon such as quality or volume sales.

Eight, mostly ware groups, considered that making better use of, or obtaining wider market knowledge to be a method of meeting their objectives. This must be related to the employment of a marketing manager, who may have this as one of his functions. Provision of market intelligence represents one economy of scale which the individual farmer could not achieve. It also offers to the group a greater bargaining lever in transactions with buyers.

Direct selling to either housewife or farmer is a method adopted by 7 groups. Predominantly this is the method chosen by seed groups, which are concerned with the cost associated with multiple transfers of seed and the cost of product deterioration resulting from the extra time and handling involved.

Only 4 groups own central storage, or dressing, or packing facilities. This may represent an attempt to achieve scale economies, or to offer advantages for type A bargaining, such as better grading. It might also be considered as an investment in market functions not previously entered by producers, such as pre-packing. So far, however, only one group prepacks potatoes, and the remaining 3 merely centralise conventional farmer operated functions.

In addition to the specific methods described above, a more general description of potato group activities is possible. Seed groups are found in two situations. Firstly in Scotland or established seed growing areas where there is dissatisfaction with existing market arrangements. This dissatisfaction has arisen partly from considerations of prices growers have received, and partly as a result of recent English criticism of Scottish seed. These groups are bargaining for better prices and to maintain a place in the market, and also seek exchange efficiency through direct selling. They offer advantages of a higher standard of dressing and consistency of standards between members. Seed may be sold centrally through a manager, or individually by member farmers, but with an emphasis on direct sales to farmer buyers. Nevertheless, they also sell through seed merchants.

A second situation where seed groups occur is in areas which have the required conditions for growing seed, but which are not well known. Their objectives again are to bargain for better prices and particularly for a market for their produce. In addition they also strive for direct sales to farmers. Their methods of operation were similar to those adopted by seed groups in established areas.

Ware groups are concentrated in the eastern counties which are the main potato growing areas. They are bargaining for increased prices and particularly for a position in the market. In a typical group a manager is employed who keeps in close touch with the potato markets. They sell in several markets, but commonly to only one buyer in each. This buyer is offered advantages of greater certainty of quality

standards, continuity of supply, a single selling point, and a willingness to dress to his standards.

It is apparent that potato groups do not present the uniform pattern of objectives and methods which had been anticipated, and the descriptions above hide many individual group peculiarities. While this throws some doubt on the evaluation of such groups in aggregate terms, it does not prevent this entirely. We can proceed to examine organisation and achievements in terms of the general objectives established on page 13.

This general description of group operations is concluded with Table 4, which shows details of membership, acreage and throughput.

TABLE 4. Group Size.

	Membership (when visited)			Acreage 1964/5*			Throughput* (tons p.a.) 1964/5		
	No. of Grps.	Ave- rage	Range	No. of Grps.	Ave- rage	Range	No. of Grps.	Ave- rage	Range
All Groups	16	28.4	6-60	13	555.8	50-1750	13	3626.0	158-14000
Seed Groups	7	22.6	8-41	5	352.6	204- 587	5	1990.6	158- 1354
Ware Groups	9	32.2	6-60	8	682.9	50-1750	8	4848.1	300-14000

* When group formed in 1965 the 1965/6 figures used if available. If not available then a corresponding reduction in "No. of Groups".

Note: (i) Considerable difficulty was experienced in obtaining accurate figures for these measures. In a few cases acreages or throughput were only accurate to nearest 10 acres or 100 tons. It is suggested however that the figures give a reasonably accurate picture of the present situation.

(ii) In one or two cases, where members do not have to sell all their potatoes through the group, some of the group "acreage" fails to appear as throughput.

CHAPTER III

ORGANISATION

Under the heading of organisation are considered various legal, managerial, and other arrangements by which achievement of the groups' objectives may be facilitated.

FORM OF INCORPORATION:

An organisational characteristic of considerable importance is the type of incorporation adopted, if any. Table 5 lists the methods adopted by the groups visited, with figures from two other surveys for comparison.

TABLE 5. Method of Incorporation Adopted by Groups.

	Total No.	Private Ltd. Company	Public Ltd. Company	Ltd. by Guarantee	Co-op	Unreg.	% Unreg.
All Potato	16	5	0	1	9	1	6
Ware Potato	9	3	0	1	5	0	—
Seed Potato	7	2	0	0	4	1	—
Barfield Livestock (8)	32	9	3	1	9	10*	31
Dodds Livestock (5)	131	55			28	48	37

* Non-Profit Making Associations

Two methods of incorporation are open to groups:

- A. Under the Company Act of 1948 as:
- (i) Private Limited Company
 - (ii) Public Limited Company
 - (iii) Company Limited by Guarantee
- B. Under the Industrial and Provident Societies' Acts of 1893—1961 as:
- (iv) Co-operative.

If any trading organisation is not registered each of its members can be held fully liable for its debts to the full extent of his personal resources. The percentage of unregistered potato groups was found to be much lower than has been reported for livestock groups. Even though the difference is between distinct commodities, this may support suggestions (1) that the number of unregistered groups is declining. At least one potato group has registered since initiation.

Groups may register under I. & P. or Company Act provided they meet certain specific restrictions. There must be at least 7 members to form a co-operative and at least 2 to form a company. There is an upper limit of 50 members to a private company. Co-operatives are limited to a maximum individual investment of £1,000 and do not permit appreciation in share values. Any organisation or partnership of more than 20 persons, carrying on business for profit, must by law be registered.

In recognition of the poor relative strength of certain groups of people such as farmers or labourers, governments often exempt unions or farmers from certain strictures of their monopoly or anti-trust legislation. Such assistance to farmers' countervailing power is contained in the Agriculture and Forestry Associations Act of 1962. This exempts agricultural organisations of a co-operative nature from Section 1 of the 1956 Restrictive Trade Practices Act, which would otherwise prohibit many group agreements; such as the fixing of a common price for seed potatoes. Firms of a co-operative nature are deemed to be those which are effectively under the control of their members; with no one member controlling more than 1/10th of the voting power, and not more than 1/3rd of the throughput produced by non-members. In addition profit distribution is restricted to dividends on shareholding at a maximum of 7½%, with further profits distributed on a patronage basis, and 90% of voting power must be held by occupiers of farming land. Thus even if registered under the Company Act, a group must ensure that its constitution is broadly in accordance with co-operative principles.* All of the groups registered as co-operatives are therefore automatically granted exemption and of those registered as companies, all but one—and for this the articles of association were not available—appeared to meet the requirements for exemption.

In many cases managers were uncertain which form of registration had been adopted, or if it carried exemption from the Restrictive Trades Practices Act. This is probably a result of registration before the manager was appointed, but is a point which must be carefully considered when initiating a group. There does not appear to be any pronounced trading advantage for registration under either Company or I. & P. Acts, provided the Agriculture and Forestry Associations Act's requirements are met. Managers could rarely give a reason for the group's registration under either Act. Nevertheless, in one case the "poor trading image of a co-operative" was mentioned as a reason for choosing the Company Act. This does not appear to present a strong cause for company registration. The type of registration is unlikely to be known to the group's buyers. They will be far more aware and interested in the fact that it is a farmers' group, however registered. Indeed the larger percentage of potato groups registered under I. & P. Acts suggests that this does not give very strong motivation for company registration.

TYPE OF MANAGEMENT:

One of the most difficult choices for a group is to select a manager. Full time paid managers were employed by 6 groups, part time paid managers by 3, part time unpaid by 5, and for 2 others the part time manager was not paid solely for potato marketing, but also for closely related duties. Of the 6 full time managers, 4 had lengthy experience in the potato trade and one other had management experience in agricultural marketing. Part time managers were typically N.F.U. secretaries or farmers who had taken a leading part in the formation of the group. Very little information on salaries could be obtained. Full time managers are responsible for central selling of all of the group's produce, and in the larger groups may have one or more assistants. Central selling may also be undertaken by groups with part time managers but these have widely varying practices. In some cases a secretary manager is responsible for little or no day to day management, but deals with occasional secretarial work and keeps members in touch with one another.

* Another important consideration is that this same constitution gives eligibility for grant aid such as that provided by A.M.D.E.C. and also gains exemption from taxation on distributed profit and bonuses.

MEMBER DISCIPLINE:

Organisation is concerned both with the physical efficiency of operation and also the human elements of the business. The latter is a particularly important aspect of group schemes. It is suggested that because a group has a small and selective membership, each member knows each other, can trust him, and feels responsibility to the group and his fellow members. This means that discipline can be self imposed, and is, therefore, accepted and adhered to more readily. Similarly advice on production to market standards is more likely to be accepted. Thus a group can overcome the problems of the traditional co-operative, whose members accept little or no direction of their farm production and no more than a moral obligation to trade with it, dealing with other firms when advantageous.

The obvious importance of membership numbers to the group concept had led to its use as a characteristic for definition of the survey sample (page 10). Organisations excluded by this criterion had many more than 50 members; the smallest had over 300 members. Table 4 on page 16 shows the average and range in size of groups visited, in terms of membership, acreage and throughput. The average membership for all groups was 29 members which conceals a range from 6 to 60. In the small groups, as is to be expected, members appeared to be well acquainted. In the largest groups it is more difficult for the manager to know each member well, or for the members to know each other. This, however, also depends on the extent of the group's area, so that a group with only 20, widely scattered members might have as much difficulty in knowing each other as a 50 member group in a small concentrated area. In no group, however, was this mentioned as a specific problem. Groups are not only small, but also selective, and all those visited accepted new members only on either personal recommendation of an existing member, or consideration and voting by the board of directors. It is not clear how rigorous the selection procedures were in practice, but several groups claimed to have refused membership. Three groups did not wish to increase their size at present. Additional requirements took the form of N.F.U. membership, in 2 groups, and in another 2 groups a minimum acreage was necessary before joining.

Size and selection facilitate discipline. Discipline is, perhaps, as one group manager claimed, the wrong word. It can have overtones of involuntary compulsion, loss of individuality, and painful penalties. As embodied in the group concept discipline does have some relation to its "militaristic" interpretation. There is indeed some loss of individuality since some of the management choices of the individual are given up to group control. The essential difference is that through the group organisation this loss is voluntary and is exercised solely in the members' interests. Penalties may or may not be involved. Sometimes these are written into a contract because initial ideals may fade in face of advantageous alternatives. Group discipline, therefore, refers to the voluntarily accepted organisational characteristics which a group embodies so that control can be exercised over larger quantities entering the market.

Managers were questioned on the lines of control by which this form of group discipline was exercised. It is difficult to identify any general pattern of disciplinary procedures since both objectives and particularly methods of operation varied so widely. Table 6 attempts to list the number of groups employing each of a number of procedures which were suggested to the manager.

In only 7 out of the 16 cases did members have to sell all of their potatoes through the group. In another 3 cases they had to sell a pre-arranged percentage of production or acreage through the group. Of these only 5 had contracts or market agreements

with their members to support the arrangement. In the majority of cases only members were permitted to sell through the group, but for 4 groups the use of group services was also open to non-members.

TABLE 6. Discipline Characteristics.

Characteristic	SEED		WARE	
	No. of Groups Responding	No. of Affirmative Responses	No. of Groups Responding	No. of Affirmative Responses
Must members sell all Potatoes through Group	7	4	9	3
Must members sell predetermined % or acreage through Group	7	1	9	2
Can non-members sell through Group	7	1	9	3
Does Group control varieties	7	2	9	3
Does Group control Acreage	7	1	9	2
Does Group inspect Dressing regulations	6	4	6	3
Do members sign contracts with Group	7	1	9	4
Does this contain Penalty Clause	6	0	8	3

Several managers said that they would buy from non-members if they were short of potatoes, but this must of course be limited to not more than one third of total sales. In only very few cases did group management control varieties, and fewer still controlled varietal or total acreages. Again several managers said that they were able to influence this, to some extent, by suggestion and discussion. One seed group manager claimed to have substantially altered members' choice of varieties towards those which were in greater demand. Most groups set dressing regulations but only 7 of the 12 without central dressing plants, operate a system of inspection with the object of ensuring adherence to standardised dressing procedures. These inspection systems may be operated by group employees or by one of the group's buyers. In addition to these 7 groups, another 2 use the staff of outside organisations to inspect their produce, but it is not clear how well this ensures standardisation between members.

Contracts or market agreements between members and a group are comparatively rare and are only employed by 5 groups. It might be argued that group discipline should, in theory, be voluntary, and contracts be only necessary as reminders. Moreover, they are seldom if ever enforced so that the 3 penalty clauses embodied in group contracts which were noted are not likely to be regarded as more than threat of compulsion. Some, indeed, would say that members cannot be forced to meet their obligations, but must be induced to do so by apparent advantages. Nevertheless, the reluctance or neglect by groups to formulate such contracts might suggest that control of type quality, or quantity of produce is not too strong.

Managers were also questioned on how far and in what ways there was provision for members to share or choose machinery, labour or storage. At the same time they were questioned on type and degree of control over lifting or planting schedules. Groups impose very little discipline on these activities. In only a few cases were suggestions made for machinery type or labour sharing in groups, other than those carrying out dressing or storage for members, and one case where the production process was group operated. In one other case lifting schedules were also imposed.

The discipline imposed by most groups appears mainly persuasive in nature, and relates to only a few aspects of the production and marketing process. Members rarely accept group control of production operations, and only for a part of their marketing procedure. Thus many may be willing to sell a percentage, but not all, of their potatoes through the group for fear of losing their existing market contacts. Similarly a group may have to accept and trade with all its members' existing buyers even if it wished to sell elsewhere.

Although it was difficult, in several cases, to say that any discipline was imposed on members by the group, managers were asked how this was achieved. In 3 cases penalty clauses were written into contracts, though none had been enforced. Expulsion was the method claimed by 4 groups, and could presumably be employed by others. Nevertheless, none of the groups had expelled a member. Moreover only 2 of the groups acknowledged disciplinary problems. In the light of the above discussion this freedom from problems probably reflects more, the few controls exercised, than strength of discipline.

TABLE 7. Compulsory Payments to Group.

Group		A	B	D	E	F	H	K	L	M	P	Q	R	S
Entrance Charge	Per Member	£1	0	0	0	£10	£10	0	0	0	£1†	£1	£6	0
	Per Acre	0	2/6*	£5	£100	£3	0	£33	£10 min. of £100	£2 min. of £25	0	£5	0	£10 min. of £100

* An annual charge.

† Plus an annual charge of £1 per member.

Additional control can be exercised by means of the membership fees or capital contributions. This selects those farmers who have sufficient interest to pay for their entrance, and once they have joined, there is an incentive to help the group operate effectively, and so improve discipline. The force of such financial involvement cannot, of course, be measured, and the degree of compulsion attached to each £1 of investment will vary from member to member according to his own financial strength. Nevertheless, it is likely to exist, and Table 7 shows the compulsory payments made on joining for 13 of the groups visited.

CHAPTER IV

ACHIEVEMENTS

Objective measurement of group achievement is exceedingly difficult.* This is particularly true for potato groups because there are few standards or norms against which to compare actual results, even if these were available. Moreover, some success, such as an assured market in the future can only show potential at the present point in time. The following discussion, therefore, is of necessity based to a large extent on subjective appraisal and opinion.

It is considered that groups have four specific aims regarding the attainment of which, success or otherwise is open to examination. These represent a more simplified division of the objectives considered in Chapter I.

- (i) Immediate financial reward; from either greater bargaining power against existing market opponents or from investing in new market processes.
- (ii) Greater certainty of market outlet now and in the future.
- (iii) Cost reduction in sales of produce.
- (iv) Intangible and immeasurable savings or gains resulting from improvements in market efficiency, other than direct cost reductions: e.g. learning which are the most profitable varieties to grow.

In addition to the attainment of these specific aims, the influence which groups have achieved with their opponents can be considered.

FINANCIAL REWARD:

Financial gain, "is almost impossible to assess" and "it would cost more than it is worth". These were two typical answers to questions about financial rewards in terms of price advantages.

The difficulties attached to a comparison of group with other prices are numerous. Thus variety, size, soil type, and damage or disease vary between different lots sold by a particular group, between groups, and in the traditional market. Moreover, no accurate or universal grade system exists to clarify such differences. The group may also have a sales area which differs from those to which P.M.B. prices refer, and even the latter do not provide true, short term, varietal average prices which could be used as comparative norms. Group prices may also reflect differences resulting from sales over a wider area, and at different times in the year, than those which would be made by an individual member. Difficulties also arise because of differences between groups in terms of services offered. This means that with the small total number of potato groups there are too few undertaking sufficiently similar operations to permit valid comparison of "average" group with "non" group prices. Similarly this prevents a very meaningful investigation of causal relations between types of operation or organisation and any such price differences that do exist.

It became apparent early in the survey that groups could not, or would not give any definite answers to queries in this area, and were therefore asked for an "estimate of any financial gain farmers made by selling through the group". Of the 15 producer initiated groups 4 thought that there was no advantage, and 4 thought that there was an advantage but were not prepared to estimate this. Of those that did estimate a financial advantage, 3 were Seed groups with estimates of £1; £2; and £4 per ton, and 4 were Ware groups, with estimates of 10/-; £0—£3; £1—10s.; and £4—£6 per

* See (11) for an interesting attempt to do this by an individual group selling pigs.

ton, the last two being groups selling early potatoes only. It must be stressed, however, that these represent managers' estimates only, and have not been empirically tested. The three seed groups had a combined acreage of approximately 700* acres, and the ware groups of approximately 3,400* acres. All of the groups which estimated the financial advantage had mentioned a better market price in their list of objectives (Table 2) and all but three lower selling costs.

If these claims can be accepted substantial financial gains have been achieved. They must, however, be viewed with some degree of caution. The advantage claimed by seed groups has to be spread over the acreage not sold as seed, and for the ware groups the larger part of the acreage is included in groups claiming a smaller advantage. Furthermore, the larger gains are reported for seed and early potatoes, whose prices fluctuate widely and these claims may therefore be exaggerated. Moreover, as the discussion of buyers' attitudes in the next section shows, only 2 buyers consider that they pay a premium to the group from which they buy. It must also be noted that part of these financial gains may result from savings in sales costs.

MARKET SECURITY:

Few of the groups limited their sales to a single buyer, or had the type of special relationship with one buyer which is common, for example, for bacon groups. Of necessity, one ware group formed on the buyer's initiative, sold only to him. In addition 2 seed groups sold through an appointed merchant as their agent. The remainder sold to many different buyers. For those seed groups which attempted to sell direct to farmer-users this was, of course, inevitable.

Commonly the ware groups sold to town wholesalers, often selecting one in each market so that he could become a specialist in their product. Only 4 ware groups were prepared to estimate the total number of buyers with whom they dealt. For these the numbers were 17, 20, 30 and over 100 in their last season. It must be realised that not all buyers will be making purchases throughout the season or every week, and one buyer may take a greater proportion of the group's throughput in one week than the next.

Despite this apparent use of many buyers, potato groups may still achieve greater security of outlet. There are distinct differences between potatoes and, to use a previous example, bacon groups, which sell a product needing expensive processing and whose buyers (bacon factory) have a much more predictable demand for the final product. In contrast a potato wholesaler acts merely as an assembler and distributor of potatoes which undergo little processing. His trade is very dependent on forces of demand, which is inelastic, and supply which fluctuates greatly. A given wholesaler is thus forced to vary widely the quantity purchased and price he offers. Hence a group which can give farmers outlets in many markets may provide greater certainty of sale, and of better and less fluctuating price. Future trends are likely to lead to more processing of potatoes and perhaps greater prepackaging. This, in turn, might offer groups a more permanent tie with a few given buyers because of the greater range of potential advantages which they can offer. Only 2 ware potato groups have as yet established contracts for part of their sales, and one of them is doubtful about its renewal. The one group which was buyer initiated provides this guaranteed outlet. One other group has a close association, or gentlemen's agreement with a large prepacker and at least 2 others sell small potatoes for canning. In addition one has a centralised prepacking unit.

* One group in each case did not provide acreage figures which have therefore been estimated from other information.

Many of the seed groups aim to sell direct to farmers, and are therefore competing with merchants, although none was able to avoid some sales through merchants. Two seed groups had an exclusive arrangement with a single merchant. In these cases there seemed to be some hope of building up a lasting relationship, whereby the merchant received advantages of more certain quality and advance information of quantities, and farmers were relieved of marketing problems and the fear of being exploited by competing merchants. Both of these groups, however, are loosely organised and only advise on production techniques and grade standards, the dressing being done on individual farms under the merchants' inspection. Moreover, lack of organisation and dependence on a single market outlet may enhance the buyer's strength since the group would probably have difficulty in finding alternative outlets at short notice. This loose association, with emphasis on advice, is predominant for seed groups. Only one such group engaged in central storage, dressing and dispatch, and only 2 others had a close supervisory rôle with central selling. Recently one of the seed groups had made some export sales.

If groups have distinct advantages to offer they could be expected to be the most aware of these. They would therefore be likely to trade between themselves. Only two seed groups had supplied three other groups, which does not suggest a high degree of advantage. This may, however, be due partly to the recent initiation of many groups and intergroup sales may increase as they become better known.

The relationship of buyers with the groups is important in assessing group bargaining strength, particularly with respect to groups bargaining for secure outlets. Of 12 buyers visited, 4 purchased seed from 4 groups and 8 purchased ware from 6 groups, included in the investigation. In the case of 2 seed groups these buyers represented their sole agents. The remainder, both ware and seed, were, in the manager's opinion the group's more important buyers.

Most buyers had dealt with the group since its initiation which ranged from 1 to 22 years. Original contact between group and firm was made by the group for 4 ware groups and 3 seed groups and by the buyer for 3 ware groups. This was facilitated for 4 ware groups and 1 seed group because either the manager, or farmer members, had previously traded with the buyer. He thus had considerable knowledge of the type of trade in which he and the group would be involved. Only 3 buyers traded with more than one potato group, although several dealt with other vegetable groups.

For 2 buyers 1 seed and 1 ware, potatoes constituted their entire business, and for 2 other ware buyers they amounted to nearly 50%. For the remainder potatoes contributed a very small part of their total turnover. Groups often provide only a small part of the buyer's total potato supplies. This proportion will vary from year to year, but figures in Table 8 refer to the previous year's trade, that is summer 1965 for earlies, summer 1965 to spring 1966 for maincrop, and winter 1965 for seed groups.

TABLE 8. Buyers' Purchases from groups as a % of their total Potato Purchases.

	WARE BUYERS				SEED BUYERS			
	0-25%	25-50%	50-75%	75-100%	0-25%	25-50%	50-75%	75-100%
No. of Buyers	1	3	1	3	3	0	1	0

Note: In the case of early potatoes this % refers to early potatoes only; similarly for one buyer who could only give figures for repacked potatoes.

Buyers were questioned about advantages they achieved by purchasing from groups. One ware and 3 seed buyers at first denied that there were any, although only one persisted in this claim, when particular advantages were suggested. Only one saw a financial advantage which he identified as resulting from centralised selling through a manager. Seven ware and 1 seed buyer saw advantages in greater certainty of quality, and 4 ware and 1 seed in more certain supply. Five ware and 2 seed considered it advantageous to deal with a single selling point via a group manager. Finally one buyer in rather specialised circumstances was concerned about his future buying position, since the group controlled all the supply of an established local potato area.

In most cases it appeared that buyers were willing to purchase from a group when quality and quantity were to their requirements, but rarely to make much effort to obtain group supplies. Only one, a seed buyer, considered that he offered a premium for the group's products, while one other occasionally offered a premium. Moreover, none of the other buyers could foresee a situation when they would offer such a premium, and of those buyers who saw an advantage in trading with groups, only 4 buyers from 3 groups considered it impossible to obtain these advantages by other means.

It would appear from this small survey that buyers do not think groups have offered advantages which allow them to pay higher prices. Nevertheless, they do see some benefit, have continued to buy from the groups and all but 1, who was uncertain, intended to buy from the group in the next season. It may be, therefore, that these groups, the majority of which are only recently formed, are beginning to establish themselves and ensure an outlet for their members' produce. In one case, circumstances peculiar to the group's locality have enabled some degree of type B bargaining power to be applied, so that merchants would be discomfited if they lost its trade.

COST REDUCTIONS:

Savings from large scale operations present similar problems of measurement to those occurring with possible price increases. It is very difficult to obtain comparable figures from societies which employ different accounting procedures and which refer to different financial years. Moreover, standards with which to compare results are difficult if not impossible to find, especially when some of the economies merely mean that a new function is possible which was not previously undertaken. For example, the group can employ a manager and storage costs can include such items as straw, which do not appear in individual farm accounts.

Conceivably economies might occur in specific areas such as transport, storage, and dressing and in addition may permit the use of professional market management and collection of information. Again, however, it is not possible to compare results, nor to give specific costs without identifying individual groups. Only 1 seed group and 1 ware group store potatoes centrally. These together with 2 ware groups grade centrally, and the latter 2 also prepack some of their potatoes. Most of the groups make provision for some rationalisation of transport, the seed groups going furthest in this direction. Any cost reduction which resulted for these seed groups would represent not so much a scale economy and thereby improvement in market efficiency, but a more radical attack on exchange efficiency in which conventional channels, via merchants who bulk and distribute seed, are replaced by more direct and perhaps more efficient exchange from farmer to farmer. Hence results that may be available are not strictly relevant to the measurement of scale economies. Six groups afford a permanent, paid manager which may represent a size economy. In addition the groups make savings on some requisites, notably bags, fertilizer and sprays. These however are not likely to differ from savings that could be obtained by any general buying group.

While economies may be achieved, it must be remembered that heavy capital expenditure will often be needed if storage or dressing facilities are group operated. Table 9 shows group investment in fixed assets at original purchase price for 9 ware, and 6 seed groups.

TABLE 9. Distribution of Capital Expenditure.

	WARE £,000						SEED £,000								
	0	0—5	5—10	10—15	15—20	20—25	25—30	0	0—5	5—10	10—15	15—20	20—25	25—30	30+
No. of Groups in each range	4	3	0	0	0	0	2	3	2	0	0	0	0	0	1

While the survey has shown where cost economies are likely to occur, it has not been possible to measure these. It is likely that more specialised research into individual activities such as potato storage, regardless of who operates them, will measure these economies more accurately.

INTANGIBLE MARKET IMPROVEMENTS:

Groups claim numerous intangible market improvements. One which would appear theoretically of great importance is better market information. As a result of joint action, discussion and specialist management, the group should know more accurately the demand for various types, varieties and qualities of potato. It should also be able collectively to direct members' production policies and techniques to meet this known demand, so that members should receive the benefit of better prices for varieties and grades which are in most demand, from less costly and more continuous sales, lower wastage, and maximum production from optimum growing techniques. It must be noted, however, that such changes make the earlier attempts at measuring financial advantage even more difficult to assess.

At the outset of this study it was hoped to measure trends in acreages of different varieties grown, yields per acre and any other production changes, for comparison with national developments. This did not prove feasible. Only very few groups have been operating long enough for any changes to have evolved, and of the remainder few kept records of acreages grown and even fewer of individual yields. Again a more subjective approach was employed, in which managers were asked, what, if any management advice they gave members, and what information they collected from markets and members. Group control of varieties and acreage as discussed on page 20 is also relevant here. The overall impression is of only a loose group production management policy. As mentioned earlier 5 groups exercise control over varieties, 2 by detailed specification, 3 by specifying those varieties in which the group will deal. Another 5 have a policy of suggestion and guidance towards better varieties. The remainder market the potatoes, whatever variety, if offered to the group. One ware group undertakes the whole business of potato production as a group activity, and the seed groups often provide rouging demonstrations, but other advice on production techniques to better meet market requirements was given in only a few cases, and often only on request.

Other advantages mentioned were a reduction in the time, cost and worry associated with selling potatoes individually to a local merchant, particularly because members felt confident that prices received were close to those received by other producers. Also mentioned were advance or prompt payments, and a guarantee of

the financial reliability of buyers. In 3 groups potatoes represent a new venture for at least some members which would not otherwise have been possible. Others mentioned the more efficient use of scarce local labour for harvesting, and because of central storage and dressing, the ability to get in a winter wheat crop to follow the potatoes.

Potato groups have in most cases operated for a very few years, so it is perhaps fair to say that they are at the moment mainly working for recognition. Long term evaluation is difficult and survival as a measure of success of doubtful value. Moreover, 10 groups were still receiving government grants of one form or another. For 5 groups, however, the manager is unpaid. In these cases he is often the key to the group's formation and the group is likely to depend on his continued interest for its success. Continued group survival is likely to depend on sufficient success to pay such managers for their services.

Nevertheless, only 1 group visited was thinking of giving up trading in potatoes (page 14) and several appeared to be already on a sound financial footing. In 8 groups membership had increased since initiation, 3 had a direct policy to limit the membership, and only 3 had less members than when they started. In 15 groups, with a total membership on visiting of 414, 51 members had dropped out over the period of their operation, though in 2 cases there were a few members in name only. The greatest part of this loss had occurred from one group and some losses had occurred because members give up farming. This growth does perhaps illustrate that, at least to members, there must be some advantages, if only the relief of social tensions.

CONCLUSIONS :

- (i.) Groups selling potatoes represent principally bargaining units which are looking for both higher returns and particularly more certain outlets for their potatoes. Cost reductions and greater market exchange efficiency form additional group objectives, but these are rarely evaluated, and any investment involved is more likely to represent an attempt to strengthen their bargaining lever.
- (ii.) Members realise, perhaps subconsciously, that type B bargaining power is rarely attainable, and that they must offer services to obtain any type A power. Hence managers stress that price is not an immediate or only objective.
- (iii.) There is a confusion between objectives and means to achieve these, perhaps due to an unwillingness to claim price or similar objectives, but more likely due to an ordering of aims and the path to these in a particular hierarchical manner.
- (iv.) The most common methods of achieving these objectives were quality improvements and use of brand names. Only few groups operate centralised facilities such as grading and storage. More commonly they set standards to be kept and then sell through a centralised point; practices, however, vary greatly between groups.
- (v.) Investigations of possibilities had usually been undertaken before the groups were initiated. They often appeared, however, to have been sketchy. The need for them must be emphasised so that objectives and methods of working towards these are clearly understood by members and management at the outset.
- (vi.) Organisation, in the sense that most groups were formally incorporated was very satisfactory. There is some unpaid and part time management which is likely to prove unsatisfactory in the long term. Many groups were only recently established, however, and may well employ full time managers when throughput increases sufficiently to justify their salaries. Some, such as early potato groups, operating for only a short part of the year, are not likely to warrant a full time manager.
- (vii.) The other organisational aspect, control and discipline, was in some individual cases well arranged, but the overall picture was of lax or ineffectual procedures. If groups are to achieve their theoretical advantages disciplines must be strengthened, whether by written agreement or through financial and personal involvement. Failing this potato groups are likely to prove no more successful than traditional co-operatives, and possibly less successful than one employing a potato marketing specialist.
- (viii.) Achievements in the form of financial advantages are difficult to measure and groups have rarely attempted this themselves. Their own estimates suggest some limited success, but accurate measurement was not possible, and their buyers do not in most cases consider that they pay premiums. Some greater certainty of market position through wider sales has been achieved, which should give greater security of market share in the future, but attention to new techniques and outlets must be developed if this is to be ensured.
- (ix.) Cost economies proved impossible to measure, but there was evidence of them, and they may be included in managers' estimates of financial advantages.
- (x.) Intangible improvements in the form of saved time or labour sharing were numerous. Better direction of production was, however, only very partially achieved. It may be that groups should emphasise this aspect of their operations so that production is better co-ordinated, and production economies can be obtained. Group control of production is likely to prove necessary if groups are to fill accurately present and future market requirements, and so be in a position to offer advantages to buyers who trade with them.

(xi.) Potato groups are, in the main, of much more recent origin than livestock groups. So far members who have left the groups represent 11% of total present membership, but most groups have increased membership over time. The greatest part of this loss occurred in one group which started with few disciplines and with well above 50 members. As yet members have in many cases shed very few decisions to group control. Future success for many, if they are to achieve more than relief of social tensions, is likely to depend on an increase in group discipline.

REFERENCES

1. P. DODDS: *Group Marketing* (Journal of the Agricultural Economics Society) December 1964.
2. A. BARFIELD: *Marketing Groups for Livestock* (Agricultural Merchant) September and October 1963.
3. M.A.F.F. Econ. Series No. 34, 1931. *Report on the Organisation of Potato Marketing*.
4. P.I.D.A. *Pig Groups*. July 1964.
5. Wye College Thesis on Egg Groups as reported in (2) above.
6. LADD and HALBERG: *An explanatory Study in Dairy Bargaining Co-ops*. (Iowa State University). November 1965.
7. WILCOX: *Public Policy Towards Business*. (Irwin). 1960.
8. J. K. GALBRAITH: *American Capitalism*. 1952.
9. J. K. GALBRAITH: *Countervailing Power*. (American Econ. Review). May 1954.
10. WARLEY and BARON. *A Study of Potato Prepacking Costs*. (University of Nottingham). September 1958.
11. T. DENHAM-SMITH: *Integrated Groups*. (P.I.D.A. Conference on Pig Groups and Co-operation). April 1965.

Some Recent Reports published by the Department of Agricultural Marketing.

*Report
No.*

1. BUTCHERS AND THEIR CUSTOMERS
2. CONSUMER PREFERENCES FOR BEEF STEAKS
3. FAT CATTLE AUCTION MARKETS IN GREAT BRITAIN
4. THE ORGANISATION OF FATSTOCK SLAUGHTERING
5. THE COMPETITIVE ADVANTAGES OF ALTERNATIVE METHODS OF MEAT RETAILING
6. POTATO MARKETING GROUPS

The above are obtainable, price 15/- each, from:

The Department of Agricultural Marketing
The University
Newcastle upon Tyne 1