



Working together to shape
the future of farming and food

2020

Annual Report

SAOS Members

More details on www.saos.coop

Aberdeen Grain Storage Ltd

01651 882244
www.aberdeengrain.co.uk

Angus Growers

01241 877336
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ANM Group Ltd

01467 623700
www.anmgroup.co.uk

Argyll Hill Lamb

01852 316220
www.argyllhilllamb.com

Argyll Small Woods

01583 431233

Aspatria Farmers

01697 320207
www.aspatriafarmers.co.uk

Ayrshire Country Lamb Ltd

01292 560740
www.farmstock.org.uk

Birsay Farmers Ltd

01856 874654

Border Counties Prime Stock Ltd

01750 723366
www.farmstock.org.uk

Borders Machinery Ring Ltd

01896 758091
www.ringleader.co.uk

Caithness Machinery Ring Ltd

01847 841310
www.caithnessmachineryring.co.uk

Caledonian Organics Ltd

01557 814656
www.caledonianorganics.co.uk

Co Chomunn An Lochdair

01870 610205
www.carnanstores.co.uk

Dalkeith Farmers Ltd

01875 820810

DWP Harvesting Ltd

01339 885335
www.dwpharvesting.co.uk

East Lothian Potatoes Ltd

01361 883488

East of Scotland Farmers Ltd

01828 627264
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East of Scotland Growers Ltd

01334 654047
www.eastofscotlandgrowers.co.uk

Farm Stock (Scotland) Ltd

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First Milk

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www.firstmilk.co.uk

First Venison Ltd

01507 353770

Galloway Lamb Ltd

01899 221419
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Girvan Early Growers Ltd

01465 715328

Grainco Scotland Ltd

01888 564190
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Grampian Growers Ltd

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Highland Grain Ltd

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Lewis Crofters Ltd

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Lothian Lamb and Beef Ltd

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Lothian Machinery Ring Ltd

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Milk Suppliers Association

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North Uist & Benbecula Livestock Marketing

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Orkney Business Ring Ltd

01856 879080
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Orkney Cheese Company Ltd

01856 872824
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Quality Pork Ltd

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Ringlink (Scotland) Ltd

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Rural Services Scotland Ltd

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Scotlean Pigs Ltd

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Scott Country Lamb Ltd

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Scott Country Potatoes Ltd

01573 225125

Scottish Agronomy Ltd

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Scottish Bee Services Ltd

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Scottish Borders Produce Ltd

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Scottish Farm Carbon

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Scottish Organic Milk Producers Ltd

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Scottish Pig Producers Ltd

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Scottish Potato Co-op

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Scottish Shellfish Marketing Group Ltd

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Shetland Abattoir Co-operative Ltd

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Tayforth Machinery Ring Ltd

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www.tayforth.co.uk

United Farmers Ltd

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United Oilseeds Marketing Ltd

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www.unitedoilseeds.co.uk

Westray Processors Ltd

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About SAOS

At SAOS we work with food and farming businesses to make them more profitable, competitive and sustainable.

Scotland's experts on farmer co-ops and food industry collaboration, SAOS provides a range of specialist information, development and consultancy services. Our work allows Scotland's farming, food and drink businesses to benefit from the commercial advantages that can be achieved by working together more effectively, enabling them to contribute to the success of Scotland's food and drink industry and its rural economy.

SAOS was established in 1905 and is owned by around 60 member co-operatives with a collective membership of 25,000 and turnover of around £1.5 billion. 'The home' of Scottish agricultural co-ops, SAOS has worked with farmers and food producers for well over 100 years, helping them to grow and develop.

SAOS's work today includes thought leadership on more complex challenges than ever before, identifying and helping to develop innovative solutions for farming and food production on topics such as sustainability, climate change and carbon sequestration, technology and the use and translation of data.



We believe that, more than ever before, opportunities must be explored and realised by working together effectively to shape the future of farming and food.

OUR CO-OPS PRODUCE:



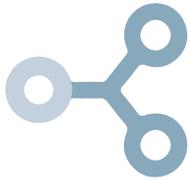
Half of the oats grown, more than half of the oil seed rape, and around 20% of the wheat grown in Scotland

MEMBER CO-OP STATS:



SAOS'S RECENT SUPPLY CHAIN WORK:





CONNECT LOCAL PARTNERSHIP IMPACT:

 **£26.6m** for the rural economy

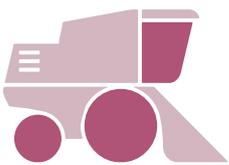


SAOS TRAINING EVENTS:

 **8** different courses

 **60** different co-ops and orgs attended

 **95** delegates



SCOTLAND'S MACHINERY RINGS:

 **7,250** members in total

 **£95.5m** total throughput



SCOTEID MANAGED THE MOVEMENT OF:

 **6.9m** sheep

 **15,555** batches of pigs

 **410,000** cattle moves between **4,600** main holdings and **11,500** additional holdings.



SCOTEID:

 **1,800+** attended Roadshow

 **15,000+** phone calls handled

Chairman's Statement

Mark Clark



I looked back at some of the past SAOS Chairman's Statements before beginning this one, and reflected on some trying times in various years. Now, in the midst of the Covid-19 pandemic, with a soaring death toll around the world, most of these past concerns sound pretty insignificant. Our daily lives and businesses have been impacted in ways that no-one could accurately have predicted.

There have been positives though. Communities, particularly rural ones, have shown resilience and ingenuity, rising to the challenge of empty shelves and working together to make sure that no-one has to do without. Health workers, carers, supermarket staff, delivery drivers and a veritable army of volunteers all over the country have been going out of their way to help. All working together in the spirit of co-operation, because we're in this together.

Co-operation is all about being in this together. Our co-op members understand that together we can do things that we couldn't do alone. With pooled resources and effective governance, co-ops provide a route to multiple benefits for members: greater efficiency, productivity, profitability,

managed risk, access to expert advice on innovation, data, marketing, and research and development. There is also an immeasurable benefit to knowing that you are not alone when things are truly tough. Times of adversity tend to encourage co-operation and the formation of new co-ops. Never have we seen a time when co-operation was more important.

I'm proud to be Chairman of SAOS. The team's work with co-ops, in food and drink supply chains, with data and technology and in climate change, benefits the whole of the farming and food sector in Scotland. This annual report gives just a taste of what they've achieved over the last year. I encourage you to find out more.

Chief Executive's Statement

Tim Bailey



As I write this, in mid April, we are all facing incomparable challenges and uncertainty arising from the global Covid-19 pandemic. We are in awe of the commitment of key workers in the health and social care services amongst others, but there has also been overdue recognition of the importance of our food supply chains and the key role that farmers and food producers play in feeding the nation. It has become apparent to all that food security must never be taken for granted, neither now nor in the future.

The virus and its legacy will add to the already many challenges that we have to face over the coming months and years. These include dealing with the climate emergency, future trading arrangements with the EU and accessing new markets, new agricultural policy and reduced direct support, the need to improve agricultural productivity and how to sustain farming for the next generation.

Yet change is necessary and should not be feared. All these issues and the opportunities that arise from them can be tackled head on, by working together. None of the above can be

dealt with, nor capitalised on, by working alone. 'Ploughing a lonely furrow' is rarely enjoyable or effective. We need to change the culture about co-operation and demonstrate that, far from threatening business independence, it actually strengthens it. Co-operation takes different forms and we are proposing policy changes and incentives to Scottish Government to drive that.

Working together provides us with the strength, the resolve and a community of like-minded individuals and businesses to farm for the future and thrive in the new world beyond Covid-19.

Our Impact

Co-op Services

SAOS continued to play an integral role, working with Scotland Food and Drink and others to deliver Ambition 2030 through the Co-op Development Programme. This supports the profitability of the agricultural sector by improving supply chain connections within the food and drink industry, providing increased resilience, productivity, and greater focus on climate change. Co-ops perform an essential role in many supply chains and, without them, the success and growth of Scottish agriculture and the food and drink sectors would be constrained and diminished.

There has been an extensive programme of training during the last year with eight different courses, delivered to 95 delegates, from more than 60 different co-ops and associate organisations. Topics have covered Marketing and Member Relations, Effective Co-op Governance, Effective People Management and GDPR. New courses have been delivered on making an impact with Social Media which was particularly popular, as were the new Director Introduction courses.

The annual “Co-op Management in Practice” (C-Mip) programme ran in November with ten participants from five different co-ops. This intensive two day workshop is about developing the next generation of co-op managers. This year’s guest speakers were Tim Wilson, MD Aspatria Farmers and Andrew Moir, Chairman, Ringlink.

There was ongoing team delivery of core development projects including facilitation of the Borders and Lothian Monitor Farms which concluded in March 2020. The Lothian farm was a unique collaboration between two neighbouring farms, Saughland and Prestonhall. They demonstrated how different farming enterprises can co-operate for mutual benefit. From this, a toolkit has been developed to cascade how co-operation between arable and livestock enterprises can be replicated more widely.

Seven co-op managers took part in a study tour to Ireland organised by SAOS with support from ICOS (SAOS’s Irish counterpart). There were visits to a number of different co-op businesses, including the diversified dairy co-ops Lisavaid and Drinagh, the data-driven Irish Cattle Breeding Federation and Corrin Marts.

The Scottish Potato Co-op

On top of a more planned and stable marketing process, the formation of the Scottish Potato Co-op also gives the 17 growers, who farm over 3,000 acres of ware potatoes, greater economies of scale through working together. This also reduces individual risk through the pooling of resources and capital.

Through their marketing agent, the co-op negotiates forward contracts and can market surplus and ‘class 2’ crops more effectively. By working together, the prospects for overall returns to members will be improved. In an increasingly competitive market, this provides a sustainable future for members and improves their offering to customers.

SAOS helped the co-op in a variety of ways in 2019, scoping out the business potential, holding meetings with growers



to talk through the process, and producing an investment prospectus for potential member applications. We developed the co-op’s governance and ‘rules’ and registered the co-op with the FCA.

Other services we provided included brokering operational arrangements, producing legal agreements for members and their agent, director governance training and providing company secretarial and support services.

Key work included:

- specialist co-op advice to scope the potential for new co-operative ventures including development work for Women in Agriculture Scotland and new Producer Organisations, as well as support for the development and establishment of the new Scottish Potato Co-op.
- working with several different co-ops to build resilience for the future, by facilitating business strategy updates; reviewing Board performance and governance arrangements; introducing balanced scorecards to track holistic co-op performance; and working to identify opportunities for co-ops to enhance their Board diversity.
- developing and extending Next Generation Group work, introducing the Assistant Managers Forum and the South Staff Forum, further developing talent within the co-op sector.
- supporting co-ops to measure their ‘member value propositions’ and business benefits, through development and circulation of member value statements.
- extending the range and value of baseline data gathered on Scottish agricultural co-ops: aggregated data shows total membership of 25,000; £1.5billion annual turnover and more than 1,200 direct employees, with many more through Machinery Rings.
- the launch and development of the Co-op Innovation Service to identify business growth opportunities for a range of different co-op members.

Our Impact

Supply Chains

Our leading role to support and grow value within food and drink supply chains continued. The Market Driven Supply Chain (MDSC) programme, funded by the Scottish Government and Enterprise Network, again delivered significant progress. Overall, MDSC has delivered 15 projects, five focused on export markets and ten on UK markets. By end 2019, £40m+ of estimated benefits had accrued. Export projects involved red meat into Northern Europe and developing logistics solutions for the dairy and seafood sectors. Increased capacity and efficiencies were achieved in the pork supply chain; an action plan facilitated for the poultry sector; and a collaborative market futures model extended for butter users, delivering significant savings. MDSC helped retain 1,150 jobs, create 60 new ones and support the business case for a £1m+ collaborative farmer investment in a gluten-free oat processing plant.

Connect Local activity focused on Regional Food Fund support and Group development, Food Tourism, and local food supply chains. Research into local food tourism supply chains assessed the opportunity for sourcing and procuring 'local' products and explored the capability and logistics required.

The team worked with several collaborative industry groups. We played a leading role facilitating the organic and dairy sector strategies and led two key projects for the venison 'Beyond the Glen' strategy. Support was provided to the Fine Cheesemakers of Scotland and Scottish Honeyberries Group.

We held Innovation Insights workshops with Scotland Food & Drink through the Enterprise Network-operated Make Innovation Happen programme. Events themes included exploring distinct business models and workforce innovation.

Our integral facilitation role in Scotland's Rural Innovation Support Service (RISS) provided professional support to groups exploring new business ideas and connecting them with the right expertise to develop a viable project. We worked with ten groups, exploring a range of innovation opportunities, including woodchip bedding for livestock; organic rapeseed oil; hemp for sustainable industrial use; high chitin compost to control Potato Cyst Nematode in potatoes and daffodils; and possible re-establishment of commercial apple production in Scotland.

Scottish Government-funded Knowledge Transfer and Innovation Fund (KTIF) projects progressed well. The Foresight Farms project with Scottish Agronomy concluded, having explored the novel use of different data to benchmark more effectively the participant farms' fixed production costs. A Beef Marbling project with MacDuff, its dedicated farmer suppliers and some customers, is looking at the viability of predicting intramuscular fat levels pre-slaughter and correlating these with eating quality. Work along Farmstock's lamb supply chain continued, looking to enable the participating processor to meet customer demand for 100% Scottish-sourced lamb, year round.

We worked closely with the Kintyre Dairy Producers Group to secure the purchase of the Campbeltown Creamery. Sadly, despite everyone's best efforts, this couldn't proceed. Other key activities included specific research for a City Deal innovation centre; analysis of the WTO rules impact on red meat exports, and a strategic review for a trade organisation. We were also contracted to undertake a wholesale Scottish Poultry sector supply chain review and development of a marque to increase the consumer demand and prospects for Scottish-reared chicken.

Beyond the Glen



The SAOS-facilitated venison strategy, Beyond the Glen, was launched by Minister for Rural Affairs, Mairi Gougeon, pictured with the Venison Partnership Group, at Downfield Farm. She commented: "Venison is a premium food, renowned for its quality, provenance and health credentials, and its reputation continues to rise in both domestic and international markets. We know the venison market in the UK grocery market is estimated to be worth around £15 million per year and sales continue to grow. With this strategy in place, the sector in a Scotland now has a fantastic opportunity to meet rising demand, displace imports and target new market opportunities."

Our Impact

Data and Technology

The Huntly ScotEID team of 14 was busy again in 2019 with a wide variety of interactions with the farming community. Over 15,000 phone calls were handled across Cattle BVD, ScotMoves, Pigs and Sheep programmes. In total the ScotEID system managed the movements of 6.9m sheep, 15,555 batches of pigs and ScotMoves recording 410,000 cattle moves between 4,600 main holdings and 11,500 additional holdings.



Preparations were made for implementing BVD eradication phase 5 which successfully launched in December. This further increased obligations on farm businesses, including further movement restrictions on BVD Positive holdings, vet retesting of Persistently Infected (PI) animals, and reduction in movement of 'risky' animals. Also introduced was the published PI locator on ScotEID, identifying holdings with BVD infected animals. Almost 29,000 lab results were uploaded and, by early March, just over 100 live PI animals were identified.

Cattle EID research and development continued, with development of bovine UHF read and record capability in green space, particularly for recording on common grazings, and at-scale fixed reading at marts and abattoirs. PAS44 laser printed tags were produced and distribution began to farmers wishing to engage with the new UHF technology.

In October, the ScotEID roadshow launched to explain the development of the new cattle systems, introduction of

EID and inviting feedback, prior to the Government consultation planned for 2020. The programme of more than 30 meetings, across all areas of Scotland, targeted around 1,000 farmer attendees. In fact over 1,800 attended.

The ScotEquine database is now operating successfully for horses and ponies registered in Scotland by the native breed PIO's (Passport Issuing Organisations) and ScotEquine interfaces with the UK central equine database operated on behalf of DEFRA.

ScotEquine has also designed a mapping system to record residency and movement of horses to assist with disease management and trace. Elements of the research and development into a movement system is taking additional time and is now at stage 2, having successfully dealt with complex mapping, and a multitude of European special characters.

Following successful early stage pilot work, SmartRural developed further.

There are now two proof of concept deployments in Stonehaven and Deveron Valley. In autumn, funding was secured from Scottish Government's Knowledge Transfer and Innovation Fund, to install LoRaWAN networks on three farms in Aberdeenshire, Angus and Fife showing IoT technology in action. These farms include an extensive mixed farm with biomass and renewables; an upland sucker cow and breeding sheep farm; and an intensive arable farm producing combinable crops and ware potatoes. Bespoke sensors have been installed on each farm to capture a range of data for use in improved decision-making. Open days are planned for 2020 and other knowledge exchange activities to highlight the potential for all farms in preparation for a wider industry launch during the year.

SAOS and SmartRural continue with the development of a bank of actual Use Cases to demonstrate the ways that sensors can be used on farm, such as the example below on vaccine fridge monitoring.

Development of SmartRural Use Cases

Low cost sensors keeping farm vaccines effective



The economic impact of sub-optimal health in livestock is huge, costing the industry millions each year. With the drive to reduce antibiotic use of on livestock, vaccines are increasingly being used on farm. Storing these correctly is essential to maintaining their effectiveness.

Because domestic specification fridges do not display internal temperatures,

farmers can be unaware of a problem and may only realise if animals start to suffer from the ailments that the vaccine should have protected them from.

Deploying a standard temperature and humidity sensor in the fridge would feed data back to an app that monitors the fridge's internal temperature. If temperatures move outside the recommended range, an alert would be sent.

Using a simple, low-cost, sensor would give piece of mind that vaccines are kept in optimal conditions and remain effective. Insulation material used in fridges does not affect the workings of the sensor device. We've found that a standard sensor can successfully transmit through the stone walls of a barn and over a hill to the base station.

Find out more at www.smartrural.coop

Our Impact

Sustainability

Over the year, SAOS's Sustainability Team continued to develop our thinking around the climate change opportunity and how best to couple this with our existing workstreams. It is now clearer than ever that farming must find a way to meet and face this challenge, and unless we demonstrate a willingness to be part of the solution, it's too easy for others to say that we are a major part of the problem.

We secured significant funding for the build and national roll out of CarbonPositive. This support and funding from the Scottish Government will allow data collation on a range of activity areas, including soils, woodland and renewable energy, to convey the positive contribution of Scottish farms in mitigating climate change.

Work for the coming year was planned when, together with our partners the James Hutton Institute and Forest Research, data on carbon sequestration will be gathered to get a picture of the carbon that is being stored and managed on every farm in Scotland. The project will also provide the opportunity to capture the two thirds of Scotland's renewable output every year that is estimated to come from renewable initiatives on farms.

Our partnership with RHET is supporting an education campaign that will inform school children about the value and role of soils and allow them to take soil samples as part of a citizen science project on behalf of farmers.

Planning work was undertaken towards the launch of the CarbonPositive national online platform in 2021, which will:

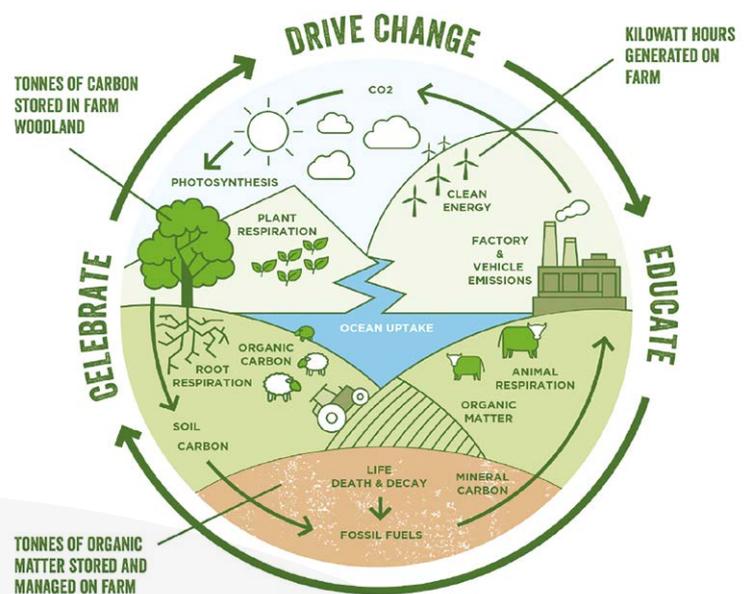
- Position farming as a solution to be celebrated.
- Focus on driving positive change on farm.
- Work to achieve a greater understanding of agriculture and climate change.

The KTIF and SAOS-supported livestock performance programme has showcased the potential for a national Livestock Dashboard. SAOS is committed to delivering this performance improvement tool for the industry.

Member co-op ANM Group's Farm Profit Programme has been integral to the development and trial of this project. The Performance Dashboard concept is currently being tested, with farmers exploring how giving livestock producers access to a tailored range of data from their herd, such as calving interval and age at slaughter, can help them identify key areas for performance improvement and environmental efficiency.

Other work under way and planned:

- CarbonPositive has begun the pilot to incorporate natural capital activities and measures into the programme. These will include clean air, clean water, biodiversity and recreational value such as the improved wellbeing that access to the countryside provides.
- The Livestock Performance Programme which has so far focused on beef cattle will begin the first stages of scoping research to see if a similar project could be explored for the sheep sector.
- A Co-ops and Climate Change project will engage with our co-op member businesses to showcase the climate change activities already in place and see what new environmental efficiency measures could be implemented.



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Our Work and Partners



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Europe investing in rural areas



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The logo for SAOS, featuring the word "SAOS" in a white serif font, followed by a stylized white graphic of three curved lines representing a wave or a leaf.

Find out more on www.saos.coop