

Growing Manchester(s) Veg People



A practical guide to how we created an innovative co-operative of food growers and buyers, to help build a fairer and more sustainable food system

Foreword

The current opportunities for people in Greater Manchester to purchase locally sourced food have been identified as amongst the lowest in the country¹, and the Northwest is one of the UK regions with the lowest number of organic farmers². This provides a significant gap in the market, particularly in the light of Manchester's (and national government's) commitments to reducing carbon emissions and increasing the availability and consumption of local and sustainably produced food.



Additionally, research carried out by the Kindling Trust in 2009/10 with sustainable food practitioners in Greater Manchester, and through interviews with experts working nationally on sustainable food systems, identified a number of obstacles in creating a more sustainable food system, for example balancing supply and demand and covering distribution costs, as well as key lessons to pass on to new groups seeking to start growing and trading in local food, for example, being clear about costs and establishing an appropriate structure and way of working.

At the same time as this research was being written up³, a small group of Greater Manchester based organic growers were exploring with two buyers (Unicorn Grocery and Dig Food), how to co-ordinate their crops better with demand for the coming season. The Kindling Trust approached the group and offered to share the lessons from their research, and went on to work with them over the next two years to form Manchester Veg People.

Manchester Veg People (MVP) is a co-operative of organic growers, buyers (restaurants and caterers) and workers. The model is based on fairness, with prices based on costs of production and the risks of food production being shared, creating relationships of trust and understanding between members.

Putting it simply, Manchester Veg People uses a model and way of working that:

- **For growers** means they sell more produce and at a price that actually covers the cost of production. It also means they are growing to order which means less waste and less potential income losses as a result.
- **For buyers** means access to the most local organic food, and therefore high quality and fresh produce, grown to order just for them, along with the positive marketing opportunities that this can provide.
- **For all members** it means being part of a fairer food system and a wider movement to show that a more sustainable food system is possible and more desirable.

The original title of the report was going to be 'A practical guide to revolutionising the food system (or trying to anyway!)' - a title that summarises the Kindling Trust's motivations in supporting the creation of Manchester Veg People. We believe that there must be an increase in organic, low-carbon food production and consumption, if the world is going to become a more ecologically sustainable place. This combines with our belief that this will not happen fairly through the current mainstream food system.

This is largely (and shockingly) because it is considered widely acceptable that the people producing our food are paid less than the rest of us, whilst bearing the burden of huge risks of sudden changes in demand, crop failures, drought, etc.. And also because it is a system in which a few multi-national conglomerates make decisions over fundamentals such as prices, what is grown and how it is processed, marketed and distributed, leaving producers and consumers alike with very little say over the food we eat.

¹ Ricketts Hein, J., Ilbery, B., Kneafsey, M., (2006), *Distribution of Local Food Activity in England and Wales: An Index of Food Relocalisation*, Regional Studies, Vol. 40.3, pp. 289–301

² Williamson, S (2007), *Organic market report 2007*, Bristol: Soil Association.

³ MSc dissertation: "Finding a Sustainable Food System for Manchester", available online at: <http://kindling.org.uk/our-publications>

When we originally began talking about this model we were told that it would never work, that there was too much of a conflict of interest between commercial growers and commercial buyers. However, our belief and experience is that this conflict of interest can only be overcome through a model like the one we have established in Manchester Veg People. This is achieved by bringing the different parties in the food system together, developing an understanding of each other's situations, building relationships of trust and accountability – basically revolutionising the current trading system into a much fairer one.

We hope that this practical guide of how Manchester Veg People did that inspires others to give it a go too. Good luck, and let us know how it goes!

This publication has been put together with support from the Big Lottery funded Making Local Food Work programme and Sustain: the alliance for better food and farming. Manchester Veg People is demonstrating how to establish an ethical and sustainable co-operative enterprise involving growers and buyers. Manchester Veg People have generously shared their learning to help inform other communities interested in growing and trading in sustainably grown food to develop their own enterprises and to play their part in the wider cause of building a more resilient and sustainable food system.



This report is by Helen Woodcock from the Kindling Trust. The Kindling Trust is a not-for-profit organisation aiming to support, promote and practice sustainable production, activism, and living (see www.kindling.org.uk for more information). Following Helen's MSc project, researching local/organic food initiatives across the UK, and developing a model that she believed to be the most sustainable way to increase local organic food into a city, Helen worked with the Manchester group to support them in putting that theory in to practice.



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Introduction

Manchester Veg People is a co-operative of organic growers and buyers – restaurants and caterers – created to increase access to sustainable food in Greater Manchester and create a more stable market for small local food producers. The model is based on fairness, with prices based on costs of production and the risks involved in food production shared by the members, through creating relationships of trust and understanding between growers and buyers.

This practical write-up aims to show why and how the co-operative was developed and what makes it different.

Our model works for us. However, we do not think this one model will necessarily be right for every place or group. Nevertheless, we do think different elements of the model can be cherry-picked, adapted and used to suit different situations.

This report tells the story of how we developed Manchester Veg People, rather than just how it works. This is because we wanted to highlight the importance of the process of working out what you want to do and how to do it before you start, as we believe this is an important part of creating a sustainable food system.

We did a lot of thinking, sought a lot of advice and held a series of structured discussions and activities, to clarify what we wanted to do. Being really focussed on what we wanted from every meeting and discussion stopped us going round in circles and helped keep everyone on board and motivated. We hope that our experience may provide inspiration and practical advice to other groups.

The Kindling Trust

The Kindling Trust is a not-for-profit organisation aiming to support, promote and practice sustainable production, activism, and living⁴. Inspired by their research, which included the development of what they believed to be the best model for increasing access to sustainable food in Manchester, Kindling worked with the founding members of Manchester Veg People over two years, to support them in developing and putting into practice a model and way of working that best suited them.

The Kindling Trust's role has been to:

- organise and facilitate monthly meetings/discussions to develop the group
- secure funding for the initial development of the co-op; research and develop the structure, membership documents, policies and other background material
- facilitate initial crop planning
- initiate and form relationships with Manchester Fayre (local authority caterers) and The University of Manchester (catering department) to expand the market
- fundraise for and recruit a co-ordinator for the next 18-month development phase
- write this report to share lessons learnt.

Support for Manchester Veg People

We were very lucky to have support from the Big Lottery funded Making Local Food Work programme to see us through the initial development of the co-op (see Section 13, for support received). However, we initially started with no funding. Our hope is that others can use this report to take what is useful of what we have developed, particularly our documents on the practical elements like branding and online ordering, and save some time and money.

⁴ See www.kindling.org.uk for more information



The Manchester Veg People model

Manchester Veg People is a co-operative of organic growers and buyers that distributes and markets seasonally available and sustainably produced food from farm to outlet. It is not a wholesaler in the traditional model. We only sell what grower members have available and do not buy in from non-member growers (or wholesalers) if a crop is not available. So buyer members continue to buy other produce from their existing suppliers, although one of our aims is also to support buyers to make their menus more seasonal.

We are not a co-operative of farmers either. Agricultural co-operatives in the UK are usually *supply* or *marketing* co-operatives. Supply co-operatives supply their members with inputs for agricultural production, including seeds, fertilisers, fuel, and machinery services. Marketing co-operatives are established by farmers to undertake transformation, packaging, distribution, and marketing of farm products. Manchester Veg People wishes to undertake both these functions in the future, but in partnership with its buyer members.

The aims of Manchester Veg People are to:

Sell organic fruit and vegetables across Greater Manchester, including encouraging new or existing growers to go organic.

1. Minimise the difference between farm-gate and retail prices.
2. Support our businesses so that we can make a living .
3. Engage customers and show them what is possible.
4. Do the right thing environmentally (note: the group decided that all members must be certified organic – or be in conversion to certified organic production).
5. Co-operate between growers and between growers and buyers.

Manchester Veg People in practice

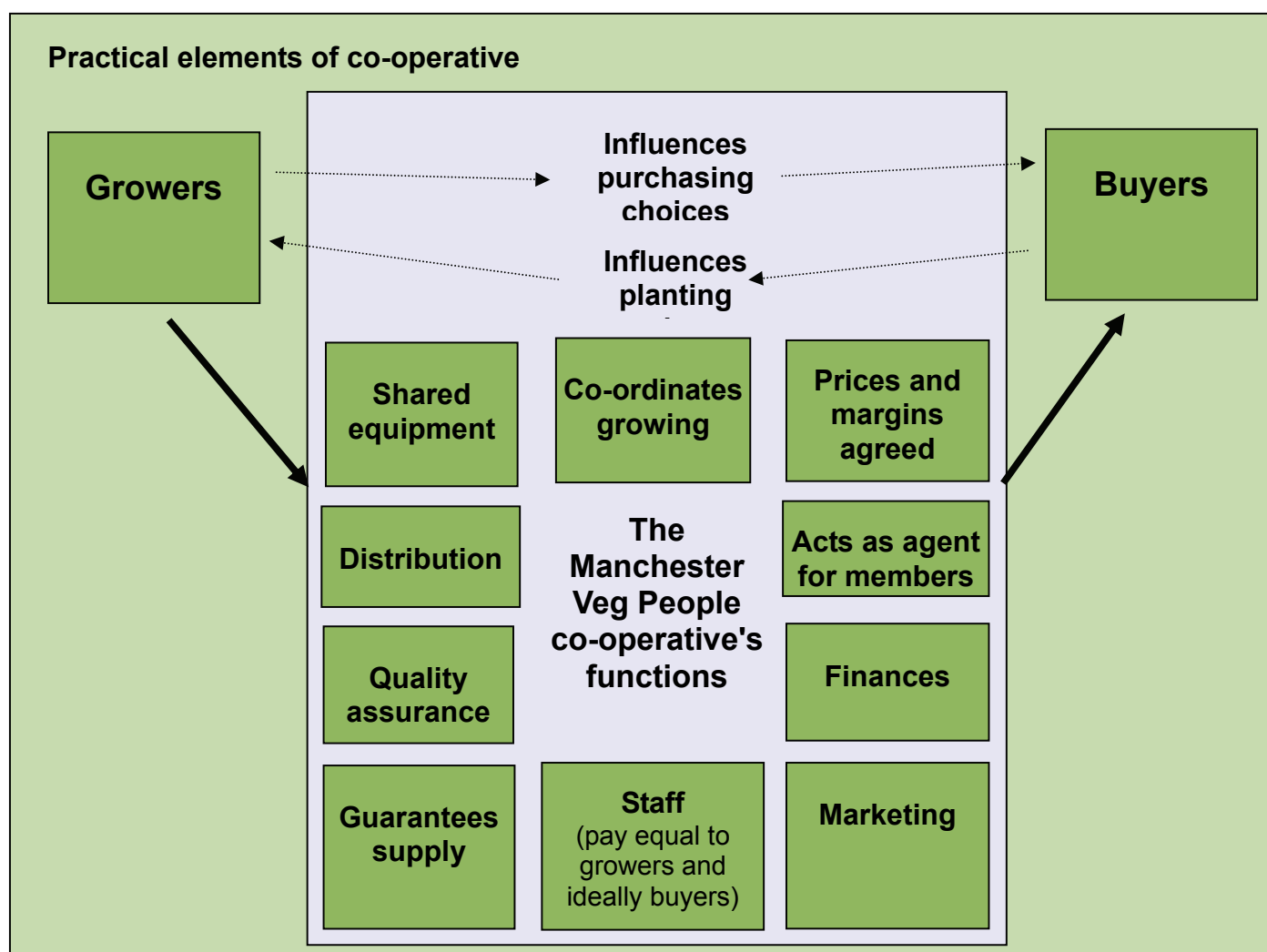
As shown in the diagram below, there are also a number of practical elements of the co-op that make it different from other models, namely that:

- Growers co-ordinate what they are grow among themselves. This is based on what grows well on their site, who can grow what crops most efficiently, and the demand.
- Buyers estimate what quantities they will want to buy of those crops throughout the season, and can suggest new crops to growers, so that growers can develop their yearly crop plans based on these estimates.
- The price list is based on the growers' cost of production of each crop (including seasonal variations relevant to particular crops), plus a 35% mark-up to cover the running costs of the co-op.

The Manchester Veg People co-op also works to co-ordinate the buying and distribution process to make the arrangement as convenient as possible for both growers and buyers. Some examples of how we manage this are:

- *Ordering/delivery process:*
 - **Tuesday** - availability list emailed to buyers (put together by the co-ordinator after speaking to the growers).
 - **Friday** - buyers email orders to the co-ordinator (which the co-ordinator collates and sends to the growers the same day).
 - **Sunday** – produce is picked and growers deliver to the storage unit.
 - **Monday – delivery day** – co-ordinator delivers to the buyers (we are hoping to deliver on Wednesdays and/or Friday as demand and supply grows)
- We are also in the process of developing an online ordering system so that buyers will be able to place orders themselves online. The system will collate orders and send them to the growers and co-ordinator. Delivery notes and invoicing will also happen through this system.

Diagram showing the practical elements of the co-operative



The structure and decision-making process

Manchester Veg People is constituted as a multi-stakeholder co-operative, which means it has different categories of members. In our case these are: producers, buyers, and the co-op worker(s) (at the moment the only co-op worker is the co-ordinator). Each member can only be in one category so if there is a grower who is also a buyer they can only have membership in one category. We organise ourselves as follows:

- Currently members have monthly meetings to discuss any issues that may arise. Decisions are also taken at these meetings.
- Sub-groups take away discussions that need more research and make proposals to the whole group, and growers occasionally meet separately to discuss practical production-related issues that the buyers do not need to be involved in (for example, who will grow what), although they are welcome to come if they want to.
- The voting is weighted: 45% growers, 30% buyers, 25% workers. This weighting is for two reasons:
 - (i) despite the extra involvement of buyers in this system (compared to conventional food trading), growers are still taking more of the risk. Once their seeds are sown or seedlings are grown, their land and resources are committed to certain volumes of production. Buyers, on the other hand, can still take their business elsewhere at any given moment, if they want to leave the co-op. Their resources or business has not been committed to the same extent as the growers. Greater voting power for the growers, therefore, reflects this greater level of risk.
 - (ii) if the co-op used a one-member-one-vote approach, then there is a worry that the co-op will eventually have more buyers than growers and, as with the mainstream food system, the buyers would then have more control than the growers (when the growers still take the majority of the

risk). However, in practice, we make decisions by consensus and have not so far found that there have been disagreements between the categories, nor have we needed to take a vote.

- If a decision couldn't be reached through discussion and consensus, we would take a vote. Each member would have one vote but once the votes are counted we then weight them according to the weighting classes (this sounds more complicated than it is!). In practice, we have not yet needed to use this as we have reached agreements without needing to vote.



Why work in this way?

In 2009, the Kindling Trust carried out some research in Manchester to look at how to increase access to and production of sustainable food. They found that:

Small organic producers struggle to:

- Survive on the prices they are able to charge for their produce
- Expand into new markets.

At the same time buyers (restaurants, caterers, educational institutions) said they wanted to buy more sustainable food but:

- Did not know how to
- Could not get a good and consistent variety of produce
- The produce was too expensive.

The Manchester Veg People co-operative model addresses these needs by expanding the market for producers, and making sourcing easier for buyers, whilst creating a greater understanding between the different parties in the food supply chain. Through transparent pricing, and using our pricing model (see Section 6), buyers see what the costs of production are and can therefore be confident that the co-operative's trading is based on fair pricing.

The buyers commit verbally to buy their predicted quantity of produce at the pre-agreed prices regardless of the market price, just as the growers commit to supply the produce at this price even if they could get a higher price on the open market. This reduces the risk for the growers and provides a consistent source of fresh, quality organic fruit and vegetables for the buyers.

However, the prices are not fixed. Prices can go up if, for example, a crop does less well; or go down if a crop does really well. The point is that any change is determined by what happens in the grower's field, not by market speculation, and the process of making any change is totally transparent and discussed collectively by the membership before any changes in price are made.

The idea of this pricing model is to address the imbalance of power in the food supply chain. Findings from further research undertaken by the Kindling Trust⁵, found that previous growers co-ops had failed because their customers did not understand the position of the growers. It was felt that this would have been different if the buyers had also been members of the co-op. The requirement to be a member of the co-op in order to be able to buy from the co-op ties the buyers in with the growers and vice versa, building relationships and creating a strong sense of identity for all members.

Benefits of membership

During planning meetings, our growers voiced a concern that the benefits to them of being part of the co-op were more obvious than the benefits to the buyer members. In response, we decided to create a list of the benefits of membership to both buyers and growers. Being clear about what the benefits are was seen as important in persuading new members to join in the future. The benefits are:

For all members:

- Being part of a fairer and more sustainable food system, and demonstrating that the food system can change for the better.

For growers:

- Guaranteed minimum price for produce that covers cost of production.
- More attractive to customers as a group as able to provide a wider/better offer.

⁵ 'Finding a Sustainable Food System for Manchester' available online: <http://kindling.org.uk/our-publications>

- More efficient operation, for example the co-ordinator/driver does the distribution rather than each producer delivering to each buyer (as with taking orders, marketing etc.)
- Additional practical benefits such as shared machinery, crates, labour etc.
- More of a marketing focus than growers would have time/expertise for.
- Dealing with surpluses should be easier - more contacts, more customers and individual producers don't each have to ring round looking for markets.
- More direct educational element, bringing the growers closer to the public.
- Stronger as a group.

For buyers:

- Access to the most local organic fruit and vegetables in season – not currently easy for restaurants placing small orders (rather than large-scale bulk orders).
- A wider range of locally sourced organic produce – as growers are working as a group to provide greater variety (rather than working individually producing the same crops).
- One point of sale rather than buying from all the different growers separately, this will be time saving both regarding placing the orders and receiving one delivery.
- A marketing opportunity: 'local' is a high priority for consumers. Manchester Veg People offers outlets a logo that they can display that says both Manchester and organic and that will give the customers confidence that the produce really is local and of high quality.
- Access to very high quality and fresh produce (we added this as a benefit following prompting from our current buyers).

Manchester Veg People started in 2009 as an informal group of organic growers local to Manchester and two retailers – Unicorn Grocery and Dig Food, a vegetable box scheme. We initially came together to try to co-ordinate the crops grown with demand so that growers would avoid problems of surplus, and buyers could source a wider variety of produce.



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Manchester Veg People – a brief history

At this time, the Kindling Trust had been doing some research into good models for a more sustainable food system in a city, and decided that the best approach for Manchester would be a co-operative involving both growers and buyers as members, a model that didn't exist elsewhere in the UK⁶. Kindling offered to share the lessons learnt from other local food systems across the UK with the Manchester Veg People group, and received some funding through the Big Lottery's Making Local Food Work programme (Food Supply & Distribution strand, coordinated nationally by Sustain⁷) to work with Manchester Veg People to help them develop the model.

The main discussions over the first 18 months (see Appendix 14.1 for a time line) were about:

- The aims of the group
- Crop co-ordination and planning
- Pricing – working out the cost of production, and of the food distribution and running the co-op
- Marketing – development of the brand
- Structure of the group
- Membership – categories, agreements, procedures, policies and other background considerations
- Start-up logistics

It became clear during the discussions and the market research for the business plan, that involvement in the group did not make sense for retailers like Unicorn Grocery due to the fact that the volumes that they purchased from each individual grower was relatively high and there would be little advantage for either the growers or Unicorn to switch to buying and selling through the co-op.

Further research, however, indicated that there was a gap in terms of local, sustainable food supply in the catering sector. Small restaurants and caterers reported that they found that they could not source in sufficient quantities to justify individual deliveries from growers. Equally there was a gap for larger scale caterers, who wanted to source direct and as locally as possible but needed one point of contact for ordering and payments rather than dealing with lots of individual small producers. The administrative costs and complexity of dealing with many small producers cannot be underestimated for busy caterers – a barrier that the Manchester Veg People co-op could help to overcome.

We decided to start by approaching caterers who shared our values and aims and. We invited them to be involved in the initial exciting stage of development and to work with us to help iron out some of the potential creases in the initial stages.

We also considered whether it was appropriate to include wholesalers in the group. There was concern that what we were planning could tread on the toes of existing organic wholesalers or even re-invent the wholesale process. However, further exploration indicated that it did not make sense either for the co-op or the wholesalers for the latter to join the group. All this would do would be to add two mark-ups for customers – one from the co-op and one from the wholesaler. Other reasons for not collaborating with existing wholesalers included:

- They do not include growers in their management and direction
- There is no crop planning between growers and wholesale buyers, and hence little action to try and match supply and demand
- There are some limitations to the deliveries offered by the existing wholesalers, both in terms of which days of the week they will deliver and what their minimum order is

⁶ 'Finding a Sustainable Food System for Manchester' available online: <http://kindling.org.uk/our-publications>

⁷ Find out more about the work of the Food Supply & Distribution strand of the Making Local Food Work programme at: www.makinglocalfoodwork.co.uk/about/ds/index.cfm; and information about sharing experiences of local food enterprises supported by this strand (and the Food Co-ops and Buying Groups strand) from the Local Action on Food network coordinated by Sustain: www.localactiononfood.org

- Most wholesale customers for sustainably produced food seem to be vegetable box schemes, and despite various conversations with the existing wholesalers, there was no apparent interest in expanding into supplying sustainable food to the catering sector – despite the obvious gap in the market

A lack of engagement from local wholesalers in the initial discussions further indicated that they were not that interested in getting involved. However, grower members of the co-op continue to sell their surplus individually outside of the co-op to wholesalers.

Sales began in early June 2011 to Green Plate (a caterer) and the University of Manchester. In autumn 2011 Parlour (a local pub) and the Bean & Brush (a local restaurant) also came on board.

Aside from the buyer members of Manchester Veg People, we have had one other important non-member buyer. This was Manchester Fayre, the local authority caterer who provides school meals. They bought produce from Manchester Veg People for a pilot school soup project that they were running. The produce was delivered by our co-op member, Dig Food. The business with Manchester Fayre gave Manchester Veg People credibility at an important stage of our establishment as a trading enterprise, and helped us to start to develop our systems. Since the end of the pilot, Manchester Fayre has not continued to purchase through Manchester Veg People, however new more seasonal and low-carbon menus that favour local and sustainably produced organic food are being considered, which may result in future purchasing⁸.

⁸ For more information see: <http://kindling.org.uk/lower-carbon-menu>



How We Developed This Model

The rest of this report gives more details of the underpinning philosophy and structure of the Manchester Veg People co-operative model, including what makes it what it is, the key aspects that make it work, and how we developed them.

Aims and vision of the group

The first two meetings involved general discussions about why people wanted to be involved in a collaborative project linking food growers to food buyers. In the third meeting we had a brainstorming exercise to try and define the aims of the group more formally. At the following meeting we then agreed the following aims for Manchester Veg People, to

- Sell organic fruit and vegetables across Greater Manchester, including encouraging new or existing growers to go organic.
- Minimise the difference between farm-gate and retail prices.
- Support our businesses so that we can make a living .
- Engage customers and show them what's possible.
- Do the right thing environmentally (note: the group decided that all members must be certified organic, or be in conversion to certified organic, with the Soil Association).
- Co-operate between growers and between growers and buyers.

While the idea of making profit seemed a long way off, we felt it was important to discuss this issue from the beginning to make sure all members shared the same long-term vision for the co-op.

The members agreed that, as growers would be paid fairly from the outset, any financial surplus should be re-invested in the co-op and used for things like shared equipment, a crisis fund for failed crops or to support increased food production. Having said that, if there was an ongoing profit being made the prices would be re-considered, as the aim is also to set a fair price for buyers and increase access to sustainable food for a wider range of buyers.

Building relationships with buyers

Manchester Veg People started as a mainly grower-led co-op (especially once Unicorn Grocery stepped back), so the main emphasis has been on finding buyers and looking at how to involve them in the group.

The group identified four restaurants and caterers who we thought would be most sympathetic to the aims and values of the co-op, who were either co-ops themselves, or small ethical businesses, and who used – as a matter of principle - locally produced and Fairtrade products.

The co-ordinator emailed and phoned each potential buyer, sent them the crop availability calendar and went for a meeting with them to explain the aims of the co-op and that we were looking for sympathetic buyers who would help us pilot the model in the initial year (see Appendix 14.2 for the initial questions asked). As we were developing the price list at the same time as having these first meetings, the guide price list was not shown to the potential buyers at this point, but emailed to them later, followed with a second meeting with the co-ordinator to discuss any issues or questions.

Of the four, Green Plate (www.greenplate.co.uk) became a customer immediately, and The Parlour pub (www.theparlour.info) became a new customer at the end of 2011. The other two showed a lot of enthusiasm initially but have not yet placed an order (despite follow-up).

The University of Manchester were introduced to The Kindling Trust by Julie Bagnoli, a Northwest Business Link advisor, restaurateur and member of the *Feeding Manchester* network - see Section 11.1. From the first meeting, Alexander Clarke (Environmental Officer for Residences, Catering, Conferences & Sport for the

University), and Martin Smith (Executive Chef), were enthusiastic about increasing the sustainability of their food purchasing and about the potential for buying high quality produce from Manchester Veg People.

In our discussions with the University of Manchester, it helped that the Kindling Trust could present their report on public procurement of sustainable food⁹, discuss the Sustainable Fayre soup pilot they were running in schools with produce from Manchester Veg People, and recommend Manchester Veg People as a not-for-profit social enterprise organisation that could help the University meet its environmental and social responsibility goals.

Building relationships gradually

The need to get to know new members, and see their commitment before involving them as members, is acknowledged as very important, and has been reflected formally in the joining process and the probationary period (see Appendix 14.3).

Our first buyers stayed as customers of the group rather than members from June until September 2011. For these businesses and institutions, becoming a full member at an early stage might have been an offputting proposition, until the bureaucracy of establishing a professional co-op had been completed.

Another reason for us not offering a full membership option at the first stage was that in establishing the co-op, we were keen to work in the first stages only with organisations that were clearly attuned to the aims and ethos of building a sustainable food system. Working with a smaller group through the initial stages was important to establish our aims and ways of working – thus building a clear and consistent offer to new members.

However, once it was clear that both the University of Manchester and Green Plate caterers were sourcing regularly from the co-op, and showing a real enthusiasm to get involved further and meet the growers, there was a palpable shift in feeling within the initial group. We felt it was time for these buyers to join in with co-op meetings.

After various meetings and lots of phone contact between the co-ordinator, the Kindling Trust the University of Manchester, we organised for the University to visit one of the sites to meet the growers. This meeting was a huge success for both parties. The buyers got to get out in the field and saw the level of professionalism of the growers, and the growers got to see the enthusiasm and real interest of the buyers.

At initial meetings with the potential buyers, some said they would like to receive help with developing point-of-sale marketing materials to help them explain to their customers why the Manchester Veg People co-op is such a good idea and why they are part of it. We gained some extra funding to pay a designer to help us develop some materials for this, and presented this when the buyers joined one of the co-op's meetings for the first time to (see Section 7, on branding).

The crop planning process

The first meeting of the initial group followed a terrible year when two growers produced too much of the same crop for the existing demand, leading to a severe drop in prices, and certain crops having to be ploughed back into the soil. Co-ordinating crops both between growers, and with the buyers, lowers the risk of loss of income for the growers, lack of variety for the buyers and of wasted produce. These are all critical factors that the Manchester Veg People co-op has been set up to address.

When we first discussed the co-ordination of crops between growers, a number of concerns were raised. Through discussions and research we found potential solutions to these concerns as outlined in the table below.

⁹ 'Sustainable Fayre' available online at: www.kindling.org.uk/our-publications

Concerns and solutions

Crop planning concerns	Potential solutions
What if two producers want to grow the same crops?	We have not found this to be a problem, mainly because the sites have different strengths (one is smaller but with polytunnels; one has better irrigation; two have higher fertility). Also they grow different varieties (e.g. one grows earlies, another mains, and one tests a new variety).
Who gets to grow the high value crops?	This should become irrelevant if everyone is charging what it costs (including labour) to produce each crop, and charging a fair price to buyers.
What if buyers only want small quantities – how do we make sure distribution is viable for the co-op, and for each grower who has to deliver to the storage facility?	<p>We have not found this to be a problem yet as our delivery costs have been covered by initial funding, our buyers are close together, and currently growers can drop produce to the storage facility while delivering their non co-op produce to a wholesaler (which continues to happen while we are building up the Manchester Veg People co-op market).</p> <p>Possibilities for dealing with this are:</p> <ul style="list-style-type: none"> • a minimum order; • buyers pay an extra delivery charge if they want to buy a small amount; • the co-op van picks up from farms, rather than growers bringing produce to the unit. <p>We will be testing out these and other solutions to find the most efficient and viable distribution method.</p>
How do we ensure that buyers commit to the quantities they have estimated?	<p>This model is all about developing relationships of trust and understanding between the growers and the buyers. There are no written contracts regarding crops and quantities, as exact quantities can be hard to predict on either side, but commitment is expected from both parties.</p> <p>All members sign a membership agreement (see Appendices 14.4 -14.6) asking them to commit to predicted quantities and will be asked about any changes to these (either ordered or produced) at the monthly co-op meetings. However it is also important that if a buyer's demand goes down this will be understood in the same way as a crop failure would. In both cases communication is key, so the co-ordinator can try and deal with the issue quickly.</p> <p>We have not yet seen a full year through from crop planning with the buyers, so we cannot say for sure that this will work, but we think that with the members we have on board, both buyers and growers, it is looking promising!</p>

Crop planning exercises

We make the crop planning exercise a dynamic one that both growers and buyers are part of and do together. This is partly because it is more fun that way (especially with a couple of glasses of wine!), but more seriously because it is then something that both parties feel part of and committed to. Below are a couple of examples of exercises that we have used. The first one was useful as a starting point to get the list of crops and calendar. The second one was more fun and interactive between the growers and buyers.

The information from both of these activities were then transferred onto a communally accessible spreadsheet (we use google docs, see: <https://docs.google.com/>), so that everyone can see what is been said and the whole process is open and transparent. At the end of the season we carried out an evaluation of the predicted and real amounts (produced and ordered), and had a group discussion about any differences and what to do about them in the future.

The calendar

Part one: The growers filled in a big calendar drawn on flip charts stuck together, like this:

	Jan	Feb	March	April	May	June etc.
Broad beans						
Broccoli						
Cabbage						

Using a different coloured post-it note to show if it was: (1) a main crop, (2) a secondary crop (i.e. crops more grown to fill in gaps, or grown every few years), (3) had tried it but would not grow it again, (4) would like to try it. On the post-it they wrote their name, the variety of crop, and the approximated quantities per week (if known).

In another area, the buyers were also filling in a table, which showed:

- The quantities of crops (per week) that they currently or estimate buying from the group
- What crops they buy from outside, that could potentially be produced instead by Manchester Veg People growers
- Anything else they would like to see this group produce (different crops, same crops but for a longer season, different varieties, etc.).

Part two: This information was then brought together and discussed, to examine the following questions: Is there too much supply of any particular crops for the estimated demand. Are there any new crops to try out? Growers then discussed who should grow what, out of the current and suggested new crops.

The market place activity

We set up a 'speed dating' activity with growers sitting at different tables and buyers individually going and talking to them in turn. The growers had their crop calendars to hand during these conversations and the buyers went through the list and said what quantity of each crop they would estimate buying throughout the year, times when demand might be lower (e.g. holidays for the University), different varieties and potential new crops. Each grower recorded amounts, which were then sent to the co-op co-ordinator to create a yearly crop plan for the whole co-op.

Preceding this activity, the growers held a separate meeting to discuss between them what each of them was planning to grow, and to discuss any over-lapping plans.



The Pricing Structure

Prices paid to producers are normally based on the market price, generally set by big food buyers such as wholesalers, retailers and caterers, who constantly squeeze producers to lower their prices. In contrast to this damaging approach that has put so many small food growers out of business, and placed the power in the food supply chain in the hands only of the buyers, This places too much risk on food producers and jeopardises the development of a fair and sustainable food system. Manchester Veg People is about paying for the real cost of food production. It is not about making producers rich beyond their wildest dreams, but it is about saying they have the right to earn a sustainable living wage, and for risk to be shared more fairly across the food supply chain. It also recognises and rewards the critically important role that smaller and sustainable food producers play in making good food available for everyone.

There are two elements to the Manchester Veg People price list - the price to the producer, and covering the cost of running the co-op.

Working out the fair price to the growers

Initially each grower went away and worked out their costs of production for each crop. We then realised it would be useful to have a formula for calculating the costs across the group to ensure each grower really was including all their costs and to ensure that they all used the same method of calculation.

A formula that all growers use also makes it easier for new growers entering the co-op and means there is a transparent pricing structure that also makes the costings very clear to the buyers.

We are still in the process of developing this. Initially, we dreamed of a simple $x + y = z$ formula. But food pricing is complicated, so we now make these calculations in a spreadsheet.

At the moment, we are aiming for one document that has a summary spreadsheet at the front showing the total price, what is paid to the grower and what is paid to the co-op. There will then be a number of sheets behind this showing the details of those prices. So for example, one sheet will be direct costs for each crop, another sheet will be overheads, another green manure, another co-op costs and mark-up calculation.

The growers will use the formulae on the sheets to calculate their costs of production, and the buyers will be able to look at these if they want to examine the detail, or simply skip to the summary sheet. The point is to keep all calculations fair and transparent.

We developed this spreadsheet (see Appendix 14.7) after discussions with Maurice MacCartney,¹⁰ a business development consultant whose help we provided through the Enterprise Support strand of the Making Local Food Work programme (see Section 13, for support received). We listed the inputs that could be related directly to specific crops, for example seeds and labour (planting and harvesting), and those not related to crops but to the business as a whole, for example maintenance of equipment and administration costs (the spreadsheet contains notes on why each element is placed where it is in the calculation).

Each grower then fills in their costs. The direct costs are quite easy to fill in, for example the cost of courgette seeds, manuring the growing area for the courgettes, and recording (or estimating) the planting hours and harvesting hours for the courgettes. The indirect costs are a bit more challenging. Indirect costs need to be calculated for the whole business and then divided between each crop. We are still in the process of working out the best way to do this.

¹⁰ Maurice McCartney runs Fresh Management Solutions a business development consultancy offering advice, training and project management to businesses and the public sector <http://www.freshmanagementsolutions.co.uk/>

Undertaking this costing exercise might seem like quite a simple task, but it brought up loads of interesting questions. For example:

- Hectareage per crop could be included as a direct cost, however it is complicated if some bits of land are used twice in a year for different crops.
- What about high value space under tunnels? Depreciation of poly-tunnels should go direct on those crops that are grown in them, e.g. salad leaves.
- The spreadsheet covers the costs of production, but did not allow for any future investment in the business. What if the growers need to purchase new, not replacement equipment, or rent more land to be able to produce a wider range of crops?
- How do you allocate the overheads per crop? Lots of businesses allocate their overheads based on square metre of physical space used, as this is their highest cost. However if the grower's highest cost is labour rather than rent, does it make sense to divide overheads by the proportion of labour costs on each crop?
- Depreciation needs to be based on the figure for the coming year otherwise prices are based on last year's figures, which makes no sense. Growers will need your you're their accountant or expert accounting advice to help work this out properly.
- How regularly do growers need to update their costs of production? For example, the costs of producing leeks will mostly be known by the time of harvest. The last remaining variable will be the actual time taken to harvest. But one week could be significantly different to another. For example, in frozen weather, the harvesting rate might be 8kg an hour whereas the following week, a few degrees warmer and the harvesting rate could be back up to 15kg an hour. The key difficulty is that prices on the offer list are set in advance for the forthcoming week, so growers have to predict. If conditions at the time of harvest turn out to be different from what was predicted, then how is that real increase/decrease in the cost of production ever reflected in the price? Do we want to go down the road of retrospective top-ups/claw-backs?

While this may seem very complicated, we are actually really excited about it. We think that once we have cracked it, it will be really easy to use. We will make it part of the induction for new grower members of the co-op to make the process as straightforward as possible. We also think it will be an incredibly useful document both for Manchester Veg People and hopefully other organic producers and other Veg People style co-operatives in other areas.

Covering the costs of running the co-op

The co-op does not aim to generate large surpluses. We aim to set the charges that all members need to pay at a level to cover the costs and provide a small surplus to help develop the co-op for the future. The aim is to keep the prices (including the co-op's charges) fair to buyers as well as growers. It is also important to note that the co-op acts as agent for its members in all its transactions, it does not take ownership of the produce at any stage and therefore does not trade itself. This enables transparency throughout its operations and also provides the opportunity to achieve mutual tax status, which means that surpluses can be retained tax free.

To calculate the income that we needed to generate (members' charges), we listed everything involved in running the co-op, from distribution hours to the annual Soil Association fee – see Appendices for a full list. We estimated the costs of those (per week, month or year), and calculated an estimated total.

We then looked at the estimated quantities of our initial four potential buyers, and multiplied those by how many outlets we estimated we could realistically deliver to in a time slot, based on timing requirements of those buyers, avoiding rush hour traffic and the number of hours and amount of diesel required, from previous delivery experience.

We then used the growers' prices (based on their initial cost of production calculations) and experimented with different mark-up percentages (15, 25, 35 and 50%) to see what level of members' charges would meet the costs over the year, without being too expensive. We did a price comparison of organic veg suppliers both locally and around the country to help with this. This comparison also helped the growers to understand that that Manchester Veg People prices were realistic and comparable with others.

There is probably an easier or more accurate way to do this, and if you know it we would love to hear about it, but this is the best way we could devise at the time.

We calculated that a mark-up/members charges of 35% would need to be added (to the base price of the produce – the net return to the grower) to cover the co-op costs and generate a small amount of surplus for reinvestment in the development of the co-op. As we are a multi-stakeholder membership co-op this would be recovered equally from the growers and the buyers, i.e. 17.5% from each.

For example, if the base price (net return to the grower) is calculated as £100 (ie this is the full cost of production), then to achieve this after members' charges, the price of to the buyers has to be set at £117.50. The grower is paid for the sales of £117.50 less the co-op's charges of £17.50 leaving £100 – the base price. The buyer is charged for purchases of produce made on their behalf of £117.50 plus members' charges of £17.50 (17.5% on the original base price of £100) making a total for produce plus co-op charges of £135.

In this way, the objective of calculating a final price of a base price plus 35% i.e. £100 plus £35 is achieved, and the co-op receives a total of £35 in members' charges, £17.50 each from the grower and the buyer.

Value Added Tax (VAT)

Manchester Veg People has voluntarily registered for VAT. Other co-ops could choose not to do this if their turnover is below the VAT threshold (which ours would be currently, as fresh produce is zero rate and our current member' charges which are VAT-able would not at this stage put us above the threshold).

We decided to register for VAT voluntarily as the University of Manchester needs its suppliers to be VAT registered, and also because we hope to be purchasing capital equipment this year (which we will be able to claim a lot of VAT back on if we are VAT registered).

The downside of registering for VAT is that it means you need to charge VAT to your customers. For Manchester Veg People, this means charging 20% VAT on the 17.5% member charges (both to the buyers and the growers). This is because it is a charge for a service that the co-op is providing to its members, which is VAT-able. We do not have to charge VAT on the price of the produce, as fresh produce is zero rated.

This will not affect our prices, costs or members overall, however, as they are VAT registered. So they can claim back any VAT they pay, it is just a bit more bureaucracy to deal with.

Potential pricing issues and how we will deal with them

Tackling the problem of surplus produce

A big discussion point is what we would do in the case of crop surpluses. Because of our environmental aims, we do not want to waste food, and wastage also means wasted effort, time and costs. If for example all the courgettes are ready at once due to a particularly sunny spell with showers, the buyers will not necessarily want more just because there are more. If they do not want to take them, we need to find another market so as not to waste the produce, and to avoid losing income for the growers if the surplus means less yield the following month.

However, an additional potential problem is that if there is a regional surplus of a particular crop (as is often the case with farming), then the market price will go down. So to sell to buyers outside of the co-op, the price would have to compete with market prices and would therefore be lower for non members than members, which undermines our purpose.

The agreement reached in the discussions around this theme was that member growers commit to the following:

- If the grower produces more than the predicted amount, they may have to sell at a cheaper price to the co-op, if there is not the demand from member buyers.
- If there is surplus, the co-op co-ordinator will try and find a market. But if no-one suitable is found, the co-op will not be committed to buy it from the grower.

This is where our co-operative of growers and buyers really came into its own. As the new buyers became more involved in the co-op and started coming to meetings, they immediately found a solution to the seemingly very complicated problem of surpluses. They said that if there were any surpluses, they wanted to know about them as soon as possible. Providing the price could be adjusted, the buyers would consider buying the surpluses to make into soups, or would turn them into preserves, such as chutneys or jam. It seems that by co-operation across the supply chain, we are returning to traditional skills and means of dealing with the variabilities inherent in sustainable and local food production.

We have yet to test whether dealing with surplus in this way works for our scale of operation. It is hoped that the joint crop planning will make gluts less of an issue than previously for growers, but we will still need to keep an eye on the impact that any lowering of prices has on the overall annual income of the producers.

The real cost of food

An ongoing worry for the growers is that their prices are too high and no buyer will pay these when food is available so cheaply elsewhere. This concern is understandable (even though we are delivering high quality food which compares well with other suppliers), given that growers have suffered years of imbalance and unfairness in the market. However, the buyer members want the prices to include paying the growers a fair wage.

By going through the crop planning and pricing process together, the growers have been able to identify where efficiencies can be made to bring down costs of production, and therefore also the prices.

For example it turned out that it was cheaper for one grower to produce kale than another, due to the difference in labour costs between harvesting leaves individually or whole heads at a time, and producing different varieties of kale – e.g. Russian kale is more fiddly to harvest. As a result, the smaller grower instead focussed on crops less easy to produce on a field scale (e.g. salad leaves), and the kale was produced by a larger grower on a field scale for a lower price.

However, in the case where the only figure in the pricing equation that can go down is the grower's labour rate, the price will not go down.

That does not mean that there is no negotiation, because (as we told one potential buyer), if the price of a particular crop is too high for the buyers to commit to it for the next season, then growers will not produce it. So ultimately the buyers have a choice as to what crops are grown for them, and at prices that they understand and are completely transparent.

The price of non-organic (and imported) food is shockingly cheap at times, and sometimes it feels hard to believe that people would ever choose, or care enough about the issues to pay the real price of food production. But we have shown that there are buyers that do, and their commitment is the foundation of a fairer and more sustainable food system.

Say hello to...

MANCHESTER
Veg people



Keeping it
**fresh,
organic
& local**

Branding

Branding is a crucial element of any business. Our name, strap-line and logo are the first thing that sells us to buyer members and their end customers. It also carries our values and message into the market place. We felt it was important that all of us were happy with the brand and involved in creating it, but acknowledged that we did not have the skills within the group to design something professional enough for our purposes.

Amanda Rigby, a designer (Paper Rhino – see Section 13), ran a workshop with the group getting us to think about key words, phrases, images and other factors. Amanda took away the ideas and drafted examples of names, strap-lines and logos, which she brought back to a second workshop for further thinking and feedback. We then spent a good few months going backwards and forwards tweaking, changing, trying different fonts and colours, until we agreed on the following:



The second stage of the branding exercise was developing the point-of-sale materials for the buyer members to use to market Manchester Veg People produce and dishes made using Manchester Veg People produce to their customers. The idea for this came out of the meetings with buyers from the initial pilot and other sympathetic businesses. They felt that it would be important not only to have a Manchester Veg People sticker in the window or on the menus, but something more to explain the whole concept to their customers and win their support.

So we had another session with Paper Rhino, thinking about what materials we would want (posters, table talkers, window stickers), what we wanted them to say, and what images and words would do that. We were very lucky that the photographer for the University of Manchester was at that time going out to the sites to do some publicity for the University, and they took some great photographs for us to use on our materials. Amanda from Paper Rhino then did some drafts using our text to create some really eye-catching posters and table talkers for the outlets.



Grade

Solution

Problem Step	Current Solution	Who's doing this?	Why did I do it?

You

Membership and membership agreements

Fundamental to our model is building relationships of trust and ensuring commitment between members. So we felt that it was important to establish the membership rights and responsibilities from the start. We decided to define what these rights and responsibilities were and then looked for a legal structure and agreements that fitted what we wanted to do as a co-op. We preferred this approach to trying to fit ourselves into standard documents and rules.

Commitment - what we expect and what we do when it goes wrong

We started discussing this topic by asking ourselves what the benefits of membership were (see Section 3), We then looked at membership related problems that other local food organisations have faced, and their suggested solutions. This helped us think about what commitment we could ask for from members, and helped us think through ways to avoid those problems occurring or make it easier to deal with them if they did.

The discussions took place over two sessions and focused on:

- What level of trading commitment are we expecting from each other?
- What levels of participation are expected?
- How do we ensure this commitment from each other? What happens if we do not stick to it?

For these discussions we imagined that we were talking about the co-op and its members 20 years in the future. It is often easier to imagine needing to hold future unknown people to account, rather than relate it to the committed group you are sitting with – or at least it is easier to talk about it!

After these discussions we got advice on the structure and agreements that would be best suited to us, and eventually incorporated them in one way or another into our membership agreements (see Appendix 14.4 and 14.5).

The table below summarises the main issues, some of the options discussed and solutions agreed.

Question	Issues	Discussion and solutions
Level of trading commitment	Pooling all customers is a worry for growers in case they lose current customers	<p>For now, keep Unicorn Grocery and Dig Food as individual customers, with the Manchester Veg People co-op focusing on restaurants and caterers.</p> <p>Any caterers with an existing relationship with an individual grower is encouraged to buy through the co-op, to access a wider range of crops and be able to use the Manchester Veg People marketing.</p>
	Quality issues – how do we ensure growers sell the premium veg to the co-op?	<p>Relationships of trust and accountability between members.</p> <p>Quality will reflect on the whole co-op, so if a crop is not of high quality it will not be accepted (or the price will be lower). The co-op co-ordinator has the final say on quality.</p>

Ensuring commitment	How do you ensure growers supply what they said they will?	<p>Growers commit to prioritising production for the co-op of the crops and the quantities that they agreed to in the crop planning session (Section 5.4 and regulation 2 of the membership regulations – see Appendix 14.4).</p> <p>Growers can sell direct to existing customers, but they have to declare that to the group, and prioritise the co-op order. The membership agreement includes a section about not doing anything that conflicts with the interests of the co-op (regulation 30 of the membership regulations – see Appendix 14.4).</p> <p>An example was given of a dairy co-op where there is a penalty if actual supply differs from predicted supply. It was not felt that this is the route Manchester Veg People would want to take, nor would need to if the group was working well (crop planning, smaller scale model than the dairy co-op, relationships of trust, accountability etc. should address this issue before it happens).</p>
	How do you ensure buyers buy what they said they will?	<p>Build relationships of trust, but if there is a problem in the future their membership could be revoked, and they would not then be able to buy from the co-op or use the Manchester Veg People brand (see point 7 of the membership agreement and regulations 2 & 3 of the regulations - Appendix 14.5).</p> <p>The membership agreement states that buyers commit to purchase a certain quantity of crops from the co-op – based on the predictions of weekly orders made at the annual crop planning session with the growers (Section 5.4 and regulation 2 of the membership regulations – Appendix 14.5).</p> <p>However the agreement does allow for a decrease in demand (in the same way that it allows for crop failures for growers), as long as this is communicated with the co-op (regulation 5 of Appendix 14.4 and regulation 4 of Appendix 14.5).</p>
	Concern that having to bring up the issue of removing someone's membership is very difficult, so often doesn't happen even if members aren't fulfilling their commitments	<p>It was suggested that membership of the co-op should be renewed every year at which point a review of that membership would take place. However, external advice suggested that this would be a bureaucratic burden and so it has not been implemented.</p> <p>Rules and membership agreements state commitment to participation and trading. Trading (and participation) commitments are reviewed at the end of each season and any differences (or problems) discussed in the group. This differs from the idea of annual membership renewal, in that a membership agreement would only be discussed and in extreme cases terminated if a member has broken their agreement. Any membership agreement which had been working well would not be discussed, saving on the bureaucracy of ending and re-issuing each membership every year.</p>
Levels of participation	If members do not respond to requests from the co-ordinator and the co-ordinator has to spend the co-op's time (and money) chasing them	<p>Members will only be emailed before the meeting (for preparation) to stop people feeling overwhelmed on top of their work. Between meetings, members will only be contacted regarding urgent matters (marked urgent).</p> <p>Members must be available to respond to requests within a time period (having agreed the best method of communication for them with the co-op co-ordinator).</p>

	<p>Concern that if people don't attend meetings, we revisit decisions at every meeting and it slows progress</p>	<p>Members must attend three-quarters of meetings and let the group know in advance if they are not able to attend (Appendix 14.9).</p> <p>If a member is not at a meeting, they have to live with any decisions made at that meeting.</p>
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Membership agreements

With a number of the issues mentioned above we were not sure how to write them into a membership agreement, in a way that is legally robust, and how to say it in a way that did not scare off potential members. The main issues were about how to commit growers to the crops and quantities that they said they would produce (and not sell them elsewhere if they could get a higher price) and how to commit buyers to the amounts they said they would buy.

To get through this particular minefield we were lucky enough to be able to enlist the help of David Button (chair of Co-operativesUK – www.uk.coop – who also has an agricultural and co-operative background). To start with, David felt that it would be less complicated to have separate grower and buyer co-ops, but at the same time thought it was an interesting challenge to explore our idea, as a model of this type did not exist in the UK.

Several challenging and very useful conversations later, we developed membership agreements that hold both the buyers and growers accountable, make the legally binding sections as clear and understandable as possible, and reflect the aims of Manchester Veg People and our shared values.

One particular challenge was how to make the buyers as accountable to the co-op as the growers. Equally it was felt important to make it clear that the co-op wanted to support members not punish them, and that just as there would be flexibility for growers in the case of a crop failure, there would be flexibility for buyers if their demand was unexpectedly lower (regulation 5 of Appendix 14.4 and regulation 4 of Appendix 14.5) – as long as (in both cases) this was communicated as soon as possible with the other co-op members.

The agreements do have some sections that are not written in the plain English we would have liked (e.g the section about loans regulations 24-27 of Appendix 14.4, and 14-17 of Appendix 14.5), and we were a bit worried this could put off new members. So we have written an annotated version which we hope not only clarifies some of the legal jargon, but also explains the motivation behind some of the sections (see Appendix 14.6).

Becoming a member – the joining process

Another important discussion was about how people become members of the co-op. Obviously we want the co-op to grow. We felt that a number of the problems highlighted by other co-ops could be avoided by developing a good joining process, so that new members really understood the commitment they were signing up to and took it on board before getting involved.

The joining process is fairly standard (see Appendix 14.7). The only issues that came up as a bit different for the Manchester Veg People co-op were:

- We make it easier for new growers to participate. Starting off as a grower (and particularly an organic grower) can be quite hard. People new to growing are therefore given a longer probation period of two seasons, to give them a bit of leeway to build up their experience and demonstrate their ability to produce high quality crops consistently.
- We take joint responsibility for quality assurance. The co-op co-ordinator and a co-op member will go to the site of a grower to check out their site and quality of produce, and to verify their organic certification. Similarly, they will visit a buyer to check their storage facilities to ensure they do not claim for poor

quality produce a week after we have delivered it, because, for example, it has not been stored in a cool room.

- We have a system to support responsible buying. The probation period for buyers was set as 6 months (a period of time to check that they order what they say they will and are reliable in terms of payment), ideally paying by cash on delivery for the first 3 months (to avoid bad debt - although this would be flexible if not possible, for example with the University).
- We establish systems to make membership robust. If someone is signing on behalf of an organisation or business (e.g. a workers' co-op or big institution), Manchester Veg People will need some kind of evidence that they are authorised to do that on behalf of that organisation or business. This helps us to plan for the possibility that a person may leave and take with them all knowledge that the organisation is a member of the co-op.

Discussions about all membership-related issues happened over a number of meetings. It got to a point where concrete decisions were needed from the mass of thoughts and options. A meeting was called specifically with the purpose of taking those decisions. This discussion led to finalising the membership agreements.

The legal structure

We were advised to register using the set of Rules recently developed by Somerset Co-operative Services (SCS) for a Multi-Stakeholder Co-operative.¹¹ The reason for this advice was that we wanted to weight the voting rights of the different member categories, rather than go for the traditional co-operative structure of a single class of membership.

Our decision to have a weighted voting system came from the realisation that if there was a single class of membership, as is the traditional co-op structure, then if there were eventually more buyer members than grower members the structure would begin to replicate the inequalities of the mainstream food system. It was felt by all members, including founding buyer members, that the growers are still the ones taking the main risks.

The Somerset Co-operative Services rules allow for the weighting of members' votes. A number of advisers tried to convince us to stick to voting without weighting for different classes, and suggested that we could address any imbalance by having a set number of grower and buyer representatives on a committee which takes all the decisions. While it is true that this would essentially have the same effect, with only six members in total we were not at the stage where having a separate decision-making committee made any sense. Additionally at an AGM, where all members vote, having a committee would not address this. There is also the question of the symbolism of giving more weight to the growers, which helps us to have the discussion about the current imbalance of power and risks in the food supply chain, and our explicit commitment and core values to take practical steps address this.

It is important to say that the Somerset Co-operative Services rules were very new when we adopted them and still in the process of development. Changes to them have been made since we registered and there has been a fair bit of to-ing and fro-ing, particularly to try and understand the membership categories and weighted voting. However, we are aware that this may at least in part be due to the fact that we make decisions by consensus, so voting is not something that we have previously needed to consider.

However, we think it was time well spent researching different structures and making sure that we got one that suits what we wanted to do. A couple of the ex-producer co-ops that we talked to had advised us that getting the structure right was key to the long-term success of the co-op.

¹¹ The SCS website has information about their rules (www.somerset.coop/node/17). There is also extensive information on the benefits of the Somerset Rules by Hazelhurst CSA, one of the first organisations to adopt these rules (http://wiki.transitionsheffield.org.uk/Talk:Somerset_Rules_CSA)



Growing the market

The benefits of having a big buyer

The University of Manchester is potentially a huge new market for the Manchester Veg People co-op. They started by ordering relatively small quantities for their campus canteen salad bars, but have increased their estimated quantities for the coming season (2012) and are hoping to pilot using vegetables for one hall of residence shortly.

One of the tricky things about the University as a customer is that their quiet period is over the summer which is the most productive time for the growers. However if their business as a conference venue during the holidays picks up then that could be important especially if the University hotel also starts sourcing from the co-op as they are currently planning to do. Seeking ways to balance the seasonal variability of demand, as well as of supply, is one of the ongoing challenges for the Manchester Veg People co-op.

Getting a mix of big buyers and small buyers

The temptation is to target another big buyer such as another educational institution or a hospital. This is partly because one large and stable order with only one drop-off point is an attractive proposition not only financially but also because a large public sector buyer is a way that sustainable food can be brought to a wider range of people than might normally get access to it.

However it is important to have a range of different sized buyers to spread the risk to the co-op. If the co-op has a range of buyers then if one of them pulls out the co-op will not suddenly find itself with no outlets. This is what happened to organic producers in Spain when the government cut the funding that was subsidising organic food in schools¹².

Increasing the supply at the same rate as increasing the demand

While Manchester Veg People started from the need to expand the market for local organic vegetables, the early involvement of big institutions made us very aware of the potential for the market to grow very quickly. In many ways this would be what we all want, but it would have to happen in line with there being sufficient supply to meet that demand. As we will only sell produce that is grown by our co-op members we must be sure that they can grow what is needed to meet the buyers' demand, otherwise there is a danger that the reputation of the co-op will be tarnished if we cannot deliver enough produce of sufficient quality.

With the University of Manchester, the potential demand is enormous, if you consider the volume of food being served in halls in residence as well as campus canteens, conferences and the University's hotel. The approach we have taken with the University is to build up slowly. This has also worked out well for the University, as it allows them to build their confidence in Manchester Veg People, as well as testing out the approach of predicting volumes to inform growing plans for the co-op growers, and developing marketing and consumer demand from their end.

The University of Manchester have started buying food from Manchester Veg People for the on-campus canteen salad bars, and this season (2012) are expanding to buying a wider range of veg for the canteens and trying out one hall of residence and hopefully the hotel. Their future aim is to supply all the halls of residence and canteens with as much of the co-op's vegetables as possible.

Starting relatively small and building up slowly will give current grower members of the co-op time to plan and trial more crops. It will also give the co-op itself time to find and involve new grower members to meet the increased demand in time for the next season.

¹² www.kindling.org.uk/blogs/6/del-campo-casa-small-organic-growers-co-op-also-part-wider-network-producers

Trying to predict future demand and match it with future supply is a big challenge for the co-op, but we have identified a number of ways that we are going to tackle this working with the Kindling Trust and the wider sustainable food movement over the next couple of years (see Section 11, Manchester Veg People as part of the wider sustainable food movement, and Section 12, conclusion and next steps for Manchester Veg People).



*Launch of supply of produce from Manchester
Veg People at the University of Manchester*

Other practicalities

Online ordering system

One of the aims of Manchester Veg People is to pay growers fairly while minimising the difference between the farm-gate and retail prices, so the co-op is trying to develop in a way that minimises its running costs.

One of the ways that we have tried to do this is by developing an online ordering system, which is both easy for buyers to use and for growers to update, and automates the majority of the co-op's administration. For example, such a system could issue collated buyer orders to individual growers, delivery notes, invoices, track payments and show 'live' produce availability information.

We looked at various existing systems but none quite matched our needs, and after various discussions with the project officer for the Making Local Food Work programme, Clare Horrell at Sustain, we were advised to go for developing a bespoke system, rather than trying to adapt an existing system to our needs. Her recommendation was based on Sustain's experience of trying to adapt an existing piece of software for other community groups¹³.

We developed a brief that we sent to a number of system developers, and the IT workers' co-op Netuxo (www.netuxo.com) came back with the quote/response that most suited our needs.

We decided to go for a system developed using [Drupal](#) (an open source content management system), so it will be built out of blocks of common code. This means we will be able to keep adding to it in the future and also that other people will be able to use it and develop it, and provide IT support for the system in the future.

The system is still in development but our hope is that once it is finished it will be something that other co-ops similar to ours will be able to benefit from.

Tax relief versus grant funding

One of the tax benefits that can be achieved by a co-operative acting as agent on behalf of its members, and by not trading with non-members, is that any surplus can be retained tax free. As a co-op that acts as an agent that markets and distributes produce between members, any surplus or deficit that the co-op makes is simply a sign that either that the members charges were set too high, or too low to cover the costs. At the end of the year, any such surplus can either be distributed back to the members in proportion to the charges they have paid or retained in the co-op to improve its services.

There is, however, a potential problem with this. While the aim is for the co-op to be financially viable (and necessary if we are proposing that this is a successful sustainable food system model), there is a recognition that the extent to which members can make further investment (e.g. loans) or pay member charges sufficient to build up reserves at a level to purchase capital equipment (e.g. poly-tunnels to extend the season/crop range), is difficult without using grants.

In some cases grant funders want to see an asset lock, or in simple terms that the organisation is not-for-profit, i.e. that surpluses are not distributed to members and that in a wind-up situation any residual value should be transferred to a similar body.

However, in the instance of Manchester Veg People, the co-op is acting on behalf of its members who are using its services and paying members' charges to ensure the commercial viability of the co-op. It would therefore not be reasonable to have a situation whereby any surpluses generated by overcharging members (or in the event of a wind-up), could not be returned to them.

¹³ Sustain (2012): Information technology and small-scale food organisations: Is IT a nightmare? sharing Sustain's experience of working with community-run enterprises that trade in local and sustainable food, to develop IT systems: www.sustainweb.org/resources/files/reports/MLFW_IT_report.pdf

Whilst we felt a bit torn about this – the long-term tax relief versus potential issues on grant funding – we believe that through our rules, and by providing greater clarity to grant funders, any problems on this can be overcome.

Our solution to this conundrum is that while our co-op rules state that members are allowed to take dividends, and our member agreements allow for rebates (return of a proportion of charges if surpluses are made), this does not mean that they *have* to be distributed. Members may agree that any 'surplus' should be retained or re-invested in the co-op, with the purpose of increasing production of and access to sustainable food.

This has been agreed as the default position for this co-op (reflected in the co-op's aims), and meets the requirements of the tax office (HMRC) in any application of mutual tax status, providing all other aspects of mutual trading requirements are met. This should also mean that as we do not distribute profits funders will accept us as non-profit making.



Manchester Veg People as part of a wider movement for sustainable food

Manchester Veg People is part of a wider movement for change in Manchester, to create a more sustainable food system for the city and beyond. Manchester Veg People is a practical delivery part of this bigger model, and stands alone in its own right. However, it also clearly benefits from being part of a wider movement that tries to address issues and put into practice solutions. The main elements of this wider movement or model are set out below.

FeedingManchester

FeedingManchester is a network of sustainable food practitioners, bringing together a range of independent businesses (growers and buyers), community groups, educators and organisations who want to work towards a more sustainable food system in Greater Manchester.

The network has three events a year, which include talks, workshops and strategic planning sessions, and runs a website that promotes those working towards a sustainable food system. It also facilitates communication between members.

The network has defined sustainable food as food that is:

- local and seasonal
- from organic and sustainable farms
- minimises food of animal origin and maximises animal welfare standards
- excludes fish that has been identified as at risk
- is Fairtrade certified
- has reduced waste and packaging
- promotes health and well being
- increases food democracy.

Not everyone who is a part of the network fulfils all elements of this definition all of the time (some ? some food access projects may prioritise access over organic, for example), but the point is that all those involved aspire to incorporate as much of the definition as possible into their work, and to work together strategically and practically to push for a more sustainable food system in Manchester.

Sustainable Fayre

Sustainable Fayre is a project of The Kindling Trust exploring opportunities to increase low-carbon and sustainable food in Manchester.

It started with a project to look at the viability and possible methods for supplying fairly-priced local and organic produce to Manchester's public sector. The initial project consisted of two elements: a pilot seasonal soup project in Brookburn Primary School in partnership with local authority caterers Manchester Fayre (in 2010/11), and a piece of research resulting in a report entitled 'Sustainable Fayre'¹⁴.

Two of the priority recommendations of the report were to carry out a full carbon audit of Manchester Fayre's food purchases, and to develop of a seasonal menu that is low carbon, fair, high animal welfare, value for money and crucially child friendly. This work received some funding from Food Futures¹⁵ and was carried out in partnership with Climate Friendly Food¹⁶.

¹⁴ <http://kindling.org.uk/sustainable-fayre-report>

¹⁵ Food Futures is a Manchester based partnership that involves a range of organisations working to make sustainable food accessible to everyone in the city <http://www.foodfutures.info/site/>

¹⁶ Climate Friendly Foods is a not for profit social enterprise that addresses climate change through agro-ecological farming and runs a certification scheme for farmers <http://www.climatefriendlyfood.org.uk/>

Manchester Fayre are in the process of exploring the recommendations from this work. The Kindling Trst are looking to go on and further develop the menus with other public sector bodies who are interested in using the menus. This may include the University of Manchester, and hopefully other institutions such as hospitals and school caterers in other boroughs to make sustainable food accessible to a wider range of people across the social spectrum.

Land Army

One of the obstacles identified by small organic producers to supplying Manchester with sustainable food is the labour intensiveness of production coupled with the perception of food as being cheap. At the same time individuals with an interest in going into organic production felt that there was a lack of opportunity or obvious route into it on a commercial scale.

The Land Army was created as a way to try and kill these two birds with one stone – supporting the farmers by keeping labour costs down at the busiest times (but not replacing any paid jobs), as well as providing skills and experience for city dwellers to go out and work on organic farms. An additional benefit is that it can also keep the cost of food from shooting up or being wasted – for example at soft fruit harvesting time when there can be too much to pick at once.

The Kindling Trust are currently looking at how to make the Land Army more of a stepping stone into commercial growing, going from being ‘a nice day out once in a while’ (whilst this also remains a valid reason to be involved), to providing people who are interested in becoming growers commercially with a stepping stone into that business – growing more growers to meet the increasing demand from Manchester Veg People.



Conclusion and next steps for Manchester Veg People

There is still a way to go before we can shout “Success!” from the rooftops of Manchester. However, we believe we have come far in the last couple of years. We started as a group chatting about who is growing what, and outlining a theoretical model of what might work. From that enthusiastic but tentative beginning, we are very proud and excited to state that Manchester Veg People is now a unique and fully functioning co-operative that:

- has worker, grower and buyer members, which range in size from an independent café to a University
- grows to order, co-ordinating and planning crops on an annual basis based on buyer predictions
- bases prices on the cost of production, with an easy and transparent way of calculating this
- has a commitment to quantities from both the growers and the buyers
- is the best and fairest way of trading that we have come across so far.

Our hopes for the future are that we can show that this model works in practice. We want to achieve our aims, not only in making our individual businesses viable, but also to show that this brand of truly fair and sustainable produce will take off enough to encourage more growers to go organic – and more buyers to buy organic produce.

Probably our biggest challenge is to predict and match future demand with future supply. A big buyer like the University of Manchester, who is happy to increase the scope of their ordering gradually, is a massive help to the planning process. Asking potential customers for theoretical volumes is another way of pinning down future demand.

Future supply can, in part, be estimated by working with existing growers and asking them for figures for maximum production at their sites. Many, especially the mixed farms, have scope to increase the acreage of vegetable production. Where it gets difficult is when the capacity of existing grower members is reached.

There are two ways of addressing this that Manchester Veg People are looking to take forward with the support of the Kindling Trust:

- Approach known non-organic vegetable growers to see if they would convert some of their land and produce to organic. Our hope is that, especially with public institutions coming on board, we can offer a stable market to make it more attractive and less of a risk for growers to go organic.
- Identify potential spare land to rent, and train up and support new growers. There are various issues with this, especially when there are so many variables – like soil type, acreage, infrastructure, growing skills – that make it difficult accurately to predict future supply. The capacity of current growers compared to the amount of time needed to train new ones (as ideally growers would be the educators), is also an issue. However, the Kindling Trust is looking at ways to develop a kind of apprenticeship scheme through the Land Army that would take this forward (Section 11.3), and there is also interest from national bodies such as Sustain in supporting this work that is so important for the wider sustainable food system.

We have also secured funding from the Rural Development Programme for England (RDPE funds, from the EU), for a co-op co-ordinator to help us through the next crucial phase of co-op development, to strengthen both the market and supply to the co-op. The co-op co-ordinator will carry on approaching and enthusing new restaurants and caterers to grow the market side, whilst also working with growers to ensure we can meet that demand and looking at how to expand the range we have on offer.

The RDPE funding also includes 40% towards a number of capital items to add value to the product supplied by the co-op. These will include for example a washer, so that washed vegetables can be supplied, and additional undercover growing areas (with low-carbon heating), so that the season can be extended and a wider range of crops offered.

The Kindling Trust will also continue to work with the public sector (e.g. other Greater Manchester local authorities, hospitals and educational institutions), to help increase the market for sustainable food, but also to widen it – making it food that is accessible to people from all backgrounds.

Finally, our hope is to share what we have learnt and everything we have developed with anyone else who

wishes to set up similar initiatives-. We would like to see Veg People' all over the UK (and beyond!)....But that's where we hand over to you, our readers.

Good luck with it all and please let us know how it goes for you – and if you develop any different systems or ways of working that work well for you – we are always open to new ideas.



Support received and acknowledgements

A huge amount of support has been given to us in a wide range of guises and by various organisations and individuals, to help us make Manchester Veg People what it is today. That we have received this support suggests that we have developed a model (and various documents and systems) that others will find useful. We hope to repay the generous investment of our supporters by making these materials available to use free of charge, also reducing the need for grants or loans to get other co-operatives off the ground at reduced cost.

Having said this, it may be useful for you to know (and nice of us to mention!) the organisations and people that we very gratefully received the following support from:

Big Lottery Making Local Food Work Programme <http://www.makinglocalfoodwork.co.uk/>
Running from 2007 to 2012, Making Local Food Work is a £10m programme aiming to help people to take ownership of their food and where it comes from by providing advice and support to community food enterprises across England. See: www.makinglocalfoodwork.co.uk. We received the following grants from the Making Local Food Work Food Supply & Distribution strand, which is coordinated by Sustain: The alliance for better food and farming (www.sustainweb.org):

£20,000	This funded the development process (meetings), the co-ordinator, some initial distribution costs, branding development and initial website, packaging, registration costs and also the writing of this report
£ 1,500	For developing the point-of-sale materials
£ 2,000	For the ordering system

The above paid for support from:

- Amanda Rigby of Paper Rhino (www.paperrhino.co.uk) who helped us develop our branding, including our name, strap-line and logo and point-of-sale marketing materials.
- Netuxo (www.netuxo.com) who are developing our online ordering system.

We also received the infinitely patient support from Clare Horrell from Sustain (www.sustainweb.org), who was always available at the end of a phone to support us through paperwork and bounce ideas around with us. Sustain also commissioned a short film about Manchester Veg People to help with marketing and communicating our values, which you can see at:

www.sustainweb.org/makinglocalfoodwork/films/#Manchester

Plunkett Foundation (www.plunkett.co.uk), enterprise support strand of Making Local Food Work:

- Visit to Christina Ballinger of Flaxdrayton Farm (previously co-ordinator of Somerset Organic Link)
- Consultant (Nick Weir of StroudCo. (www.stroudco.org.uk)) to research online ordering systems (though we decided to develop our own one after discussions with Sustain)
- An accountant/business advisor – Lorna Turner of The Fruit Tree (www.the-fruit-tree.co.uk) – to sign off our business plan and cashflow needed to submit an RDPE bid
- Pricing workshop and tailored support – Maurice McCartney of Fresh Management Solutions Ltd. (www.freshmanagementsolutions.co.uk) – to help develop a formula for growers to work out costings and therefore price.

Co-operative enterprise hub: We received three days consultancy support from the Co-operative Enterprise Hub plus consultancy from Somerset Co-operative Services to tailor their standard rules to the needs of our group. They also supported us through the registration process with the FSA.

Rural Development Programme for England (RDPE): have given us a grant for a co-ordinator for 18 months and 40% towards capital items to help expand the range of the products offered through the co-op (see Section 12 for more information).

Good will: Lots of it - but a particular mention to David Button from Co-operatives^{UK} who helped develop our membership agreements on a voluntary basis despite the fact that it was quite a challenge given our requirements.

Note: any wages paid during this development process (Manchester Veg People co-ordinator, or freelance facilitator/group development/write-up) have been paid at a rate set by the group (£8 an hour) based on the amount the growers earn or aspire to earn as a fair and sustainable wage. This does not include outside consultants brought in to develop e.g. the online system, or paid through other parts of the Making Local Food Work strands.

Appendix

You can download all of the documents referred to in this report by going to the following site.

http://www.sustainweb.org/pdf/MLFW_MVP_Appendices.zip

