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<td>McCarthy, Olive; Ward Michael</td>
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Sustaining the co-operative approach in an era of change: a case study from Cork, Ireland

Olive McCarthy and Michael Ward
4. Sustaining the co-operative approach in an era of change: a case study from Cork, Ireland

Olive McCarthy and Michael Ward

Introduction

For more than a century, farmers in Cork have organised themselves for agricultural and dairy purposes into eight co-operatives of varying size and production and marketing complexity. They have pursued a variety of different strategies in terms of serving their members. One of the eight co-operatives, now one of Ireland’s largest commodity manufacturers, evolved out of an amalgamation process but unlike larger co-operatives elsewhere in Ireland remained reasonably steadfast in traditional ways of co-operative working. Four other small co-operatives took a decision to remain independent, reaping the benefits of smallness where appropriate, but using a federal approach to achieve economies of scale. Another co-operative with a relatively small own-base of milk suppliers and shareholders decided to grow and achieve economies by investing in a modern plant and buying in additional milk surplus to the requirements of larger neighbouring societies adjacent to Cork. Of the remaining two co-operatives, one exited direct milk processing and focused on assembling their members’ milk which is sold directly to a privately owned processor of luxury consumer food products. The other co-operative continues to process traditional products such as milk and casein for small niche markets.

This case study will analyse the factors that resulted in the adoption of these varying strategies such as historical background and original purpose, local community context, membership, shareholding and control, capitalisation, and the role of co-operative leadership. The analysis will be set in the context of the business and policy environment such as the EU milk super-levy and declining numbers of farmers partly as a result of an over-reliance on off-farm jobs in vulnerable sectors at the turn of the twenty-first century.

The case study will also explore the relative success of these varying approaches and point to the achievement of maintaining co-operative control in most cases. Nevertheless, weaknesses will also be identified. The essay will focus particularly on the lessons to be learned by the acquisition by a multi-national food business, albeit with minority co-operative ownership, of one of the co-operatives in 2010. The latter had been extremely successful as a business entity and as a co-operative but fell behind in terms of fully implementing co-operative principles around shareholding and capitalisation. The on-going recovery of the largest of the eight co-operatives, having over-diversified into risky non-core activities, will also be examined with lessons noted.

This in-depth look at the co-operative successes and struggles should help chart a sustainable co-operative approach for dairying and agriculture particularly in light of continuing EU agricultural reform and a post Celtic tiger crash necessity to utilise indigenous resources such as food to re-build employment, both on and off farm, and indeed re-build rural communities themselves.
Overview of multipurpose agricultural and dairy co-operatives in Ireland

The dairy co-operatives in Ireland typically engage in a variety of activities and are considered to be multi-purpose, engaging in more than a single purpose (such as milk processing). The main co-operative activities, in addition to dairy processing and manufacturing, are livestock marts, meat processing, and the distribution and manufacture of farm inputs, such as animal feed.

According to the Irish Co-operative Organisation Society (ICOS), there are twenty-seven dairy co-operatives in Ireland, including co-ops with holdings in public limited companies (PLCs), with a total of 74,882 members and total sales of €10.27 billion. Membership and sales varied dramatically from co-operative to co-operative, depending not only on the size of the co-operative but also on farm size structure in their own geographical area. The number of co-ops has steadily declined from the 1960s as a result of amalgamations. The number of dairy farmers, especially smaller farmers, has also been in steady decline.

The Irish dairy co-operatives along with other rural societies, such as marts and fishing co-operatives, are members of ICOS. The ICOS, itself a co-operative, represents the interests of its member co-operatives nationally and internationally, and provides them with leadership and training. Most Irish dairy co-operatives are also members of the Irish Dairy Board, a federated co-operative set up to market Irish dairy products abroad. Most well-known of its brands is Kerrygold butter, selling to fifty markets internationally. It exports in the region of 60 per cent of the output of its co-op members.

Milk suppliers and traders are normally admitted to membership in a dairy co-operative by purchasing a number of ordinary shares valued at €1.27 in proportion to their milk supply/trade. They are then entitled to one vote (at shareholders’ meetings and elections) regardless of the size of their shareholding. Shareholders are organised into branches/areas, which also serve as electoral constituencies. Some co-operatives elect a number of area advisory boards which meet at area level, a few times per year, to advise on policy, while other co-ops elect a general committee from the areas, which meets centrally with senior management. The board of directors is usually elected from among the advisory/general committees. In co-operatives with a stake holding in a PLC, the co-op representation on the PLC board is normally elected by and from the co-op boards and includes some senior executives.

Business and policy environment for dairy co-operatives in Ireland

The agricultural business and policy environment in Ireland has shifted considerably in recent decades, particularly in the context of the introduction in 1984, and proposed abolition by 2015, of the EU milk quota system. The milk quota system allocated a national milk quota in each EU member country together with individual quotas for milk producers. This means that if a producer produces more than his or her allocated quota, a super-levy (or fine) may be payable. The imposition of milk quotas had a deep impact on the structures of dairy co-operatives in the mid to late 1980s and early 1990s and was a factor together with the more serious issue of non-user membership and shareholding which led to many of the larger co-ops moving towards PLC structures. This PLC structure involved the exchange of the bulk of the co-op assets for a majority shareholding in a newly created investor-owned firm used as a vehicle to raise finance. For the co-ops that chose this route, the co-op ownership in the PLCs has gradually declined.
over time, resulting in a reduction in the control of the co-op shareholders in their business. Many smaller co-ops also merged into much larger entities at that time, while for others, there were few if any changes. The proposed abolition in 2015 of the milk quota system opens up significant opportunities and challenges for milk producers and their co-operatives. In its outlook towards and beyond 2015, the Irish government, in its ‘Harvest 2020’ report, proposes that milk production in Ireland can be increased by 50 per cent by 2020. It is recommended that the processing capacity must be increased to meet the expected increase in milk supply and that a small number of scaled processors will be needed. As we will see later, the dairy co-operatives are now planning towards 2015 and beyond. It is likely that for many co-operatives, the abolition of quotas represents a real opportunity for expansion. How this expansion will be funded is not clear. However, a real threat to milk price is also envisaged as supply increases dramatically. Furthermore, the continuing decline in the numbers of farms and of full-time farmers and the increasing numbers of part-time farmers who have relied on sometimes vulnerable off-farm sources of income, may mean that not all producers will be willing or able to increase their supply. The high percentage of ‘dry’ or non-supplier farmer members compared with active supplier-members of dairy co-operatives may also be an issue when it comes to proposing or implementing change in dairy co-operatives.

Multipurpose agricultural and dairy co-operatives in Cork

In 2012, there are seven multipurpose agricultural and dairy co-operatives operating in the Cork County area. This figure was reduced from eight in 2010 with the sale of Newmarket Co-operative to the Kerry Group, an issue which will be discussed later.

Figure 2 – Manufacturing milk supply map of Ireland
The table below shows membership, sales, shareholding and net profit for each of the eight co-operatives at the end of 2009.

Table 2 – Statistics for dairy co-operatives in Cork, as of end 2009

<table>
<thead>
<tr>
<th>Co-op name</th>
<th>Membership</th>
<th>Sales €'000</th>
<th>Net profit (before tax) €'000</th>
<th>Shareholding €'000</th>
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<tr>
<td>Bandon</td>
<td>690</td>
<td>48,859</td>
<td>2,685</td>
<td>51,445</td>
</tr>
<tr>
<td>Barryroe</td>
<td>670</td>
<td>77,396</td>
<td>4,249</td>
<td>56,331</td>
</tr>
<tr>
<td>Boherbue</td>
<td>160</td>
<td>13,043</td>
<td>23</td>
<td>7,377</td>
</tr>
<tr>
<td>Dairygold</td>
<td>8,994</td>
<td>555,175</td>
<td>10,446</td>
<td>220,090</td>
</tr>
<tr>
<td>Drinagh</td>
<td>2,513</td>
<td>3,654</td>
<td>1,696</td>
<td>71,539</td>
</tr>
<tr>
<td>Lisavaird</td>
<td>1,109</td>
<td>3,029</td>
<td>1,768</td>
<td>49,821</td>
</tr>
<tr>
<td>North Cork</td>
<td>550</td>
<td>325</td>
<td>(145)</td>
<td>8,261</td>
</tr>
<tr>
<td>Newmarket</td>
<td>680</td>
<td>56,588</td>
<td>843</td>
<td>20,898</td>
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</table>

The table shows that the majority of the co-operatives are relatively small, with one, Dairygold, standing out as by far the largest of the eight. In terms of the dairy industry in Ireland, Dairygold is ranked fourth in terms of total turnover. The co-operatives are generally profitable businesses and, as we will see later, pay very competitive milk prices to their suppliers. We will now briefly discuss the background, core business activities and strategies of each of the eight co-operatives in turn.

**Dairygold Co-operative Society Limited**

Dairygold is by far the largest of the dairy co-operatives operating in the Cork area and indeed is Ireland’s largest farmer-owned co-operative with almost 9,000 members. Dairygold was formed in 1990 through the amalgamation of two dairy co-operatives, themselves in operation since the early 1900s. It processes in the region of 960 million litres of milk annually, the equivalent of 18 per cent of Ireland’s total milk pool. It has three main business activities: dairy, focussing on infant formula, casein, skim milk powder and cheese, and consumer foods; agri, trading in grain, fertiliser and other farm inputs; and retail stores offering a wide range of farming and household hardware and garden supplies. The co-op has 3,000 active milk producers supplying milk to the business, the equivalent of about one third of its total shareholders.

Dairygold has clearly committed itself to remaining as a co-operative. In the early 1990s, Dairygold strongly resisted the moves by most of the other largest dairy co-operatives towards a PLC structure. That is not to say that Dairygold has not had its own strategic difficulties. In 2006, the co-operative set up its own spin-off PLC, Reox Holdings, to deal with its consumer foods, DIY and property interests. Dairygold took a 26 per cent share in Reox Holdings. Reox Holdings invested heavily in property and following the enormous crash in the property market, experienced significant losses. Reox Holdings began a major rationalisation programme, closing many of the DIY retail outlets, selling others back to Dairygold, and selling the consumer foods division to the Kerry Group in 2009 and thereby losing some of its important consumer brand names. Dairygold then commenced a programme of buying back some of the property in Reox Holdings. The repurchasing from Reox Holdings has meant that Dairygold has been in debt for the past few years, despite making significant operating profits.

Under new management in the past two to three years, Dairygold has refocused itself on its core business of collecting and processing milk and of supplying its farmer members with agricultural...
inputs. According to O’Keeffe, the major issue on the agenda for Dairygold now is to determine its strategy in a post quota environment.\textsuperscript{7} Dairygold predicts an increase in milk volumes of 47 per cent by 2020. Calls by representative bodies for Dairygold to consider merging with another large co-op to help build processing capacity have so far not materialised, although Dairygold claims to have an open mind. The co-op is currently surveying its shareholders regarding their intentions to supply beyond 2015. It is also considering a range of finance options to assist in expansion.

Drinagh Co-operative Limited\textsuperscript{7}

In membership terms, Drinagh Co-op is the next largest of the Cork co-operatives with a little over 2,500 members. It has over 640 milk suppliers, supplying in the region of 131 million litres of milk annually. Its main business activities are in milk purchase and collection, high quality animal feeds, stores and property. Drinagh is deeply rooted in the area it serves, maintaining ten retail branches, selling groceries, fuel and agricultural supplies. Drinagh has been making efforts to diversify its portfolio through investment in a renewable energy company. Drinagh is one of the four co-op member-owners of Carbery Group Ltd., to which it supplies all of its milk for processing.\textsuperscript{9} According to Leslie, it is expected that Drinagh milk suppliers will increase milk volume by 40 per cent post 2015.\textsuperscript{10}

Lisavaird Co-operative Creamery Limited\textsuperscript{11}

Lisavaird Co-op has over 1,100 members. There are 400 active milk suppliers to the co-op, supplying seventy-three million litres of milk annually. Its main activities are in milk collection, animal feed, pig fattening, and hardware and grocery retailing. It operates seven retail stores. In 2009, it acquired a value added cooked meats business. It had interests in a wind energy business which it disposed in 2008. It too is a member of the Carbery Group Ltd to which it supplies all its milk for processing.

Bandon Co-op Agricultural and Dairy Society\textsuperscript{12}

Bandon Co-op was formed in 1903 and has 690 members. It collects eighty-five million litres of milk annually. Its main business activities are in butter and cheese production, animal feeds, and retailing of farming and household hardware supplies. Bandon Butter is a renowned butter label in Ireland in both the retail and catering markets. Bandon Co-op also packs and markets the Kerrygold brand of butter to retail customers in Ireland, under franchise from the Irish dairy Board. It 2009, Bandon Co-op acquired a cheese packing business. According to Leslie, Bandon Co-op expects milk supply to increase by 2015 but by how much will depend on milk price.\textsuperscript{13} Bandon Co-op is already 8 per cent over quota in the current year.

Barryroe Co-operative Limited\textsuperscript{14}

Barryroe Co-op was founded in 1925 and has 670 shareholders. 224 dairy farmers supply a total of seventy-two million litres of milk annually. The co-op is also a major purchaser of grain, processed as animal feed. It also specialises in pork, having a fully owned subsidiary which processes pork supplies. As with most other co-ops, it also operates a farm supplies retail division. It is currently surveying its members to determine their intentions regarding the supply of milk post 2015. It is currently 1.9 per cent over quota.
A note on Carbery Group Limited

Together, Bandon, Barryroe, Drinagh and Lisavaird have formed a federal co-operative known as Carbery Group Ltd to process all or almost all milk collected by the four co-operatives. Respectively, they hold 20.6 per cent, 16 per cent, 35.5 per cent, and 18.2 per cent of the shares in this second level milk processing co-operative. It processes the milk collected by the individual co-ops in their own trucks, which are decked out in the individual livery of each co-op. Each co-op is free to decide on the milk price it will pay to its own members. Despite this, or perhaps because of this, they typically pay among the top milk prices as we will discuss later when we examine the national milk price league tables as they apply to the Cork co-operatives. The Carbery Group has approximately 350 employees, not including the employees of the individual co-operatives. Carbery reported a total turnover in 2010 of €224.3m.

Carbery is a leading cheese manufacturer (Dubliner Cheese is its best known brand) with some involvement in food ingredients and alcohol. It operates its own dedicated R&D facility. The individual co-ops which own Carbery, continue to operate independently for the provision of farm stores and services to their members. Indeed, they have separately embarked on diversification programmes, depending upon their members’ needs and interests. For example, Bandon Co-op has encouraged their farmers to grow onions, which they market through the Supervalu supermarket chain, while Lisavaird is involved in wind energy generation.

The board of Carbery is comprised of two representatives from each of Bandon, Lisavaird and Barryroe and three from Drinagh on account of its greater share ownership. According to Byrne & Ward, Carbery enables the co-ops to retain local ownership and control while enjoying the benefits of being part of an international business and allows the co-ops to ‘avail of scale which would have been impossible if they were acting alone’.

More recently, individual suppliers, who are members of the individual co-ops, have been allowed to take a small direct shareholding in Carbery, independent of their co-op affiliation. The current total shareholding by these farmers is approximately 9 per cent. It could be argued that this copper-fastens active milk supplier control of Carbery.

Boherbue Co-op Society Limited

In membership terms, Boherbue Co-op is the smallest of the dairy co-ops in the Cork area. It has a focused strategy of collecting its members’ milk and selling it to a luxury chocolate crumb factory. This highly focused strategy has meant that Boherbue is very consistently paying the highest or close to the highest milk price in the country to its farmer-owners. Boherbue is also highly committed to providing or facilitating in the provision of important services in its local area. It has placed a strong emphasis on supporting local employment. It rents out part of its premises for a food incubation unit which supports the provision of daily meals to the elderly of the area and runs its own grocery shop and cafe in the local community.

North Cork Co-operative Limited

North Cork Co-op was formed in 1928 and has 150 active milk suppliers. It processes over sixty-eight million litres of milk annually in its own processing facilities and also purchases milk from other co-ops. Its total membership is comprised of 550 shareholders. However, it has ensured that only those shareholders who are actively trading with the co-op can vote in a takeover situation. It is a major supplier of casein, claiming to be the first Irish co-op to have recognised the importance
of the casein market. It exports its casein products to Italy, Spain, South Africa, Mexico and the US through the Irish Dairy Board. It is the only producer of super kosher casein in Europe, under the regular inspection of a Jewish Rabbi. Most of the demand for this product is from Israel. Farmers who agree to supply super kosher casein are paid a premium for their milk. North Cork Co-op also manufactures butter which is sold under the Kerrygold label. It also has a trading and stores division. According to management at the co-op, the ownership and independence of the co-op are more important to its shareholders than milk price. The co-op’s strategy has been focused on keeping its processing plant up to date. According to Herlihy, the co-op installed a new separation milk line in 2011 to facilitate faster milk intake and to prepare for an expected increase in milk supply post 2015. The co-op has also maintained a strong emphasis on the importance of providing services and employment within the local community.

It is noteworthy that in mid-2011, following the sale of Newmarket Co-op to Kerry Group, which will be discussed below, ICOS had encouraged Boherbue and North Cork Co-ops to consider merging given their geographical locations and small sizes. This was reported by Herlihy as having been rejected by the board of Boherbue Co-op.

Newmarket Co-operative Creameries Limited

Newmarket Co-op was formed in 1944 through the amalgamation of seven creameries in the area. Prior to its takeover in 2010, it had 150 active milk suppliers from a total membership of almost 700 shareholders. Approximately 370 of these shareholders were ‘dry’ shareholders and in the region of 180 were deceased or untraceable. Its total milk supply was thirty-seven million litres and it also bought in approximately 120 million litres from other co-operatives, representing about 70 per cent of the total milk processed. Fifty-five per cent of this milk was purchased from the Kerry Group. Newmarket’s main business activity was in the production of cheddar cheese, which at the time of takeover, totalled 18,000 tonnes per annum with spare processing capacity for a further 12,000 tonnes. It also operated a farm store, a grocery outlet and had investments in renewable energy. It had invested heavily in its processing plant over the years resulting in a highly modern and efficient plant. The heavy reliance of the co-op on outside supplies of milk was seen as one of the key weaknesses of the co-op as this left it more vulnerable to milk shortages. In fact, one of the six co-ops supplying milk to Newmarket had withdrawn its supply as of 2008. Newmarket also considered itself too small to buy out any of its suppliers. In 2010, it had a total of €21.5 million in assets.

The Kerry Group made an approach to Newmarket at the end of 2009 with a proposal to buy it out. Clearly, Kerry was anxious to own and control the processing plant held by Newmarket given the well-established milk supply relationship. Kerry’s total offer to Newmarket was valued at €35 million. For shareholders, this meant a cash payment of €421 per share held to a total of approximately €25 million. An extra allocation of shares would be made to all member-suppliers who were active (on the basis of gallonage supplied in 2009), in advance of the closure of the deal, which would cost in the region of €2.5 million. Kerry would clear debts in the co-op of €5 million (incurred through plant capacity building) and would pay an additional €2 million to buy the wind energy interests of Newmarket. The proposal required a 66 per cent majority vote in favour by members in attendance at a special general meeting in order to be passed. There were no rules which stipulated, for example, that only active milk suppliers could vote in a takeover situation, such as has been implemented in other co-ops. In fact, previous attempts by the board and management to change the rules in this regard were resisted. Therefore, all members – active suppliers and non suppliers – had equal voting rights. Approximately 430 members turned out to vote at the meeting with 82 per cent voting in favour of the proposal. The average member received almost €48,000 each from the sale of the co-op. The Newmarket case is an example of the rare phenomenon of a direct takeover of a co-operative in Ireland.
Co-operative milk price

The table below shows the milk price league tables for the co-operatives being studied from 2009–12. The milk price league is published regularly by the Irish Farmers’ Journal, a newspaper for the farming community, and gives a listing of the top milk price paying co-ops in the country as independently audited.

Table 3 – Milk price league table position

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<tbody>
<tr>
<td>Bandon</td>
<td>8th</td>
<td>16th</td>
<td>1st</td>
<td>6th</td>
</tr>
<tr>
<td>Barryroe</td>
<td>3rd</td>
<td>7th</td>
<td>2nd</td>
<td>7th</td>
</tr>
<tr>
<td>Boherbue</td>
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<td>5th</td>
<td>4th</td>
<td>1st</td>
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<tr>
<td>Dairygold</td>
<td>4th</td>
<td>12th</td>
<td>6th</td>
<td>3rd</td>
</tr>
<tr>
<td>Drinagh</td>
<td>6th</td>
<td>9th</td>
<td>5th</td>
<td>5th</td>
</tr>
<tr>
<td>Lisavaird</td>
<td>9th</td>
<td>8th</td>
<td>3rd</td>
<td>4th</td>
</tr>
<tr>
<td>North Cork</td>
<td>5th</td>
<td>4th</td>
<td>7th</td>
<td>9th</td>
</tr>
<tr>
<td>Newmarket</td>
<td>7th</td>
<td>3rd</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Source: Irish Farmers’ Journal

While it should be noted that in recent times milk price does not differ significantly between the dairy co-ops in Ireland, the table clearly shows that the Cork co-ops, regardless of size and business strategy, consistently out-perform the other co-ops in the country. Apart from very occasional slippage, the Cork co-ops almost always feature among the top ten milk price payers in the country. For example, headings such as ‘Cork co-ops are first division players’ and ‘Boherbue remain on top’ are typical headlines in the farming press.

Factors resulting in adoption of different strategies

From our brief description of the eight dairy co-operatives in operation in Cork, we can see that a range of issues have influenced the development of the co-operatives and their resulting business and co-operative strategies. For all of the co-operatives, their historical background has proved fundamental to the decisions they have taken regarding structure and business activities. The smaller co-ops, including North Cork and Boherbue, have maintained a distinct local focus, and have emphasised provision of local services and employment. Many of the smaller co-ops have remained independent and have continued to operate within the same area since their foundation. This has preserved their focus on the local farmer owner. On the other hand, larger co-ops such as Dairygold, are removed geographically from many parts of the area they serve, which can negatively impact on the members’ perceptions of the co-op in their local communities. Co-ops with a large geographical reach tend to have more diverse memberships and member needs.

Most of the Cork co-ops at some point had supplying relationships with private processors. In particular, the four co-ops that went on to form Carbery did so by forming a federation to buy out the common private processor they each supplied. Through efficient and innovative management, they have further developed and expanded the business. The federal buy out option was chosen in a conscious effort to maintain their individual control including the ability to act independently in other farming business activities.
The Newmarket strategy of purchasing in milk supplies from neighbouring co-ops, compensated for its inability to grow internally as a result of the restrictions of the EU milk quota. Utilising plant to full capacity and affording the continual upgrading of plant was extremely successful and enabled the co-op as a very profitable and asset-rich entity, to pay its own milk suppliers a very competitive milk price. However, over-reliance on one co-op milk supplier, namely Kerry Group, coupled with a share register which eventually became dominated by non milk suppliers, led to an attractive buyout offer particularly from the perspective of the non milk suppliers.

**Success of varying approaches**

The co-ops have pursued a variety of different approaches to their businesses while largely retaining member control. Dairygold’s approach to developing scale through merger, notwithstanding the difficulties they have faced, positions it well to cater for the extra production of their milk suppliers post 2015. The recovery of Dairygold to a position of operational profitability and a clear focus on meeting the needs of the members post 2015, clearly demonstrates the resilience of the co-operative way of working. Farmers would appear to be united behind a co-operatively-minded management and board in their efforts to maintain control over their business in a growth scenario.

There is much admiration in Ireland for the Carbery approach. It has given the co-operatives much needed scale, allowing for diversification into high value products, while maintaining local ownership and control. Co-operatives such as Boherbue and North Cork are far from convinced by the efficiency and economy argument for large scale milk processing. They have deliberately followed a strategy of remaining small and independent. This strategy has been seen as the best way to serve the needs of their members. They would point to what is perceived as a relatively poorer performance by the larger co-ops and PLCs alike. The smallness strategy has worked well in a quota environment where there have been limitations on the amount of milk that could be produced. Therefore smaller entities could negotiate a competitive price for their members where demand was high and supply was curbed. In the post 2015 scenario, where restrictions on milk production have been lifted, this is likely to alter considerably. Furthermore, smaller co-ops that are not processing milk will have to negotiate on behalf of their suppliers to ensure an outlet for increased supply. As we have seen, one strategy adopted whereby the entire milk supply to the co-op was sold for private processing resulted in consistently high milk price for the suppliers. However, failure to invest in any processing capacity of its own or contribute to capacity in other co-ops could be argued to have weakened the co-op effort as a whole and will present dilemmas in planning for post 2015.

While the Boherbue strategy might not be easily replicable or even desirable, it nevertheless works well for the co-op and its relatively small group of suppliers. It also works well for the wider community in its small catchment area.

**Weaknesses and lessons to be learned**

One of the key weaknesses of most if not all of the eight co-ops, is the insufficient appreciation for applying co-operative ways of working and ensuring that users always remain in control. Keeping the needs of the users firmly in mind might have prevented co-ops like Dairygold from excessively straying into property and DIY outside its core business. Perhaps the greatest weakness has been insufficient attention being paid to the application of the education principle at both ordinary member and board level. Had the boards the confidence and skill to set the strategic direction so as to meet the members’ needs? Indeed, was sufficient effort made to identify those needs? Perhaps most co-ops and their boards had an over-reliance on their senior management and overly allowed management to set the strategic direction which, in most cases, was in farmers’ interests but in Dairygold had serious consequences which it is only now overcoming. And given that management and board attempts to introduce membership reforms in Newmarket did not meet with sufficient favour, the takeover was probably inevitable.
This line of argument might explain some of the ways in which things went wrong but what accounts for or how do we explain the very many good decisions by all eight co-ops? Each of the co-ops in their various ways are deeply rooted in their rural environments and motivated by a desire for social and economic success. All without exception are motivated by co-operative values albeit varying in their interpretation of what these values mean in modern Ireland.

Sustainable future co-operative approach for dairying and agriculture

Most of the eight co-ops are well-positioned to meet the challenges and opportunities presented by the likely post 2015 environment. Perhaps the more independent small co-ops such as Boherbue and North Cork might benefit from some kind of strategic alliance with one another or with Carbery, Dairygold, or other larger co-ops. Alternatively, they need to look at further development of niche opportunities in either milk or farm-related activities where small scale is a clear advantage. Some commentary, including ICOS (2009), the Dairy Industry Prospectus Reports 2003 & 2009 and Harvest 2020, has strongly encouraged much greater consolidation in the Irish dairy industry which would include entities such as Carbery, Dairygold and others integrating their activities more closely together. Suffice to say that the successful Cork co-ops would be well-positioned to take a lead in any such development and, at any rate, independent research suggests that additional plant capacity might well be best located in the Cork area.28

Endnotes

2 ICOS, Annual Report 2010 (Dublin, 2010).
3 Some of this material is drawn from R. Briscoe, O. McCarthy and M. Ward, ‘From Co-operatives to Conventional Businesses and Back Again: The Irish Co-operative Experience’ in J. Sousa and R. Herman (eds), A Co-operative Dilemma: Converting Organizational Form (Saskatchewan, 2012).
6 Some of the facts and figures here were sourced from www.dairygold.ie, accessed 2 May 2012.
8 Some of the facts and figures here were sourced from www.drinaghcoop.com, accessed 2 May 2012.
9 Carbery Group Ltd is discussed in further detail later.
11 Some of the facts and figures here were sourced from www.rosscarbery.ie/lisavalid_coop/, accessed 2 May 2012.
12 Some of the facts and figures here were sourced from www.bandoncoop.ie, accessed 2 May 2012.
14 Some of the facts and figures here were sourced from www.barryroeco-op.ie, accessed 2 May 2012.
15 Some of this material is drawn from Briscoe, McCarthy, and Ward, From Co-operatives to Conventional Businesses and Back Again.
17 Byrne and Ward, A Case Study.
18 Byrne and Ward, A Case Study, p. 4.
19 Byrne and Ward, A Case Study:
20 This will be discussed in further detail later in the essay.
21 Information supplied by the co-op on a field visit.
22 M. Herlihy, ‘North Cork Co-op records huge increase in turnover’ The Corkman, 2 June 2011.
24 Most of the facts and figures here were sourced from interviews with the retired CEO of the co-op.
25 As reported in the Irish Farmers’ Journal, February each year.