

Minutes for NCR-194 Research on Cooperatives

Friday, November 12, 1999

**Embassy Suites
7640 N.W. Tiffany Springs Parkway
Kansas City, Missouri 64153**

Administrative Advisor:
Dr. Wallace Tyner, Head
Department of Ag Econ
Purdue University
West Lafayette, IN 47907

Chair:
Dr. Joan Fulton
Department of Ag Econ
Purdue University
West Lafayette, IN 47907

Vice Chair:
Dr. Kimberly Zeuli
Department of Ag Econ
University of Kentucky
Lexington, KY 40546

Secretary:
Dr. David Trechter
Department of Ag Econ
U of Wisconsin-River Falls
River Falls, WI 54022

Members in Attendance:

David Barton, Kansas State University
Michelle Beshear, CoBank
Michelle Bielik, University of Manitoba
Michael Boland, Kansas State University
Erica Brueckner, Washington State University
Michael Cook, University of Missouri – Columbia
Paul Christ, Land O'Lakes
Robert Cropp, University of Wisconsin Center for Cooperatives
Ken Duft, Washington State University
Joel Ebbertt, Farmland Industries
Charlie Forrest, Mississippi State University
John Fox, Kansas State University
Joan Fulton, Purdue University
Murray Fulton, University of Saskatchewan
Roger Ginder, Iowa State University
Peter Goldsmith, University of Illinois
Brian Henehan, Cornell University
Susan Hine, Colorado State University
David Holder, USDA, CSREES
Will Hughes, University of Wisconsin Center for Co-ops
Robert King, University of Minnesota
Thomas Little, National Council of Farmer Cooperatives
William Nelson, North Dakota State University

William Nelson, Cooperative Foundation
Brian Loeson, University of Manitoba
Chris Peterson, Michigan State University
Burton Pflueger, South Dakota State University
Anne Reynolds, University of Wisconsin Center for Co-ops
Bruce Reynolds, USDA, Rural Business – Cooperative Services
Jeffrey Royer, University of Nebraska
Carlo Russo, Michigan State University
Karen Spatz, University of California – Davis, Center for Cooperatives
Thomas Stafford, USDA, Rural Business – Cooperative Services
Bill Thomas, University of Georgia
Michael Thomsen, University of Arkansas
Randall Torgerson, USDA, Rural Business – Cooperative Services
David Trechter, University of Wisconsin – River Falls.
Wallace Tyner, Purdue University
Kim Zeuli, University of Kentucky

Members Absent:

Bruce Anderson	Stephen Lauck
Juan C. Batista	Randall Little
Sanjib Bhuyan	Greg Lawless
Harvey Brooks	Jay E. Noel
Patrick Byrne	Emmanuel Onunkwo
Faabio Chaddad	Claudia Parliament
Joe Coffey	Dick Poorbaugh
Dennis Conley	Timothy Richards
Sam Cordes	Richard Rogers
Ron Cotterill	Richard Sexton
Vernon Eidman	Edward Smith
Marty Frick	Thomas Spordleder
John Foltz	John Staatz
Glen Glover	David Swanson
Gary Goreham	Eric Thor
Allan Gray	Mike Turner
David Hahn	Wally Tyner
Milton Halberg	Evert van der Sluis
Steve Halbrook	Dave Weatherspoon
Wes Harrison	Robert Weaver
Jim Haskell	Ruby Ward
Bill Heffernan	Dixie Watts Reeves
Leroy Jushak	Lionel Williamson
Constantine Iliopoulos	Timothy Woods
Mahlon Lang	David Zimet

Business Meeting:

Agenda:

Report of Nominations Committee

Report of Accomplishments over past year

- Web Site
- AAEA Organized Symposium
- Letters to Jill Long-Thompson (Under Secretary for Rural Development)
- Research Activity

Future Directions

- Web Page
- Research Interest Groups
- Interim Report Committee
- Reaction of Co-ops to Current Changes in Agriculture
- AAEA Organized Symposium
- Interdisciplinary Work
- Other Output
- Section in AAEA

Meeting was called to order at 11:17 a.m. by Joan Fulton.

Agenda reviewed and approved

Report of the Nominations Committee

Chris Peterson, chair of the nominations committee, reported for the committee, which also included Mike Cook and Dave Barton. The committee proposed that the current officers, Joan Fulton, chair; Kim Zeuli, vice chair; and Jeff Royer, secretary, serve an additional year in their respective offices, after which the vice chair would assume the position of chair and the secretary would assume the position of vice chair. The nominations committee justified this proposal on the basis that it would provide continuity in leadership during the organizational period. During discussion, it was suggested that the chair should provide administrative leadership for the group, the vice chair should provide program leadership, and the secretary should coordinate ongoing communications within the group, in addition to taking minutes at meetings.

Royer announced that he would like to resign as secretary because of his increased responsibilities as interim department head at the University of Nebraska. David Trechter was nominated to replace Royer as secretary.

Chris Peterson made a motion for approval of the slate of candidates: Joan Fulton, chair; Kim Zeuli, vice chair; and David Trechter, secretary. Seconded by Michael Boland. Motion carried. Rotation of officers, as described above, will commence at next year's meeting.

Fulton expressed appreciation to the nominations committee and to Royer for his contributions as secretary.

Report of Accomplishments

Fulton announced that an NCR-194 webpage had been initiated and would be maintained at Kansas State by Michael Boland and David Barton. She also reported that two organized symposia on cooperatives had been presented at the last annual meeting of the American Agricultural Economics Association (AAEA) in Nashville. Fulton wrote two letters to Jill Long-Thompson, Undersecretary for Rural Development, in support of the USDA cooperatives program and funding for cooperative research. Fulton also noted that there had been additional research activity on cooperatives during the past year, and that NCR-194 was active, as demonstrated by attendance at this year's meeting. Thirty-nine individuals were registered for the meeting.

Future Directions

Michael Boland discussed ideas for the webpage and requested information on classes, research, and publications for posting on the page.

Royer distributed a list of NCR-194 interest groups compiled from the interests individuals had indicated at the 1998 meeting in Minneapolis. After distribution, the list was edited to reflect additional members and individuals selected to provide leadership for each group. [A copy of the edited list is attached to these minutes.]

Fulton indicated that NCR-194 would be asked to prepare an interim report in two years. Wally Tyner described what should be included in the report. [A copy of the guidelines is attached to these minutes.] Sue Hine, Mike Thomsen, and Joan Fulton were appointed to serve on the report committee.

Murray Fulton suggested that the group should address what cooperatives are doing in reaction to current changes in agriculture. There was discussion, and it was suggested that the group should prepare a survey paper on this topic for publication in the *Journal of Cooperatives*. The goal would be to have something prepared for submission to the journal by February. Murray Fulton will lead this effort, and individuals interested in participating in this project should contact him. Karen Spatz mentioned that the University of California Executive Seminar on Agricultural Issues would be held December 12.

There was discussion about when and where to hold the next meeting. Considerable discussion concerned the possibility of meeting jointly with the National Institute of Cooperative Education (NICE), and it was noted that the NICE meeting would begin July 31 and be held at the same time as the AAEA annual meeting. Some discussion focused on whether NCR-194 should have a separate section at NICE, and a suggestion to meet in conjunction with the thesis awards program was made. It was argued that there could be more interaction with industry

people if NCR-194 activities were part of the general program, and it was suggested that research synopses could be presented as part of the program. A joint session with industry personnel was also suggested, and it was noted that a meeting with the American Cooperative Educators (ACE) could also fill this function.

Tom Little mentioned that the NICE educational board sets the agenda for the NICE meetings and that it would be meeting in January. It was noted that several NCR-194 members were also members of the NICE educational board, and it was determined that a decision about whether to meet with NICE should be deferred until after the January meeting of the educational board.

Tom Stafford indicated that he would lead efforts to develop organized symposia for the AAEA annual meeting based on ongoing and completed research on cooperatives. Tom noted that the deadline for proposals was approaching, and asked for volunteers to help. Sue Hine volunteered. Other interested individuals were to contact Tom.

The possibility of organizing an AAEA cooperative section was discussed briefly. It was noted that organization of an AAEA section requires 50 individuals. Because NCR-194 is a relatively new group, it was suggested that it might be too early to attempt organizing an AAEA section and that it might be better to continue developing organized symposia for a while.

The remainder of the discussion included a number of miscellaneous topics. It was suggested that NCR-194 inquire about the plans of WRCC-72. Ann Reynolds volunteered to establish a NCR-194 listserv. There was some discussion about developing an interdisciplinary topic for research, but it was suggested that the group's first priority should be becoming better established. Other suggestions included asking the program committee to invite individuals outside the group to participate in the next program and recruiting individuals interested in nonagricultural cooperatives to join the group. It was observed that current group was already interdisciplinary in that several members were not agricultural economists, and it was suggested that the interim report needed to note this.

Joan Fulton indicated she would work on forming a program committee and assembling the names of individuals from other disciplines interested in cooperatives. There was brief discussion about the next Cooperatives 2000 meeting and forming connections with ACE.

Fulton adjourned the meeting at 1:20 p.m.

Respectfully submitted,

Jeffrey Royer,
Secretary

Appendix A

Summary of Presentations at the 1999 NCR 194 Meeting

<p>Industry Session: “The Implications of New Products (Including Genetically Modified Organisms) for Cooperatives”</p>	<p>Presenter: Joel Ebbertt Manager Strategic Business Analysis Farmland Industries</p>
<p>Currently most work on genetically modified organisms (GMOs) is focused on input (defensive) products such as bT-corn and Round-Up Ready soybeans. The benefits of these technologies go primarily to producers and input suppliers. There is relatively widespread adoption of GMOs in the U.S. and selected other markets but becoming a significant negative issue for a growing number of consumers. The really big markets for GMOs will be in output enhanced products with characteristics desired by consumers. Consumer-oriented GMO benefits will go primarily to the developers and those closest to the consumer. For the food system from producers through initial processors GMO primarily generate additional costs (e.g. for segregation of products) with few benefits. GMOs could put significant strains on local cooperatives.</p>	

<p>Selected Papers Session 1 (Moderator: Bob Cropp)</p>	
<p>“Industrialization and Local Production: Alternative Strategies in a Changing EU Food System. A Survey of Italian Ag Co-ops”</p>	<p>Carlo Russo, David Weatherspoon, Chris Peterson and Massimo Sabbatini, Michigan State Univesity</p>
<p>In Italy the majority of co-ops are very small, just 5% of all co-ops account for 62% of all revenue generated. Three types of cooperatives are developing. The first type is very locally focused, they supply small scale services (i.e. olive oil processing) for their members and their focus is as much social as it is economic. The second type is market oriented for small farms, especially in the grain and wine sectors. The third type is large-scale, market oriented, “professional” cooperatives. The third type focuses on dairy, livestock and fruits and vegetable marketing</p>	
<p>“Factors Underlying Producer Investments in Processing Cooperatives”</p>	<p>Michael A Boland, Jayson Lusk, and David Barton, Kansas State University</p>
<p>The objective was to determine the factors underlying a producer’s decision to invest a percentage of their production in a closed membership food processing cooperative. The average percentage of a producer’s production significantly decreases if the product they are marketing can be stored for any length of time by the cooperative. The opposite is true for perishable commodities. Producers investing in cooperatives that market highly perishable commodities will likely require greater education and financial stability to offset the risk of having a greater percentage of their production invested in the cooperative.</p>	

<p>Discussion of role of Educational Professional Session at the National Institute of</p>	<p>Discussion led by Bill Thomas and Tom Little</p>
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Cooperative Education (NICE)	
<p>The dates for the 2000 NICE were noted for the group. Bill Thomas and Tom Little noted the important linkages that have existed between university faculty involved in research and extension and cooperative decision makers. Each year NICE is an excellent forum to continue that valuable interaction. It was noted that the dates for the 2000 NICE conflict with the American Agricultural Economics Association Annual meeting. Members were encouraged to participate in both events if at all possible.</p>	

Selected Paper Session (Moderator: Kim Zeuli)	
“Member Commitment and Co-op Formation”	Murray Fulton, University of Saskatchewan
<p>A three period model is developed and used to examine the conditions under which a cooperative will form in the face of competition from an existing investor-oriented firm (IOF). IOFs can use price to drive out a new cooperative unless there is member commitment to the cooperative or the cooperative can successfully differentiate its products/services. Commitment and differentiation can be based on ideology, risk management, geographic coverage or other things.</p>	
“Educational and Strategic Planning Practices and Needs of Farmer Cooperatives	Will Hughes, University of Wisconsin
<p>Over 900 cooperatives in four states were surveyed to look at current and future needs for board of director training and strategic planning. On average the cooperatives in the sample spent 13% of their budget on board training, their directors spent 2.5 days in training, and the cooperative spent 2.5 days in strategic planning. Most felt the quality of training was adequate but wanted more advanced training opportunities with the greatest needs in market strategy, mergers, finance and evaluating managers. New directors identified governance, finance, board-management relations and leadership training as their top needs. Most cooperatives stated a preference for customized training rather than training offered to several co-ops at once.</p>	

Future Directions for Cooperative Research (Moderator: Jeffrey Royer)	Panelists: Paul Christ (Land O` Lakes), Tom Little (National Council of Farmer Co-ops), Randy Torgerson (Rural Business-Co-op Services, USDA)
<p>Key areas needing additional research were identified. The relationship between the member and the cooperative is a challenging and important area (Does the co-op serve the common interest or the interests of the individual supplier? What can/should a co-op do about serving a member that is unprofitable for the co-op? etc.). Finance issues, dominated by how co-ops gain sufficient capital to be competitive, were also highlighted. Globalization, the challenges posed by GMOs, the impact of e-commerce, educational programs and issues of co-op governance were also seen as significant issues.</p>	

Selected Paper Session (Moderator: David Trechter)	
“Evaluating the Performance of Ag Co-op	Bruce Anderson and Brian Henehan, Cornell

Boards of Directors”	University
<p>Samples included 11 co-ops that were followed over a ten-year period and included evaluations from 161 directors and 35 managers. The survey examined board performance in a number of areas: operations, director proficiencies, effectiveness of the chair, board politics and conflicts of interest, management relations, and overall strengths/weaknesses. In general the boards in the study exhibited effective operations and fulfillment of their duties. A number of performance areas (strategic planning, marketing plans) were identified as needing improvement. Managers agreed with most of the directors assessment except with respect to some aspects of board-management relations and specific director proficiencies.</p>	
<p>“Cooperative Interdependency and Patron Demand Deposit Account Financing as Alternatives for Enhanced Operational Efficiency in Agribusiness Co-ops”</p>	<p>Erica Brueckner and Ken Duft, Washington State University</p>
<p>A number of cooperatives in the Pacific Northwest have developed a program of patron demand deposit accounts (PDDA) as a unique method of providing financing for the cooperative. The genesis of this program came during the high interest rate period of the early 1980s when cooperatives realized they could create patron equity accounts that functioned something like a savings account that paid their patrons interest but would be available to the co-op as capital. The co-op paid members a higher rate than offered by banks but a lower rate than they would have to pay on a loan. While the program offers benefits to both the member and the co-op there remain significant legal issues, concerns about depositor security, tax treatment and potential conflicts with the user-ownership principle.</p>	