As the responsible guides of the commercial life of America, the bankers should study critically the cooperative movement in America and adapt the proved principles of successful cooperation to the commodities which they finance. If they want to keep the farmer producing, and to enable him to adopt a decent standard of living and to avoid tenancy, there is only one proved means to accomplish this end.

But the solving of the financial problems for the growers of our great crops is not the primary accomplishment of cooperative marketing.

Our agricultural citizenship has frequently been assailed because of its disregard for the culture and erudition which characterized metropolitan citizenship.

What spirituality and what unwavering vision must a man possess who clings to some hope of social or commercial opportunities for a family he has not sufficient income to provide with the bare necessities of life!

What chance is there for cultural development in a disorganized and undirected population?

In sections of the country where this new system of orderly distribution of agricultural products has been introduced the enduring farmer is transformed into a man of accomplished efforts; through better roads, leading to more centralized educational units, through better rural schools with teachers sustained by a suitable recompense, and through an added number of churches injecting higher aims and a sense of social responsibility.

Money accumulated in a banking institution for the sole purpose of the interest accruing is an infirmity; but an increasing bank account helping to realize higher dreams is a moral asset.

The justification of cooperative marketing is that it has been the means of a more progressive form of living and a superior type of citizenship, as well as an economic remedy.

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Aaron Sapiro's Theory of Cooperatives: A Contemporary Assessment

Roger G. Ginder

When Aaron Sapiro wrote his article "True Farmer Cooperation" in 1923, the popularity and acceptance of his plan for cooperatives was nearing its peak. In this article Sapiro divided the cooperative world into two distinct

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parts—producer-oriented cooperatives and consumer-oriented cooperatives (Rochdale type). His perspective on U.S. farm cooperative organization turned on what he identified as critical differences between production cooperatives and consumer cooperatives.

Sapiro in "True Farmer Cooperation" identified all of what were to be called the "eight commandments of cooperative commodity marketing" by Knapp (1973). These (not necessarily in order of importance) were as follows:

1. Commodity orientation *not* a geographic or trade territory orientation
2. Farmer membership only
3. Complete democratic control by farmers
4. Control of volume via iron clad contractual commitment of production to the cooperative on a multi-year basis
5. Minimum and significant volume under contract to become a dominant factor in the market and spread expenses
6. Use of experts in all technical positions
7. Pooling product by grade and returning average price according to each grower's contribution to the pool
8. Use of marketing agency in common and sale resale agreements to create orderly marketing throughout the production period.

Commodity Orientation versus Geographic or Trade Territory Orientation

Sapiro stridently maintained that the commodity orientation rather than a geographic or trade territory orientation was the key for successful producer cooperatives. The cooperatives had been developing along quite different lines in the Midwest and many eastern states.

Substantial numbers of elevator cooperatives had been organized before Sapiro's commodity plan was perfected. These cooperatives were organized around the regional concept. The diversified nature of many of the eastern and midwestern cooperatives may provide a partial explanation for their geographic orientation and their reluctance to abandon it in favor of the commodity approach. The local cooperative was frequently designed to serve other farm and community needs in addition to grain marketing. The capital and overhead costs required to maintain a cooperative appear to have been looked upon as not only an investment for marketing grain but also as a means to obtain farm inputs and, in some cases, consumer goods.

Early articles and bylaws of cooperatives provide some evidence that this was the case. It is not uncommon to find "provision of coal and fuel" or "provision of lumber and building materials" listed among the corporate purposes in the early articles of incorporation for midwestern local cooperatives. Sapiro correctly asserts such organizations resembled Rochdale movement cooperatives more than the Scandinavian agricultural marketing cooperatives. If the objective of those forming the cooperative was to provide not only marketing but also unmet needs for supplies and consumption goods the Rochdale model probably appeared appropriate to them.

It is likely that several other factors made the development of specialized commodity-oriented cooperatives more difficult in the midwestern setting than in California. Midwestern cooperatives were formed in isolated communities often settled by immigrants of a particular European background. This created an ethnic cohesion in the local area that still exists today in some Corn Belt communities.

Diversified farms producing staple commodities (which were often marketed through livestock) were not as likely to accept the primacy of a single commodity. Unlike the specialty crops produced in California, the commodities produced in the Midwest were mostly raw product commodities requiring extensive and capital-intensive processing before consumption. The commodities (with the exception of milk, which eventually took a commodity orientation) were less perishable and grown over wide geographic areas in the United States. Well developed futures markets existed for most of these commodities, permitting some producer risk to be transferred to speculators.

After the early 1930s government support policies were making individual producers even less subject to the extreme risks of the market and the consequences of overproduction. Both these developments removed much of the urgency that could have caused cooperatives to focus on an individual commodity for the purpose of orderly marketing and supply management. As a result, farmers in these regions have tended to ignore Sapiro's warning that "consumers don't buy geography they buy products."

Looking back there is some evidence that there was merit in the Sapiro approach. Cooperatives in the specialty crops that were organized along commodity lines have fared better than marketing cooperatives in the coarse grains, food grains, and soybeans. The liquidation or radical restructuring of the interregional grain marketing cooperative and several of the largest regional grain marketing cooperatives in the central and western Corn Belt during the 1980s could be attributed in part to violation of the commodity tenet. As Sapiro notes, multiple organizations tied to geography are not only weaker but may become rivals that can be more "easily broken by outsiders."

Several geographic-based organizations in the same commodity did lead to damaging competition among the regional grain marketing cooperatives and eventually between the regional grain cooperatives and the interregional cooperative they jointly owned. Although the problems were more complex than simply having a geographic orientation, it was almost certainly part of the problem that led to their decline in the mid-1980s (Ginder 1988; Rhodes). Analysts at the time discussed the possibility of creating a single large grain marketing cooperative in the Mississippi Valley with the goal of placing the volume and assets of all regionals and the interregional under unified management. This proposal was not implemented, however.

The restructuring in soybean processing took a much different turn, which Sapiro would have been more likely to approve. Plants throughout the western Corn Belt were owned and operated by at least four regional cooperatives including Farmland Industries, Land O'Lakes, Boone Valley Processors, and AGRI Industries. Competition among these regional cooperatives and differing efficiencies among plants were leading to suboptimal economic performance and an overall lack of influence in the meal and oil industry.

All regionals placed their assets under management of a single joint venture cooperative, Ag Processing Inc. (AGP), in the early 1980s. Although their market share is still only third largest (behind two large multinational IOFs), the performance has been good to date. This restructuring was not easily accomplished nor has it occurred totally without conflict. It does, however, represent a partial step away from the loss of influence and competitive fratricide that Sapiro warned about in 1923.

Membership Limited to Farmers with Complete Democratic Control by Farmers Using the Best Hired Technical Experts

Sapiro held that the membership in cooperatives should be strictly limited to producers and the coop strictly controlled by them. Although members could have other professions or occupations in addition to farming, they had to be producers to qualify for membership. This "commandment" was central to Sapiro's belief that cooperatives should be a vehicle for producers to control their markets, and the principle has been closely followed by all types of farmer cooperatives since the publication of his 1923 article. However, it must be recognized that Capper-Volstead legislation, federal tax legislation, and state cooperative statutes are the most likely reasons that cooperative membership has been so carefully limited to farmers. Few would argue that these legislative provisions could be successfully amended without losing many of the tax and legal benefits cooperatives now enjoy.

Observers both inside and outside cooperatives often point to membership and control provisions as a limitation on cooperatives that has at times worked to the detriment of cooperatives, causing them to become too conservative, too provincial, and less likely to innovate. In today's business setting where strategic alliances, joint ventures, and "virtual corporations" appear to have some business advantages, democratic farmer decision-making processes have been cited as an impediment to prompt effective decision making.

Few would argue that the democratic cooperative decision-making process is no more cumbersome than IOF decision making. It requires continuous education of members and directors and places an extra burden on cooperative management. However, if one accepts the concept of commitment that Sapiro advances, these problems should be less daunting. Managers armed with committed volume would be free to expend additional efforts on member and director education. But where commitment is lacking the cooperative management must solve all the problems faced by the IOF management and the member-related problems as well.

Likewise, with committed production there is little reason to believe that cooperatives are ill-equipped to enter into strategic alliances and even the short-lived "virtual corporation" arrangements that are being touted in the business press today (*Business Week*). The cooperative with committed volume could bring "core competencies" in production and command bargaining strength in dealing with the partners in these alliances. But for most cooperatives and their members these types of arrangements will require a radical change in attitudes and beliefs toward commitment. Contracting and coordination of production practices through cooperatives are currently not widely accepted.

Sapiro places a great deal of emphasis on the need for the cooperative to employ and *compensate* the best management and technical people available. This tenet is still very relevant in today's situation and has not always been followed. At times cooperatives have paid too much for management that failed to deliver, but a much more common problem is the farmer board that is unwilling to attract, compensate, and hold the best available management. To be fair, it must also be recognized that farmer owned and controlled cooperatives may not be able to offer the kind of ownership stake that IOFs have been able to provide through stock options.

Ironclad Contracts Committing Production to the Cooperative on a Multiyear Basis

At the very heart of the Sapiro model is the contractual commitment by producers to their cooperative. This commitment is not only essential to the functioning of the critical volume tenet, but it also helps to underpin the nonstock and marketing pool provisions in the California model. Sapiro recognized the need for the cooperative organization to endure short-term adversities and build a strong efficient organization—in today's vernacular, to be a significant "player" in the market with adequate "staying power." Allowing members to choose how much volume would be committed to the cooperative and when volume would be and would not be delivered was seen as counterproductive to these goals. There was a hint of contempt for midwestern cooperatives when Sapiro described their use of "indignation meetings" to hold the cooperative together when the going was tough.

It is notable, however, that the successful contracting examples Sapiro cites in the article were not annual staple crops but orchard crops, vineyard crops, and other specialty crops. Although wheat, tobacco, and cotton are mentioned in this article as examples, these efforts were still in the organizational phase when the article was published. Within an eighteen-month period, the boards of directors in the Dark Fired Tobacco Cooperative had refused to enforce their "ironclad" contracts and others soon followed. In the final analysis the commitment was not there (Knapp 1973). An important component of the problem was the massive and quick development of surplus production in these commodities. It is possible that Sapiro underestimated the capacity for chronic overproduction in storable crops produced over wide areas and the magnitude of the production controls necessary to eliminate the problem of surplus.

The question of loyalty and commitment remains a significant problem for cooperatives today, especially those not organized on the California model. Midwestern cooperatives have simply not been successful in getting any significant level of such contractual commitment from members. Ironically, there are increasing trends toward contract production by large IOFs in the midwestern-produced commodities, especially livestock.

Cooperatives organized along Nourse's competitive yardstick plan appear to be losing ground as this transition takes place. Midwestern farmers' reluctance to commit production in advance, their desire to individually choose the time and buyer for their product, and their preference for open markets have created resistance to the idea of a cooperative contracting with its membership. This is especially true when ownership of livestock is involved. Member unrest and mistrust of their own organization have often resulted when a midwestern cooperative attempts to enter into contract arrangements with individual members who wish to do so. Ironically, this continues to occur while IOF competitors increase their lock on contracted volume and diminish the probability that farmer-owned organizations will be able to compete effectively in the evolving industry. Contracting efforts by farm organizations (e.g., NFO) have not fared much better.

This has not been the experience of cooperatives initially developed around the Sapiro concept of contract committed production. In some cases, the Sapiro ironclad contract has evolved into an arrangement where the issue is no longer one of enforcing grower delivery under contract but rather one of allocating delivery *rights* to the cooperative's membership. Without a doubt, these situations vindicate the Sapiro vision of a cooperative of committed producers creating market value, internalizing that value, and sharing the benefits wrought from committed production among its membership.

Minimum (and Significant) Volume Committed to the Cooperative

Sapiro recognized that significant market share would be necessary for the cooperative to be an effective force in the market. Contracts did not become effective before that critical volume had been subscribed. He also recognized that the critical share would vary with market and production volatility.

This appears to have been one of the more aggravating provisions in the Sapiro model to E.G. Nourse, who later warned of the cooperative becoming an "economic Napoleon." To Nourse (and others of the "old Chicago school" of economic thought, such as Frank Knight) the attainment of monopoly power or other shelters from the rigors of competition was undesirable for both the economy and society. One can appreciate the concern Nourse had about large market share only through the lens of his strong belief in the self-regulating, purely competitive economy of relatively small, nonvertically integrated firms. According to Knapp (1979), Nourse could not even fully accept the idea of countervailing power as espoused by J. K. Galbraith.

But relaxed antitrust policy and business realities in the 1990s seem to support Sapiro's instincts for carving out sufficient market shares to permit the cooperative to be a major force in the market. Profitability and performance of the IOFs in the major commodities are apparently linked

with having a significant market share and/or integrating forward in the channel. It also appears that some IOFs have determined that a large market share (and the ability to use that position to spread costs and influence trade practices in the industry) is a prerequisite to success and will hesitate to invest when such a position is not attainable. Cooperatives developed along Nourse's plan have all too often not achieved the critical volumes necessary and have been less able to influence trade practices as a result.

Significant market concentration with large market shares held by a small and powerful group of firms has developed in the feed grains, oil seeds, and food grains. In Nourse's Iowa, approximately half the state's hogs are slaughtered by one large IOF. If large market shares are the mark of an "economic Napoleon" then they have indeed materialized, but they are lurking about under the IOF banner rather than the cooperative banner.

Pooling Commodities and the Use of Nonstock Cooperatives

Aaron Sapiro, as a student of the law, had cleverly designed an organizational form that met the nonprofit and nonstock tests in the Clayton Act and still afforded farmers the luxury of cooperative marketing. A key strategy was the use of subsidiaries for activities where acquiring fixed assets was absolutely necessary. With a hint of pride he asserts that despite the existence of the Capper-Volstead Act, the nonstock approach was still the preferable form of organization for cooperatives.

Beyond pointing out that a buy-sell cooperative may profit at the expense of some of those delivering, Sapiro does not elucidate the perils of using the stock form of organization, committing the coop to fixed assets, and using buy-sell practices. However, some additional problems have become evident over the past seventy years. Buy-sell cooperatives organized with capital stock on the geographic model have nearly always faced the dilemma of protecting their assets versus pursuing markets for members. The problem is choosing between the need to protect the value of member investment in cooperative's fixed assets and the need for unencumbered pursuit of market advantage without regard for the effects on fixed assets or facilities.

Although nonstock pooling cooperatives with fixed assets have undoubtedly faced similar situations, their heavier emphasis on pool marketing has provided less incentive for deployment of underutilized fixed assets tied to a geographic area. Rather the needs for appropriate assets to serve the entire market have taken priority. At a minimum, the emphasis on and commitment to marketing have reduced the problem of members duplicating the fixed assets owned by the local cooperative with private facilities on their farms. The objective of duplicating the cooperative's capacity is to coerce a higher bid price by threatening to sell to another elevator—a problem that should not arise in pooling cooperatives.

In federated cooperatives, this costly duplication has not been limited to the farm and local cooperative level. Duplication of regional assets by locals and duplication of interregional assets by regionals has also occurred. The real cost of this duplication goes far beyond the direct costs of poor asset utilization. It involves the chronic subordination of market opportunity as cooperatives attempt to externalize the excess capacity problem and protect their fixed assets position.

Organization for Business Purposes Only

Aaron Sapiro clearly felt (and few today would disagree) that the cooperative organization should be a single purpose organization exclusively focused on business issues. However, this sentiment was not universally accepted during the early period of cooperative development. Farm organizations played an important role in organizing cooperatives throughout the Corn Belt and Plains states. Sapiro's tone is somewhat disdainful toward "so-called professional farm leaders" when he asserts they are used only as "a farmer debating society."

But the fact remains that the organization of new cooperatives was (and still is) difficult, time consuming, and sometimes frustrating work. It requires a sustained commitment of time and resources to be successful and returns very little extraordinary financial benefit to those providing them. At the time few suitable institutions existed in rural communities with the capabilities and commitment to form new cooperatives other than the farm organizations and the Extension Service. Sapiro himself became involved with the American Farm Bureau's organization efforts for a short period after the publication of his 1923 article.

Although farm organizations did become involved in organizing cooperatives, their active participation in cooperatives has decreased since the time of Sapiro's article. This does not imply that cooperatives do not engage in lobbying and government relations programs. However, these efforts have tended to become more and more specific to the cooperative's business interests and less closely aligned with general farm organization interests.

To a degree, commodity and farm organizations are still in a good position to perform these activities. However some of the national commodity organizations now have large corporate members that may create suspicion in the minds of more traditional producers. Farm or commodity organizations attempting to organize producers would still profit from reading Sapiro's 1923 article and heeding his cautions to focus on the business, not the political.

Product Development, Market Development, and Brand Identification

Aaron Sapiro exhibits a keen appreciation for the need for market segmentation, price discrimination, and transmission of accurate price signals to the producer. Although he includes "time and space" as "movable factors" in supply and demand, it is clear from his discussion of grading into homogeneous pools that he also had an appreciation for product form as a utility factor. He also talks of packaging in prunes and the reaction of foreign consumers to labels and logos.

This consumer-oriented approach was probably not perceived as important by producers of staple commodities in the East, Midwest, and Plains states. Their markets were based on weights and grades designed to define commodities broadly and permit as much commingling as possible to simplify logistics to reach second-level handlers and processors. Indeed, this condition has continued to prevail up to the present. But it is rapidly changing.

Cooperatives in staple crops and livestock are witnessing a splintering of the old commodity-oriented channels. Increasingly, channels are becoming more end-user oriented, and the definitions of quality are being narrowed. Traditional grades and quality factors fail to capture the intrinsic component or chemical values in the staple grains (Ginder 1992). Advances in genetics will permit grain products to be tailored to specific end uses in the feed, food, and industrial markets for oil seeds and grains.

A fast food chain's commercial recently made this point when attempting to differentiate their chicken fillet from a competitor's product composed of an unspecified combination of chicken parts. Asked what parts are in their product, the competitor's employee shrugs and replies "parts is parts." In the future processors, feeders, and industrial users likely will question grain marketers about the content of important grain components. As this occurs, "corn will no longer be corn" and substitutability will be reduced. Users will be interested in the components of the product and the value of these components in their business. Where more of a desirable component (or less of an undesirable one) can be ensured, there is a potential for a premium to be paid over the commodity price (Ginder 1992).

This is a situation that encourages contract production of "designer" crop and livestock products. As cooperatives move into this era it might be appropriate to revisit Aaron Sapiro's ideas of pooling, commitment, and market orientation. Even where grains are not specifically produced by the farmer to meet specific intrinsic standards, the cooperative will have a role. Separation of grains into pools at delivery according to content may be the only way farmers can ensure that they receive the value rather than IOF first handlers or processors.

Beyond that, there is increased potential for market development, product development, and coordination to meet consumer needs. These are strategies that could be beneficial to farmers if managed properly. As the large volume commodity channels are segregated into smaller ones, pooling may look more attractive than it does today. Smaller volumes of more specialized product not only make cooperative activity more manageable, it may also make it more profitable.

Conclusions

Based on his successful experience in California, Sapiro attempted to use inductive logic to develop a template for cooperative marketing in the East and Midwest. He misjudged the difficulty in organizing staple crops and perhaps did not comprehend the social and economic forces behind the multipurpose objectives of geographic-based cooperatives. As an attorney he was probably not as fully aware as E. G. Nourse of the productivity increases that were displacing the less efficient producers of these commodities. Consequently he was not as fully cognizant of the problems that increasing productivity and displacement can create in getting and holding producer commitment for marketing cooperatives. Ultimately his model was abandoned over much of the United States.

Despite this, cooperatives have a great deal to gain from careful study of the principles he outlines. History seems to have taught (and multinational IOFs have reinforced this lesson) that his concepts about centralized marketing of commodities were correct. History also seems to have demonstrated that committed marketing and the attainment of significant market share are also desirable.

As government supply management and price support programs are scaled back and as the commodity market channels splinter into channels for more narrowly defined products, Sapiro may take on even more relevance. His ideas about pooling and grading into more homogeneous categories appear to address conditions developing in grain. His commitment arguments could have relevance to the hog industry. In both grains and livestock his consumer end-user focus appears to be tailor-made for marketing issues facing farmers in the 1990s.

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A Comment on Sapiro's "True Farmer Coöperation"

Leon Garoyan

I wish someday I shall write a piece on cooperative marketing that will have such foresight and wisdom that much of it will be relevant seventy years hence. Aaron Sapiro did that in his article on cooperative marketing.

Sapiro's first premise was that in an industrial economy involving the factory system or group production, marketing and production logically can be carried on by the corporate entity. However, farming involves individual production units so that commercial marketing of farm products must be a group activity through organized effort. The cooperative is the organization best suited for such group marketing effort by farmers.

Sapiro's second premise was that U.S. farmers transferred Great Britain's consumer cooperatives model to the United States and tried to emulate the practices for consumer purchasing to farmer supply and marketing associations. Each cooperative "stands as a separate unit" and sells against other associations. The British model for consumer cooperatives was inappropriate for farmers' marketing cooperatives, and the results were "egregious blunders," according to Sapiro.

California fruit growers, however, developed a system unique to the conditions in California. First, their emphasis was on improving commodity marketing, not purchasing production inputs.

The marketing of products in excess of local markets' needs depressed California fruit prices and encouraged farmers to search for markets in populated eastern cities. Marketing was their main problem. In contrast, midwestern and eastern farmers often had elevators and cheese plants at each township—their "markets" were local, and their main problem was to obtain a steady supply of fuel and production inputs at reasonable cost. Thus, their emphasis was on developing supply cooperatives.

Sapiro recognized that although California marketing cooperatives were different, their emphasis on marketing by developing a strong commodity orientation made economic sense. He believed all marketing cooperatives could benefit from following the characteristics found in successful California marketing cooperatives. The main features he advocated included the following:

- The cooperatives should be organized along commodity lines instead of locality of production.
- Associations must comprise farmers to maintain a community of interest among members. No local merchant, for example, could be a member unless he was also a producer of the commodity being sold.

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- The association must be organized for business functions only; no partisan political activities were permitted.
- Long-term membership contracts were required to provide permanence, with provisions for liquidated damages and injunction of members' breached contracts. Sapiro believed enforceable, long-term contracts provided stability to cooperatives and sent a signal to buyers.
- There must be sufficient volume to have a market influence—at least 50 percent of industry output.
- Pooling of like grades and products was the cornerstone for fair treatment of farmers.
- There was a preference for title to accrue to the cooperative so that it would have control over supplies, in contrast to an agency agreement.
- To be effective, cooperatives needed professional management—the best qualified management they could afford.

Was Sapiro a visionary? Not in the context of being a dreamer. Sapiro was a pragmatist—an attorney who worked with the California Department of Agriculture to bring order out of chaos for marketing by farmers. He was convincing—he had a reputation as a spell-binding speaker as he traveled to Canada and the breadth of the United States espousing his observations on what he called "true" cooperation.

His distinctions of marketing versus farmers' "consumer" cooperatives were realistic for many commodities. Improving marketing terms and conditions could mean the difference between profit or loss for the farmers' production cycle. If a farmer had to make a choice, marketing cooperatives were of a longer run significance than buying fuel or production inputs at reduced prices. Exceptions may have been where input costs were the major cost component in producing a commodity, such as animal feeding and poultry production. During the 1970s, many farm supply cooperatives were forced into marketing to protect their farm input activities.

What of his emphasis on commodity marketing to influence market terms and prices? That stood the test of time for more than sixty years and did so very effectively. Single commodity cooperatives proliferated the types of products marketed from single commodity lines—for example, Blue Diamond marketed more than 1,800 forms or package lines of almonds. Industrial organizational changes during the 1980s resulted in many new entrants into commodity marketing that were multicommodity conglomerates. When they marketed a wide spectrum of products under a common label, they achieved advantages in distribution, wholesaling, and retail shelf control over most single commodity marketers. Thus, some single commodity cooperatives in California are now diversifying into multiple commodity lines. Sun Diamond (walnuts, prunes, raisins, dried figs, and hazelnuts) performs some distribution and related functions for its constituent cooperatives, but it hasn't done the equivalent of marketing products from them under a single label. More recently, Sunkist began to market pistachios and almonds for a large citrus grower-packer who also farms these commodities. Others may follow these leaders.

The long-term marketing contracts proposed by Sapiro are now very common, not only for reasons of control, but also for coordination of production, processing, and marketing to ensure full utilization of resources and facilities. So-called "evergreen" contracts are "perpetual" contracts subject to cancellation by either party during one month annually, after a basic noncancelable period, often of three years. Investor-financed companies also use long-term marketing contracts.

What Sapiro did not envision is the development of the commodity cooperative that specializes in only part of the marketing functions—the cooperative organized to negotiate for price and other contract terms that affect grower returns. These cooperatives still adhere to the basic characteristics of Sapiro's "California model," but most use agency contracts rather than taking title. An exception is the California Canning Peach Association, which does take title to the growers' fruit.

Both types of marketing cooperatives try to attain commodity market influence by high market share, as proposed by Sapiro. Over time, many marketing coops have not been able to retain the high market shares advocated by Sapiro because of the increase in industry production. Processing cooperatives are measured in terms of their share of industry production. However, bargaining cooperatives think in terms of noncoop production since their coop members typically are not members of operating cooperatives.

Sapiro's concept of pooling has stood the test of time and is still the basis for determining value of raw products delivered by members.

His concepts of financing have become outdated for present conditions facing operating cooperatives. Although Sapiro favored nonstock cooperatives, many cooperatives have innovated in ways to make grower investments more equitable. For example, Tri Valley Growers pioneered in the base-equity plan to allow growers' investments in the cooperative to change proportionately with changes in volume supplied by individual growers. During the next decade, other financial systems are certain to be devised as cooperative memberships become younger and competing capital needs exist for farmers and cooperatives.

Sapiro's article is silent on the advantage of federated cooperatives versus centralized marketing associations. My understanding is he accepted either form of organization, so long as it gave commodity control. Many California cooperatives started as federations but later became centralized. Given the market organizations of the 1990s, those cooperatives that still remain as federations will wish they were centralized.