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Journal of Agricultural Cooperation

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Volume 7

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National Council of Farmer Cooperatives

Journal of Agricultural Cooperation

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The *Journal of Agricultural Cooperation* is a refereed journal published by the National Council of Farmer Cooperatives. Its purpose is to encourage research on issues of importance to U.S. farmer cooperatives and provide a forum for the review and exchange of research results among individuals in universities, cooperatives, and government.

The *Journal* invites manuscripts of practical interest to U.S. farmer cooperatives. Submissions should report results of applied or basic research on economic, legal, or sociological aspects of farmer cooperation. Reviews will be conducted anonymously by members of the respective professions. Articles will be selected on the basis of interest to cooperatives and researchers, originality, and effectiveness of presentation.

Please follow "Guidelines for Submitting Manuscripts." Manuscripts will be accepted at any time. Deadline for submitting manuscripts for the next issue is October 15, 1992, but early submission is encouraged to ensure consideration for the issue. Articles published will be subject to a page charge of \$40 per printed page. Authors without financial support from an employer may petition for an exemption.

The five articles in this issue were selected from eleven manuscripts reviewed for publication.

The Editorial Board wishes to offer their sincere thanks to the following individuals who reviewed manuscripts considered for this issue:

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A Message from the Publisher

One of the goals of the National Council of Farmer Cooperatives is to "provide education, promote research, and disseminate information relating to the science of cooperation—particularly in regard to its economic, sociological, and legal phases." One very important way we carry out this goal is to publish the *Journal of Agricultural Cooperation*. Beginning with its first issue in 1986, this refereed journal has provided an outlet for professional writing and research and a forum for exchanging ideas on critical cooperative topics.

This 1992 volume of the *Journal of Agricultural Cooperation* is the second volume to be published by NCFC and the first under the editorship of Jim Rhodes from the University of Missouri.

Jim and the nine members of the editorial board have put together a particularly stimulating and far-reaching issue. It includes five articles, an invited paper with an accompanying discussion, and three book reviews. A new feature is a "Classic Review," which reprints E.G. Nourse's "The Place of the Cooperative in our National Economy." First published in *American Cooperation 1942 to 1945*, this paper summarizes much of Nourse's philosophy of cooperation. Following this valuable reprint, two contemporary cooperative economists present their views on the relevancy of Nourse's article to the 1990s.

I want to thank Jim Rhodes, his editorial board, the authors whose papers appear in the 1992 volume, and the cooperative researchers who reviewed all submitted manuscripts. NCFC is pleased to work with the academic community to produce the *Journal of Agricultural Cooperation*, and we look forward to continuing this cooperative effort in future volumes.



Wayne A. Boutwell
President

National Council of Farmer Cooperatives

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Articles

Cooperative and Investor-Oriented Firm Efficiency: A Multiproduct Analysis

Jay T. Akridge and Thomas W. Hertel

A multiproduct variable cost function was used to compare the efficiency of midwestern cooperative and investor-oriented grain and farm supply firms. Results suggest that cooperatives are no less efficient in a variable cost sense than their investor-oriented counterparts. Concerning fixed input-variable cost elasticities, investor-oriented firms may be more effective in their use of plant and equipment, but cooperatives make more efficient use of other fixed inputs. However, both types of firms are overinvested in both types of fixed inputs.

With public support of cooperative agribusinesses generating closer scrutiny, the performance of cooperatives relative to investor-oriented agribusinesses continues to be an important area of research (Lang et al.; Schrader et al.).¹ In particular, there has been considerable debate about potential differences in economic efficiency between these two forms of firm organization (Babb and Keen; Porter and Scully). The primary purpose of this research is to analyze the issue of relative efficiency in the context of a multiple product cost function. By controlling for output level and mix, the multiple product cost function framework permits cost comparisons between hypothetical firms producing identical output bundles. Such a direct comparison allows cost differences due solely to variation in product mix to be disentangled from those differences that result from inefficiency. This approach represents an important extension of previous research in this area, which has failed to treat the issue of output diversity properly when making efficiency comparisons between cooperative and investor-oriented firms.

Jay T. Akridge and Thomas W. Hertel are respectively assistant professor and associate professor, Department of Agricultural Economics, Purdue University.

The authors gratefully acknowledge the helpful comments of Steve Erickson, Bill Schiek, Lee Schrader, and three anonymous reviewers.

An earlier version of this paper was presented at the 1991 annual meeting of the American Agricultural Economics Association, Manhattan, Kansas, August 6, 1991.

Journal Paper No. 13215 of the Purdue University Agricultural Experiment Station.