Journal of Cooperatives

Volume 24	2010	Page 13-43

South Dakota Soybean Processors: The Discourse of Conversion from Cooperative to Limited Liability Corporation

Curtis W. Stofferahn, Professor

Contact:
Curtis W. Stofferahn
Professor
Gillette Hall, Room 202
225 Centennial Drive Stop 7136
Grand Forks, ND 58202
Office Phone: 701 777-4418
Dept. Phone: 707 777-2187

Curtis W. Stofferahn, Professor
Department of Sociology, University of North Dakota

South Dakota Soybean Processors:
The Discourse of Conversion
from Cooperative to Limited Liability Corporation

Curtis W. Stofferahn, Professor[1]

Abstract

On June 20, 2002, the members of the South Dakota Soybean Processors (SDSP) Cooperative approved the reorganization of the cooperative into a limited liability company. Between the vote of the SDSP board of directors to reorganize on October 12, 2001 and the majority vote of the membership to approve the reorganization, there was no public discussion about the issue in the major media. In the absence of any public opposition to the conversion, the vote by the members in favor of conversion would indicate that conversion was relatively uncontroversial. The lack of controversy about conversion would seem to render this issue a non-event not worthy of sociological examination. Even non-events, however, merit examination, and in this case, the non-event of lack of opposition to conversion is the question to be explained, and the proposed answer to the question is that the hegemonic discourse of neo-classical economics did not permit the consideration of alternative arrangements by which the company would have retained a cooperative format. The contention of this paper is that the discourse of neoclassical economics has become a heuristic narrative in the way that it organizes common sense and hinders oppositional discourses. To that extent, neoclassical economics' theories become self-fulfilling through institutional design, social norms, and language.

Introduction

> *"No matter how you look at it, we are going to need soybean oil in excess of what we produce. That has implications for our legal status as a cooperative. So we looked at various options and the membership voted to reorganize as a limited liability company"*
>
> CEO Rodney Christianson. (Boland and Barton, 2003a)

On June 20, 2002, the members of the South Dakota Soybean Processors (SDSP) cooperative approved the reorganization of the cooperative into a limited

[1] The author thanks the anonymous reviewers for their comments. He also thanks Patrick Mooney and Janet Moen for their suggestions and comments on an earlier draft of this paper.

liability company (LLC), which became effective on July 1, 2002 (US Securities and Exchange Commission, 2002). The reorganization received the required approval of 75% of the members of the cooperative who voted on the proposal Prior to the vote to reorganize in June, on October 12, 2001, the board of directors of the cooperative had unanimously approved a plan of reorganization whereby they formed the Soybean Processors LLC of which the initial member was the cooperative. Following the vote in July, the LLC acquired the assets and liabilities of the cooperative.

Between the vote of the SDSP board of directors to reorganize on October 12, 2001 and the 75 percent majority vote of the membership to approve the reorganization on June 20, 2002, the members were exposed to very little discussion about the issue in the major media. A review of the archives of the major daily newspapers in eastern South Dakota for the 2001-2002 time period did not disclose any news articles, letters to the editor, or opinion pieces about the proposed conversion or the final vote by the members on converting SDSP from a cooperative to an LLC.[2] The only information about the proposed conversion was the circular mailed to members by the board of directors, which was filed with the Securities and Exchange Commission (South Dakota Soybean Processors, Information Statement/Prospectus). In the absence of any news articles or opinion pieces questioning the conversion, the 75 percent vote by the members in favor of conversion would indicate that conversion was relatively uncontroversial.

The lack of controversy about conversion would seem to render this issue a non-event not worthy of sociological examination. Even non-events, however, merit examination, and have drawn attention of philosophers of science. As Morris (1979) notes, non-events can contribute to either the question to be explained (explanandum) or the answer to that question (explanans). In this case, the non-event of lack of public discussion in opposition to conversion is the question to be explained, and the proposed answer to the question is that the manner of approaching, discussing, and analyzing the conversion decision (which was focused only on the principles of neo-classical economics) did not permit the consideration of alternative arrangements by which the company would have retained a cooperative format. In the terms of the social scientist, the form and context of the “discourse” on the conversion issue affected the debate and the outcome. This paper further contends that the discourse of neoclassical economics had become the dominant discourse and had become hegemonic. A discourse becomes dominant when it becomes the accepted way of looking at (or speaking about) a subject. A dominant discourse becomes hegemonic when it limits and frames the information the recipient gets to the extent that the

---

[2] Sioux Falls Argus Leader, Brookings Register, Aberdeen American News, Watertown Public Opinion

ideological beliefs are taken for granted and opposing points of view are suppressed. Under the framework of discourse analysis (the methodology employed in this paper) neoclassical economics became the dominant discourse in the conversion decision to the extent that the theories became self fulfilling through institutional design, social norms, and language.

To illustrate the effects of dominant discourses, I will draw upon the work of Fairclough (2001) who argues that what is at stake in the struggle among discourses types is establishment or maintenance of one type as the dominant one in a particular social field. This establishment or maintenance of a dominant discourse similarly establishes certain ideological assumptions as commonsensical. To further illustrate how dominant discourses become accepted as common sense and acceptable discourse, I rely upon Ferraro et al. (2003). They demonstrate that economic theories become the dominant discourse when they are taken for granted and become normatively valued. This process makes them to be considered to be true independent of their empirical validity. That economic theories have become taken-for-granted also is explained by Habermas' (1979) use of the concept of *doxa*, which refers to the process by which hegemonic disclosures become self evident. I also draw upon the work of Frazer (1989) who contends that the struggle among discourses types are struggles among three major kinds of needs discourse: expert, oppositional, and reprivatization. Expert discourse occurs when the discussion and communication occur within the technical framework and language of a formal science or discipline and in so doing, defines the boundaries for discussion. For example framing a discussion in neo-classical economic terms introduces the implicit assumption that the decision makers are rational economic actors and that their behavior is controlled by economic concerns to the exclusion of other motives. In this case, utilizing the expert discourse of agricultural economists, I discuss their rationales for conversion which include equity liquidity, equity access, and cost of equity motives. Oppositional discourse occurs when groups with opposing opinions or needs challenge the context and boundaries of the discussion. In the case of the conversion, oppositional discourse was largely absent but could have involved populist or social materialist discourses on the purpose, benefits, and roles of a cooperative. Reprivatization discourse occurs when those involved with the dominant discourse attempt to neutralize oppositional discourse by de-emphasizing the differences between the economic and political dimensions or by changing the boundaries of discussion. I examine the presence of reprivatization discourse by analyzing the extent that the board of directors neutralized any anticipated opposition to conversion; including the sub discourses of depoliticization and economism.

This analysis should not be construed as implying that either the board of directors or the management of SDSP intentionally misled the membership or that the material presented in the prospectus was either non-factual or incomplete. No doubt, the prospectus was either prepared by or reviewed by SDSP legal counsel so that it conformed to SEC requirements concerning disclosure of all material risks and facts concerning the conversion of the cooperative to a limited liability corporation. In addition, the SDSP board of directors and management were most likely warned by legal counsel about making public statements or releasing information about the conversion after the release of the prospectus to avoid inadvertently contradicting the information contained in it.

Beyond the intentional inclusion of the legal requirements, was the unintentional and unconscious framing of the discourse through the use of certain ideological assumptions implicit in neoclassical economic theory as applied to cooperative conversions. Discourse producers, whether they are agricultural economists or legal counsels for cooperatives, have accepted these ideological assumptions as being self-evident and commonsensical. This un-reflexive and unconscious use of the assumptions as contained in neo-classical economic theory can result in the theory becoming self-fulfilling, making it "true" independent of its empirical validity. That is, these ideological assumptions have become "misrecognized" as natural and universal rather than as arbitrary social constructions. These ideological assumptions have become invisible to both the producers and the readers of the discourse because they are brought to the discourse as background assumptions rather than as explicit elements of texts. Thus, through their un-reflexive use of neoclassical economic theory as applied to cooperative conversion, discourse producers have unwittingly created a situation where the ideological assumptions contained in their theories become self-fulfilling through institutional design, social norms, and language. By making the invisible "visible", this analysis hopes to make agricultural social scientists aware of their own biases arising from their own institutional and disciplinary positions and how these biases prejudice their analyses of cooperative conversions.

History

SDSP started in 1992 with a feasibility study sponsored by the South Dakota Soybean Research and Promotion Council (Fink, 2001). In late 1993, after failing to attract a processor to build a plant in the region, a group of soybean producers incorporated South Dakota Soybean Processors (SDSP). South Dakota Soybean Processors was organized as a cooperative where the producers were the users, the voting members who controlled the cooperative, the owners who provided the equity capital, and the patrons who received the benefits of their use (Boland and Barton, 2003a). Included among the benefits were a market for their soybeans and a share of the profits based on use.

SDSP has been quite successful since its incorporation in 1993 (Boland and Barton, 2003b). It has returned to its member-owners about 70 percent of all income each year while retaining about 15 percent to be paid back in future years and another 15 percent for future growth. Stock value has increased considerably since the initial offering, and the increase could be attributed to producer confidence generated as the plant continued to prosper. The first shares of stock purchased in 1993 and 1994 for $2 each traded locally at $2.49 in 1998, $2.86 in 1999, $3.03 in 2000 and $2.67 in 2001. Later stock purchased at $2.25 and $2.50 have also increased in value. Additionally, the presence of the cooperative has reduced the local basis for soybeans by about 25 cents per bushel since the plant opened.

Since becoming operational in 1996, the plant's crush capacity expanded from 16 million bushels to 28 million bushels in 2003. In addition, the actual number of bushels crushed has increased from 13.4 million in 1997 to 21.1 million in 1998, 24.1 million in 1999, 26.2 million in 2000, and 26.8 million in 2001 (Boland and Barton, 2003a). If the demand for soybean oil from SoyOyl, soybean diesel, and SDSP's refinery customers increased, SDSP would obviously need soybeans in excess of what its cooperative members could supply (Barton and Boland, 2003a). As a new generation cooperative, however, its members were obligated to supply the soybeans to be processed into oil and soybean meal. According to the Internal Revenue Code, proceeds from members' provisions of soybeans to SDSP were considered patronage business as long as they were distributed to the members based on their participation. With increased demand for soybean oil, however, SDSP would have to purchase soybean oil which was not produced from its members' soybeans. These purchases would be considered non-patronage business, and the projected increase in the amount of such business might jeopardize the cooperative's status with the IRS. Furthermore, the cooperative would be subject to "double taxation" on the non-patronage income if it were distributed to the member-owners.

The SDSP board of directors explored various organizational options that would permit its members to continue as owners of the company but not require them to deliver soybeans needed to meet the increased demand for soybean oil (Boland and Barton, 2003a). This option would provide SDSP with the flexibility to purchase raw soybean oil and refine it rather than adding additional crushing capacity. Several options were considered including: 1) Continuing to operate as a cooperative and pay the corporate tax on the non-patronage sourced income, 2) Not expanding into these new investments, and 3) Forming a limited liability company (LLC).

SDSP concluded that a LLC was a structure that would help it realize the goals of ownership by soybean growers and provide the flexibility to acquire soybean oil (Boland and Barton, 2003a). As an LLC, income would only be taxed at the partnership level rather than at the company level as a corporation and taxed at the company level and at the patron level if distributed as a patronage refund or dividend. Furthermore, an LLC structure provided the flexibility to transfer equity shares between members and increase the potential investor pool if additional capital were needed for expansion.

Language as a Site of Ideological Struggle

To answer the question whether neoclassical economics arguments in favor of conversion were so dominant as to foreclose consideration of other alternative arrangements by which the company could have remained a cooperative, discussing language as a site of struggle between ideologically different discourses is necessary. Regarding conversion, the ideologically different discourses involve neoclassical economics as the dominant discourse and populist or social materialist discourses as the oppositional discourses (Gray and Mooney, 1998; Mooney, Roahrig, and Gray, 1996). The fact that little or no public discussion occurred in opposition to the conversion suggests not only the dominance of neoclassical economics arguments for conversion but also their acceptance as commonsensical. To that extent, the neoclassical economics discourse may have become hegemonic and provided a master narrative, or heuristic device, which framed discourse on the conversion.

Fairclough (2001) argues that what is at stake in the struggle among discourses types is that establishment or maintenance of one type as the dominant one in a particular social field similarly establishes certain ideological assumptions as commonsensical. When a dominant discourse suppresses or restrains an oppositional discourse, but also dominates an institution, that discourse is increasingly seen as being natural and legitimate rather than as arbitrary (Fairclough, 2001: 76). Through naturalization, a dominant discourse, with its ideological character disguised, appears to be neutral in struggles for power, and therefore seems to be outside of ideology less. This invisibility of the operation of a dominant discourse's ideological character is what makes it effective (Fairclough, 2001: 71). Invisibility is realized when ideologies are brought to discourse as background assumptions rather than as explicit elements of texts.

Ferraro et al. (2003) further illustrate how dominant discourses become accepted as common sense and acceptable discourse. They demonstrate that theories become the dominant discourse when they are taken for granted and become normatively valued. This process makes them “true” in application independent of their empirical validity. They provide three means by which theories can become self-fulfilling: Institutional design, social norms, and language.

First, a theory can become self-fulfilling when people, who by incorporating its ideas and assumptions, create practices, routines, and organizational arrangements favoring the outcomes predicted by the theory (Ferraro et al., 2003: 12). Second, theories can become self-fulfilling by describing not just how people and organizations do behave but also how they should behave (Ferraro et al., 2003: 15). Third, and probably most importantly, theories can become self-fulfilling because they provide a vocabulary to comprehend reality, frame views about reality, and provide classifications to interpret reality.

The three means by which theories can create a self-fulfilling reality can be applied to economics. Ferraro et al. (2003: 6-7) argue that the distribution and widespread acceptance of economic assumptions and language illustrate how the creation of both institutional structures and behavioral norms result in a particular theoretical perspective becoming self fulfilling. They demonstrate how the behavioral assumptions and the language of economics influence theories and expectations about human behavior. Using these widely promoted and conventional economic theories, and their characteristic language, economists influence individual behavior and influence the institutions they create as a framework for others' behavior. Subsequently, the reality created through individual behavior and institutional framework reinforces the very beliefs in the legitimacy of the assumptions of economic theories.

Because these foundational assumptions about human nature and human behavior become reified as social norms when they are used to design institutions and practices, they generate a unique vocabulary and terminology that affects human behavior. Thus, the assumptions and ideas of economics create a reality where they are true only because of their effect on actions and decisions which, in turn, produces a reality that corresponds to the assumptions and ideas themselves (Ferraro et al., 2003: 12).

The fact that these taken-for-granted foundational assumptions of economics create a reality for individuals that corresponds to the assumptions is further illustrated by Bourdieu's use of the concepts of *doxa* and *habitus*. Doxa describes the process by which "socially and culturally constituted ways of perceiving, evaluating, and behaving have become accepted as unquestioned, self-evident, and taken-for-granted, or 'natural' " (1977:164). Doxa is conditioned by habitus, which refers to individuals' internalized subjective structures founded upon their perception of pre-existing external structures, and these internalized subjective structures determine how individuals think, feel, and act. Doxa is predicated upon the extent of fit between the internalized subjective structures and the objective reality (1977: 156). This successful internalization of these external structures leads individuals to misperceive them as being natural while remaining oblivious to the processes by which the subjective and external structures are dialectically reconstructed. In this case, habitus refers to the internalization of the hegemonic discourses of neoclassical economics, and doxa refers to misrecognizing these hegemonic discourses as natural and universal rather than as arbitrary social constructions.

Self-fulfilling Theories and New Generation Cooperatives Conversion

The three means by which theories can create a self-fulfilling reality are evident in economic theory as applied to new generation cooperatives. Cooperative theory is reflected in practices, routines, and organizational arrangements, which results in outcomes predicted by the theory. As Torgerson et al., (1998) note, the purposes of economic organizations have been identified as making profits, providing services, and realizing meaning, and these purposes can be arrayed on a continuum from profits for investor-owned firms (IOFs) to life meaning for Kibbutz as shown in Figure 1.

Figure 1. Categorization of Cooperatives[3]

Type of Co-op	Description
Traditional Co-ops	
Rural Utility Co-ops	They include rural electric (formed in 1936) and rural telephone (formed in 1949) cooperatives, which were formed to provide a service that was missing because of high cost of serving a low density consumer base.
Nourse I – Local Co-ops	Multi-purpose – input retailing and commodity assembly that operate in a relatively small geographical area. They were formed to provide competition to a spatial monopoly (the so-called "competitive yardstick") or to provide missing services.
Nourse II –Regional Co-ops	Multifunctional – performs a combination of input procurement, service provision and/or marketing - many of them integrate forward or backward beyond the first handler or wholesale level. Their structure is federated, centralized, or both. They were formed to provide a "competitive yardstick" or to achieve economies of scale.
Sapiro I – Bargaining Co-ops	These were formed to enhance margins or ensure markets and are most often found where the agricultural product is perishable.
Sapiro II – Marketing Co-ops	A form of forward vertical integration that may be a single or multiple commodities.

[3] From Felton (1999)

	They were formed to increase margins or to avoid market power and may involve processing of the commodity plus the development of brand names.
New Generation Co-ops (Sapiro III)	They have a single commodity and processing focus, rather than a geographical focus. They were formed to obtain market information and co-ordination efficiencies or to provide producers with profits from downstream activities, and they have well-specified delivery rights.

The fact that cooperative theory's practices, routines, and organizational arrangements result in outcomes predicted by the theory is further demonstrated by Figure 2, which arrays investor owned firms, new generation cooperatives, and traditional cooperatives along a continuum of purposes from profits to service to life meaning.

Figure 2: Continuum of Cooperative Purposes[4]

Players	Investor Owned Firms	New Generation Cooperatives	Open Marketing Cooperatives	Farm Supply Cooperatives	Consumer Goods Cooperatives	Kibbutz
Purposes	Profits			Service		Life Meaning

Among all of the cooperatives, new generation cooperatives most closely resemble investor-oriented firms with their emphasis on profit. Farm input and service cooperatives, based upon a service orientation, fall in the middle of the continuum. Marketing cooperatives fall between the profit purpose and the service purpose orientation. While cooperatives usually contain elements of all three of these tendencies, marketplace realities drives participation and service in opposite directions, and the dialectical tension between them is manifested in organizational form and logic (Torgerson et al., 1998).

The emphasis on efficiency and profit results in organizational hierarchy, top-down authority structures, and centralized decision making, whereas the emphasis on service results in locally- responsive, decentralized decision making and participation and involvement. In a competitive marketplace, the dialectical tension is typically resolved in bureaucratic models rather than in cooperative logic form. When this result occurs, recognizing the differences in behavior between cooperatives and investor-owned firms becomes increasingly difficult.

Theories become self-fulfilling when they describe how people and organizations do and should behave and when they provide a vocabulary to understand, frame, and interpret reality. The self-fulfilling tendency of

[4] Torgerson, et al., 1998

cooperative theory is reflected in the differences in the cooperative culture of new generation cooperatives. The emphasis on the bottom line typical of new generation cooperatives results in them tending to adopt an "investor" rather than "user" culture (Torgerson et al., 1998). This cultural shift is in part a result of the compromises in the user-owner nature of cooperatively owned businesses in that they have included some investor "members" who are not engaged in producing commodities for the cooperative.

Co-operative Conversion Discourses

The work of Frazer (1989) is used to analyze the discourse of conversion. Her conception of discourse is built upon the shifting boundaries between the economic, political, and domestic spheres of life, and the three kinds of needs discourse in late capitalist societies. Needs talk occur when groups with uneven access to discursive resources compete to establish their respective interpretations of legitimate social need as the dominant interpretation (Frazer, 1989: 166). Dominant groups communicate needs' interpretations that reject, neutralize, or co-opt counter-interpretations, while subordinate groups communicate needs interpretations that confront, dislodge, or adjust dominant ones. Frazer (1989) proposed a scheme to classify the many types of needs discourses in late capitalist societies. She suggests three major types of needs discourse: expert, oppositional, and reprivatization. The discourse types are described in Table 1.

The application of the discourse types to cooperative conversion is also described in Table 1. Within the expert discourse analysis, the explanations offered by neo-classical economists for conversion include equity liquidity motive (Schrader, 1989) and the equity access, corporate acquisition**,** and cost of equity motives (Collins, 1991a, 1991b)**.** Economic arguments provide the rationale for cooperative conversion in reprivatization discourse. Discursively, reprivatization refers to efforts to challenge the emergence of oppositional concerns by depoliticizing them. Neo-classical economics discourse applied to cooperatives sees cooperative members as being economically rational and motivated principally by economic concerns (Collins, 1991; Schrader, 1989).

Table 1: Discourse Formats and Cooperative Conversion

Expert Discourse	Oppositional Discourse	Reprivatization Discourse
Definition: *(Frazer, 1989)* • Includes the social sciences sub-discourses such as neoclassical economics • Location where politicized runaway needs become transformed into requests for government assistance • Most relevant to this discussion are the social science discourses produced in universities and think tanks. • They tend to be limited to particular audiences, and they are associated with professional class formation, institution building and social "problem solving."	**Definition**: *(Frazer, 1989)* • Emerges when runaway needs are politicized by subordinate groups contesting their status and the predefined need interpretations assigned to or held by them • By challenging these heretofore depoliticized needs, they accomplish several things at the same time: o Challenge the fixed boundaries separating "politics" from "economics" and "domestic" spheres o Provide different explanation of their needs located in different chains of in-order-to relations o Construct new discourse audiences to distribute their explanations of their needs o Contest, adapt, or dislodge dominant components of the means of interpretation and communication or create new types of discourse to interpret their needs	**Definition:** *(Frazer, 1989)* • Refers to efforts to challenge the emergence of runaway needs by depoliticizing them o Arises in response to oppositional discourse o But, incorporates those oppositional discourses while rejecting them • Makes explicit those well-established and dominant need interpretations that had remained unspoken prior to the emergence of oppositional discourse • Capitalist social institutions use reprivatization discourses: o To depoliticize concerns ▪ By considering them as impersonal market concerns or as private ownership matters ▪ By treating them as technical problems to be solved by experts o To remove these problems from the realm of public discourse: ▪ By considering them as beyond the understanding of novices ▪ As capable of being only fully understood by experts

Cooperative Conversion Applications	**Cooperative Conversion Applications**	**Cooperative Conversion Applications**

<u>Equity Liquidity Motive</u>: *(Schrader, 1989)*
• Occurs when the market value of members' equity is greater than the book value of their equity
  o The more successful a cooperative, the greater the incentive to convert it into an investor-owned firm.
  o Success is defined as an increase in the market value of the cooperative in relation to its book value.
• Patrons have an incentive to convert a cooperative to an investment-oriented firm:
  o When their investment in the cooperative as a typical business exceeds the value of their participation in it as a cooperative
  o Especially if they have limited time horizons
	<u>Populist/Voluntarist Metaphor:</u> *(Gray and Mooney, 1998; Lasley et al., 1997; Craig, 1980; Baarda, 1986)*
	• Cooperatives exist to serve the needs of their member-users, the users as owners.
	• Cooperatives
	  o Benefiting the user-owners proportional to use
	  o Governed democratically on a one-person-one-vote basis
	• Conversion is seen as a counterfactual loss: as a loss of power, influence, and democracy.
	• Conversion is seen as resulting in the:
	  o Centralization of power into fewer hands
	  o Weakening of local ties
	  o Loss of control of to absentee, non-local interests
	• Opponents emphasize that after conversion the entity would:
	  o No longer be based on patronage but on turn-over of capital and return on investment
	  o Be focused not on empowering members but on narrower monetary concerns
		<u>Depoliticization:</u> *(,, Roahrig, and Gray 1996)*
		• Challenges both the:
		  o Oppositional discourse of cooperatives,
		  o Idea of cooperation as a social relationship independent of purely private forms of capital investment, production, and circulation
		This relative independence of cooperatives as a social relationship is related to their opposition to the radical separation of the economic from the political and domestic spheres characteristic of the rhetoric of neoclassical economics.
		• Patronage refunds are seen as the interests of individual cooperative members.
		• Cooperative members are viewed only as a collection of individuals but not as members of families, communities, social groups, or occupational groups.

Equity Access Motive: *(Collins, 1991b).* • Refers to the situation when cooperatives gain greater access to capital by selling stock to the general public • Typically occurs when growth-oriented managers face a membership reluctant to borrow money or to provide enough equity capital to make expansion possible	**Social Materialist:** *(Mooney, 1988, 1990, 1998; Bonanno, 1987; Archer, 1978; Gray and Mooney, 1998).* • Cooperatives seen as a class practice acting in the collective class interests of its members • Cooperatives arose to: o Provide a service where none existed o Serve as a means of countervailing power against monopolies that extracted surplus value from farmers through the provision of inputs or the marketing of production • The loss of this instrument of class practice: o Would not be considered as an alternative o Would be seen as another societal force disempowering family farmers as a class	**Economism**: *(Klamer, 1987; Mooney , Roahrig, and Gray,1996; Collins, 1991; Schrader, 1989)* • In this metaphor, cooperative members: o Are economically rational and motivated principally by economic concerns o View cooperatives as a source of income o Continue to participate and invest in cooperatives only as long as benefits received are greater than benefits foregone o Join a cooperative for economic reasons o View the cooperative as being similar to an investor-owned firm o Can seek a higher return on their capital by redeploying it elsewhere through liquidation, sale, or conversion
Corporate Acquisition Motive: *(Collins, 1991b).* • Refers to the situation where the market value of a cooperative is high, and different parties desire to purchase parts of the business as stock or buy the entire business		
Cost of Equity Motive: *(Collins, 1991b).* • Refers to the situation when the demand for the business is high, which results in access to greater amounts of capital and a lower cost of capital by selling stock		

Analysis of Conversion of SDSP: Expert and Reprivatization Discourse

The analysis of the discourse of conversion begins with an examination of the expert discourse of neoclassical economics contained in the prospectus, specifically the equity liquidity and equity access rationales. Given the history and purpose of this conversion, the fact that other rationales for conversion were not present in the prospectus is not surprising. The prospectus was also examined for reprivatization discourse, (which includes the sub discourses of depoliticization and economism) to determine whether the proponents of conversion anticipated any opposition to conversion and attempted to neutralize it in the prospectus. The data for this analysis is contained in the prospectus sent to all SDSP members, which was filed with the Securities and Exchange Commission (South Dakota Soybean Processors, Information Statement/Prospectus, Proposed Reorganization)

Language of Expert Discourse: Equity Liquidity and Equity Access

As Ferraro et al. (2003) state, the three means by which theories can become self fulfilling include institutional design, social norms, and language. The language of the expert discourse of equity liquidity and equity access draws heavily on the language of neo-classical economics. In this discourse, economic exchange is viewed as the only relevant relationship. Thus, cooperative members are viewed as being economically rational and motivated principally by economic concerns. This image of cooperative members acting as atomized rational economic actors narrowly pursuing their self interests is contradicted by economic sociology, which demonstrates that economic behavior is embedded in and mediated by an intricate, often broad web of social relations (Block, 1990, Granovetter, 1985; Granovetter, 1990; Mingione, 1991).

Expert Discourse: Equity Liquidity

The prospectus provides only one mention of equity liquidity as a motive for conversion when the board of directors argues that the change in the basis for ownership that would occur from being organized as an LLC would provide existing member-owners the opportunity to sell their shares to someone other than a producer. The board of directors argues that being organized as an LLC would eliminate the requirement that only producer-owners could receive patronage income distribution, and provide the opportunity for anyone to become an owner and participate in profit distribution. *"We expect this will give our members more liquidity if they want to sell their interests since membership will not be restricted to agricultural producers."*

Expert Discourse: Equity Access

The prospectus provides eleven mentions of equity access as the motive for conversion to an LLC to meet its short- and long-term equity needs to finance expansion and growth. To meet these equity needs, the cooperative could rely on profits from the sale of SoyOyl, take on another loan from CoBank, ask members to purchase additional equity units, or reorganize as an LLC. It weighed the advantages and disadvantages of each option and determined that only by converting to an LLC could the company secure enough equity to finance its needs. The board of directors considered conversion to an LLC as the means that would permit soybean growers to retain ownership of their shares of company stock, pass along income to members without having it taxed at the company level, provide access to an expanded pool of investors, and permit greater flexibility for transfer of equity shares among members.

The board of directors was facing an immediate dilemma concerning expansion and growth which involved securing additional equity to finance the expansion facilities for the refining of soybean oil for one of its customers.

> *The segment of our business that we are currently trying to expand through capital expenditures is crude soybean oil refining. On January 15, 2002, we entered into eight-year supply agreement with ACH Foods Companies, Inc. to exclusively provide three of their packaging locations in Illinois and Oklahoma with refined and bleached soybean oil on a general requirements basis. Under the contract, we have a pricing agreement established for the first five years, and after that we have the option to renegotiate the price. As part of the agreement, ACH Foods also agreed to sell us refining equipment for one of its closed plants in Columbus, Ohio at no additional cost to us. In exchange, we will dismantle the equipment, transport it to our site in Volga, South Dakota, and install the equipment and corresponding piping in a new, dedicated building next to our crushing plant at an estimated cost to us of approximately $4.7 million. We must have the new refining facilities substantially completed by September 1, 2002. If we fail to substantially complete the facility within thirty days of September 1, 2002, ACH Foods may terminate the agreement, and we will be required to pay ACH Foods $1.2 million for the refining equipment. We began removing the equipment from the plant in Ohio in February 2002 and also began physical construction of the new building, engineering, and related activities in Volga. We estimate that construction and equipment installation will be completed in July 2002 and expect it to be running at full capacity in August 2002. ACH Foods is located in Memphis, Tennessee and is owned by Associated British Foods.*

Another short term equity need was that of raising capital for its participation in the Minnesota Soybean Processors (MSP). In exchange for building the soybean oil storage tank, SDSP would gain an equity share in MSP. One of the long-term strategies for growth for SDSP was to become a joint partner with MSP.

> *We also have plans to invest a total of $2.3 million in 2001 and 2002 for a soybean oil storage tank in Brewster, MN. As of December 31, 2001, we had invested $684,000 in this project, and the estimated completion date is April 2002. We will own the tank, until the Minnesota Soybean Processors (MnSP) plant is operational at that site at which time we plan to sell the tank to MnSP in exchange for 1.15 million shares of MnSP. The tank increases our opportunities to capture additional profits by delivering oil to the Chicago Board of Trade rather than selling it in a depressed crude oil market.*

Long term, SDSP intended to expand its crushing capacity to 100,000 bushels which would be more expensive that the previous two expansions. This increase in capacity would require additional equity.

> *Finally, it is our goal to run the Volga facility at a 100,000 bushel per day crush rate within the next five years. The plant was originally designed for 50,000 bushels per day with the possibility of expansion to 70,000. In fact, the plant has already expanded its production to a crushing capacity of 80,000 bushels per day. The next jump to 100,000 bushels per day will be much more costly than the first two capacity increases. We estimate that such an expansion will cost $5 million for processing enhancements to our equipment, and up to an additional $5 million to upgrade the infrastructure to meet the demands of the increased production. For example, we may require additional storage bins and loading and unloading facilities for soybeans, meal, and oil. We are also considering the possibility of adding a high-pressure boiler and electric generating station fueled by coal and biomass, with resulting low pressure steam for use in our processing facility. The Board believes it may be necessary to raise additional funds to finance this project.*

SDSP's longer term equity need was for expansion of its refining capacity which could be realized through profits from SoyOyl or through loans from its principal lender, CoBank, which lends primarily to cooperatives. If the company reorganized as an LLC, it would no longer qualify to receive loans from CoBank, but it had secured a two-year extension from the bank plus financing for two capital projects.

> *If we pursue one or more of the expansion initiatives discussed below, we may need to consider other available options in connection with funding future working capital and capital expenditures needs, including the issuance of additional debt and/or equity. CoBank is currently our primary lender and has expressed its desire to continue working with us following the reorganization as an LLC. However, since CoBank is a financial institution that currently lends exclusively to cooperatives, we have had extensive discussions with CoBank's management regarding its continuing ability to maintain our primary credit lines and other outstanding debt. As a result of these discussions, CoBank agreed to enter into a two year extension of our credit agreements with them prior to the reorganization and informed us that such agreements would then be grandfathered in as an exception to the cooperative-only policy until the agreements expire. As a result of these discussions, we finalized and entered into amended and restated credit agreements with CoBank effective February 26, 2002, which include an additional availability of long term debt in the amount of $2.0 million for oil storage tank in Brewster, Minnesota, and $3.7 million for the oil refining project with ACH Foods.*

The fact that CoBank would agree to a two-year extension of debt financing with SDSP was promoted by the bank's decision to reorganize its lending to include LLCs as well as cooperatives. "*CoBank has indicated to us that it plans to make an effort to restructure its governing documents in the next year so that limited liability companies will be able to qualify for its loan programs; however, a number of other lenders have also expressed an interest in meeting our financing requirements.* "

SDSP had also secured commitments from CoBank for two projects designed to expand its capacity. "*CoBank has agreed to supply $5.8million in long-term revolving debt towards the two capital projects, and we have retained $2.1million from the last patronage allocation to members. The combined $7.9 million will provide enough capital for the two projects, and any additional maintenance projects that may become necessary during the year.*" In addition to outside equity, SDSP intended to use retained patronage allocation for expansion. "*In addition to the $2.1million of local retained patronage allocation from 2001, a balance of $2.3million remains in the retained equity section of the balance sheet.*"

The other means to secure additional equity was from its existing producer-members in terms of purchase of additional equity units that would be associated with delivery obligations. Because the board of directors did not believe that its producer-owners could provide enough soybeans to meet the demand for soybean oil, the only way to acquire more soybean oil would be through purchase, which would result in non-patronage income subject to double taxation. Thus, the board concluded that the only way to expand the pool of investors beyond producers was to organize as a LLC, which would eliminate the delivery requirement as well as the requirement that owners be soybean producers. *The limited liability company form of ownership permits an expanded universe of potential members. A cooperative is generally required to limit its equity owners to producers, and to distribute its earnings to members based on the amount of business each member does with the cooperative, rather than the value of each member's investment. Limited liability company membership is not similarly restricted. The Board believes that, while no assurances can be given, the liquidity of members' equity interests may be enhanced if membership in the new LLC is opened up to a broader range of investors.*

If the cooperative were to reorganize as an LLC, patronage distribution would no longer be limited to producer-owners. Thus, by eliminating the producer requirement, the investor pool could be expanded, and profits could be distributed to all owners. *"In addition, the LLC organization eliminates the requirement that the member do business with the cooperative in proportion to their equity holdings to qualify for patronage income distribution. . . . . Finally, by completing the reorganization, and eliminating the agricultural producer requirement, we may increase our potential investor pool to raise additional capital if we ever need to."*

Finally, SDSP cautioned that if it reorganized as an LLC, securing external equity financing might result in a reduction in the current members' equity interests, and there was no guarantee that they could secure additional equity units to preserve their equity interests. *"The new LLC may seek additional equity financing in the future, which could cause additional dilution to you, and a reduction in your percentage equity interest. If you become a member of the new LLC in this offering, you will not have preemptive rights to purchase additional units in any subsequent offering to preserve your equity ownership percentage, although the Board may choose to offer existing members the opportunity to participate in its discretion."*

The core idea of economic rationality was especially displayed in the prospectus when it concluded that the conversion would provide owners with liquidity by being able to sell their shares to someone other than a producer. The fact that member-owners would be able to sell their shares to an expanded pool of investors beyond producers was economically rational, especially considering that the board had concluded that members were unlikely to provide additional equity in the form of shares for expansion. Thus, an expanded pool of potential shareholders provided more opportunity for liquidity.

Economic rationality was also evident in that conversion would preserve member-owners', now shareholders', abilities to participate in the profits of the company. While organized as a cooperative, member-owners were entitled to receive patronage income distribution. By converting to an LLC and expanding the pool of investors, however, profits would be distributed to shareholders of the LLC. Thus conversion recognized members', now shareholders', interests in realizing a return on their investment.

This language of rational cooperative members realizing their self interest through conversion provides a vocabulary to frame, comprehend, and interpret reality. This language not only describes how cooperative members behave, but also how they should behave. And it provides not only a rationale, but also a process for conversion. Thus, the prospectus fulfills the three means by which the theories of neo-classical economics become self-fulfilling.

Language of Reprivatization: Depoliticization

In seven instances, the prospectus favorably compares an LLC to a cooperative or discusses how the proposed conversion retains some aspects of a cooperative. This language has the impact of reprivatization by depoliticization. The discourse of cooperatives is by nature oppositional because cooperatives arose in opposition to corporations. Because SDSP had been organized as a cooperative, and because it had been one of the heralded new generation cooperatives, the board of directors attempted to portray an LLC as being similar to a cooperative. By incorporating aspects of a cooperative into the organization of the new LLC, it attempted to neutralize any potential criticism that the new LLC was a significant departure from a member-owned and member-controlled organization.

Because the purpose of a cooperative is to pass through profits to its members, the avoidance of double taxation on non-patronage income through conversion to an LLC would preserve the advantage of a cooperative in continuing to pass through profits to its members. "*The primary reason for the reorganization is to avoid double taxation of non-patronage income from our operations and investments so that we can maximize potential dividend payments to our members."*

To allay fears that, after conversion to an LLC, current members in the cooperative would have less of an equity interest, less control, and less access to dividends, the board of directors assert that: "*If we complete the reorganization, your percentage equity interest in the new LLC will be the same as it is now in the Cooperative, and your voting rights and rights to cash distributions will be very* *similar*." As noted elsewhere in the prospectus, however, if the LLC sought additional equity financing, existing members would most likely see a reduction in their percentage equity interest.

Later in the prospectus, the board of directors again emphasizes that voting rights and access to dividends in an LLC would be no different than in a cooperative. *"Your voting rights and rights to cash distributions as an owner of capital units of the new LLC will be similar to your rights as a member of the Cooperative. Each member of the new LLC will be entitled to one vote on each matter brought to a vote of the members, regardless of the number of capital units owned."* More explicitly, the board of directors asserts that voting rights in an LLC would be no different than in a cooperative, thus preserving the cooperative ideal of one member, one vote. *"Each member of the new LLC will be entitled to one vote on all matters submitted to a vote of the members, regardless of the actual number of capital units owned, similar to the voting structure of a traditional producers' cooperative."* Retention of one-member, one-vote, however, was a significant concession to the cooperative ideal, and a major effort at depoliticizing the conversion.

In another direct comparison to a cooperative, the board of directors emphasizes that, except for the absence of delivery requirements and dividends being based on investment rather than patronage, being a member of an LLC was little different from being a member of a cooperative.

> *In most respects, your rights as a member of the new LLC will be similar to your current rights as a member of the Cooperative. From your perspective, the primary differences are that you will no longer have a soybean delivery requirement, membership will not be restricted to agricultural producers, and we do not expect that you will have to pay self-employment tax on distributions that are based on your capital unit ownership. The primary difference from an accounting perspective is that distributions by the new LLC will be based on investment (equity), whereas in a cooperative, distributions must be based on patronage (doing business with your cooperative).*

In the section on voting rights of shareholders in the LLC, the board of directors explicitly outlines the matters about which the members may vote, and that majority rule of the members, rather than majority rule by number of shares held, would decide all matters brought to the members for a vote. By retaining the one-person, one-vote from the cooperative structure, the board attempted to depoliticize the appearance of conversion from a cooperative to an LLC.

> *All matters coming to a vote of members will be determined by the vote of a majority of the members, regardless of the number of capital units owned. Members of the new LLC will be entitled to vote on the following matters: • any merger, sale of all or substantially all of our assets or voluntary dissolution; • election and removal of individuals serving on the Board of Managers; • an increase or decrease in the number of individuals serving on the Board of Managers; • changes in the geographical boundaries of the districts from which Managers are elected; • an amendment to the LLC's Articles of Organization or Operating Agreement; and • any other matters referred to a vote of the members by the Board of Managers. All matters that are subject to a vote of the LLC's members will be decided by the vote of a majority of members, other than the following: • director elections will be decided by the members within a particular district; and • any merger, sale of all or substantially all of our assets or voluntary dissolution will be decided by a vote of two-thirds of the members.*

To further advance the idea that conversion to an LLC was preferable to remaining as a cooperative, the board of directors emphasizes that conversion from a cooperative to an LLC would maximize members' returns while minimizing the adverse impacts of conversion.

> *The Board also considered: • continuing to operate as a cooperative and, if necessary, challenging any legal ruling related to non-patronage income; • continuing to operate as a cooperative and treating any non-patronage source income as such and incurring the entity-level tax; and • not expanding into new business ventures. The Board ultimately decided to reject these alternative courses of action and pursue the LLC conversion as soon as practicable because in their view it provides the best solution for maximizing return to our members with the least adverse impact on members.*

In a possible attempt to depoliticize the conversion of SSP to an LLC, the prospectus portrays the LLC as being similar to a cooperative. It does so in a number of ways: Conversion would preserve the advantage of a cooperative in passing through profits to its members; equity interests, access to cash distributions, and dividends would be the same in an LLC as in a cooperative. Except for the absence of delivery requirements and dividends based on investments rather than patronage, the LLC would be little different from a cooperative; voting rights would still be based on one-person, one-vote as in a cooperative, and majority rule would be based on a majority of members rather than majority of shares; and that conversion would maximize members' returns while minimizing adverse impacts of conversion.

The board's strategy to depoliticize conversion by favorably comparing an LLC to a cooperative draws from the attempt to extend the theory that covers investor owned firms (IOFs) to cooperatives (Mooney and Majka, 1995: 567). Much of the theorization in cooperative theory has been occupied with finding similarities rather than differences between cooperatives and IOFs. The result of this strategy has been to force cooperatives into models developed for analysis of IOFs. In doing so, it obscures those aspects of cooperatives that diverge from the IOF model so that it can assist in further theorization within the model. As a result of this theoretical constraining, cooperatives are often regarded as being abnormal or corrupted firms or as an intermediate organizational type on an inevitable evolution to becoming an IOF. While this theorization can function to depoliticize conversion, it can also become self-fulfilling.

As Ferraro et al., (2003: 12-15) note, three ways by which theories become self-fulfilling are through institutional design, social norms, and language. The vocabulary in language comparing cooperatives to IOFs frames views about reality and provides classifications to interpret that reality. Moreover, when people incorporate the ideas and assumptions of a theory which compares cooperatives to IOFs, they create organizational arrangements favoring the outcomes predicted by the theory. Finally, theories comparing cooperatives to IOFs can become self-fulfilling by describing not just how people and organizations do behave but also how they should behave.

Language of Reprivatization: by Economism

Economism is a term referring to the reduction of all social facts to economic dimensions. The prospectus contains three examples of reprivatization by economism. By remaining as a cooperative, the non-patronage income derived from processing non-members' soybeans into oil would be subject to double taxation: once at the company level and once at the member level. Only by converting to an LLC could the problem of double taxation be avoided while maximizing returns to members.

Converting to an LLC to avoid double taxation on non-patronage income while at the same time maximizing individual returns is an example of reprivatization by economism argument.

> *"Due to potentially costly long-term tax consequences to our members of continuing to operate as a cooperative corporation, the Board of Directors is recommending that we reorganize our business as a limited liability company, or LLC. The primary reason for this is to avoid double taxation of non-patronage income from our operations and investments."*

The anticipated increase in non-patronage income raised the specter of double taxation, which figured prominently in the arguments for conversion in the prospectus. Taxing non-patronage income at both the cooperative and individual level would result in less income being passed through to members. Conversion to an LLC, however, would eliminate the problem of double taxation while maximizing shareholder income.

> *The Cooperative's Board is recommending the reorganization primarily to mitigate some potential negative tax consequences of continuing to operate as a cooperative. Briefly, one of the most significant advantages of operating as a cooperative is that our patronage income (that is, income generated from processing the soybeans contributed by our members) is passed through directly to our members and the Cooperative does not have to pay any tax on it. However, the company is growing and expanding its business, and we anticipate our level of non-patronage income (such as that derived from purchased oil or investments) to rise. Once non-patronage income reaches a certain level, it will be taxable both to the Cooperative when earned and to the member when distributed. This is called double taxation because the same income is taxed twice, reducing the cash available for distribution to members. By reorganizing as a limited liability company, we can pass our income through directly to our members and avoid double taxation.*

SDSP's planned expansion of facilities for the processing of soybean oil into SoyOyl was anticipated to exceed the capacity of its members to deliver adequate supplies of soybeans. Without converting to an LLC, meeting the demand for soybean oil would require purchasing it from outside venders, which would result in non-patronage income subject to double taxation thereby reducing members' dividends.

> *Our strategic objectives include expanding the processing of crude soybean oil into SoyOyl®, a product used in the polyurethane market, and we have entered into an agreement with Urethane Soy Systems Company, Inc. the SoyOyl® patent holder, to be its exclusive supplier of this processed oil until 2014. We believe that Urethane Soy Systems' demand for oil will eventually exceed our current production capacity by a significant margin. We do not believe it will be feasible to increase our oil production and member soybean delivery requirements; accordingly, we expect to purchase crude soybean oil on the open market to satisfy our obligation as the exclusive supplier. As a cooperative, all revenue derived from oil purchased from outside vendors, and subsequently processed and*

> *resold by the Cooperative, would be classified as non-patronage income and accordingly subject to federal tax at the Cooperative level. Additional non-patronage income would include administrative and consulting fees received from other companies such as the construction and management arrangement with Minnesota Soybean Processors, and the income received for these services. Further, the IRS is taking an increasingly aggressive stance on taxation of non-patronage income. "Non-patronage income" means incidental income derived from sources not directly related to the marketing, purchasing, or service activities of a cooperative.*

Reprivatization by economism discourse as applied to cooperatives sees cooperative members as being economically rational and motivated principally by economic concerns. This discourse is demonstrated in the prospectus when the board discusses the possibility of double taxation as a result of non-patronage income if the company expanded while remaining as a cooperative. Only by converting to an LLC could the company avoid the problem while maximizing shareholder income. But the problem of non-patronage income was unavoidable as long as the company remained a cooperative, and would result in less cash distributions and dividends being passed through to members. These concerns about double taxation reducing cash distributions and dividends occurring as a result of non-patronage income reflect a reprivatization by economism discourse. In this discourse, members view cooperatives as a source of their incomes, they are viewed as investors who join a cooperative for economic reasons, they regard the cooperative as being similar to an IOF, and as investors they can seek a higher return on their shares through conversion.

The language of the prospectus reflects the reprivatization by economism discourse in which cooperative members are seen as being motivated only by self interest, and in which the market, rather than members' contributions, is seen as the natural and preferred method to raise additional equity for expansion. These foundational beliefs about humans being motivated only by self interest and that the market is the preferred method for organizing human activity become reified as social norms, and their associated language affects behavior and becomes incorporated in the design of institutions and practices. Thus, the assumptions and ideas of economics create a reality where they are true only because of their effect on actions and decisions which, in turn, produces a reality that corresponds to the assumptions and ideas themselves (Ferraro et al., 2003: 12). Furthermore, the methodological individualism inherent in the reprivatization by economism ignores the structural functions of cooperatives at the community and class level (Mooney, 1988, 1990, 1998; Bonanno, 1987; Archer, 1978; Gray and Mooney, 1998).

Conclusions

Although cooperatives in their origin, and their natures are oppositional to investor owned firms (Gray and Mooney, 1998), the fact little or no discussion was published in opposition to the conversion would indicate not only that the discourse of neoclassical economics had become established as dominant, but so had its arguments for conversion. That the discourse of neoclassical economics was used exclusively in the conversion of SDSP to the exclusion of oppositional discourses would indicate that such discourse had become natural and legitimate, thus commonsensical.

As Finlayson et al., (2005: 515) notes, the neoclassical narrative dominates the discursive space of capitalist societies to that extent that it has become hegemonic. They note that the hegemony of neoclassical economics has become a heuristic narrative in the way that it organizes common sense and hinders oppositional discourses. Hegemony is naturally discursive, and the control of discourse is achieved through relations of domination which are generally achieved through consensus. The result of this consensual domination is that the master narrative renders those power arrangements as natural. (Finlayson et al., 2005: 522). This result is what has occurred in the discourse of cooperative conversion: The master narrative of neoclassical economics has organized the arguments for conversion as being commonsensical, thus marginalizing the oppositional arguments.

Fairclough (2001: 76) similarly notes how discourse becomes naturalized and thus commonsensical. A struggle among discourse types typically results in the establishment or maintenance of one as the dominant discourse, and that struggle among discourse types occurs both within and over language. When one discourse becomes established as the dominant discourse, its ideological assumptions also become established as commonsensical. Again, the dominance of neoclassical economics has made its ideological assumptions about cooperative conversion to appear to be commonsensical.

A dominant discourse not only suppresses an oppositional discourse, but it also dominates an institution. When that occurs, the discourse is seen as being not only natural and legitimate, but its ideological character is disguised. This invisibility occurs when the ideology contained in the language is brought to the discourse not explicitly as parts of the text but rather implicitly as background assumptions. The discourse of neoclassical economics has come to dominate the discussion of cooperative conversion such that the ideology inherent in the background assumptions of conversion is invisible to most everyone, largely because it is taken for granted.

The result of this invisibility of the implicit background assumptions is text producers constructing reality in a particular way, and on the other hand, text interpreters construing the text in a particular way. With its ideological character rendered invisible, dominant discourse also appears to be neutral and outside of ideology. This very invisibility of the ideological character of a dominant discourse makes it effective. The neoclassical economics arguments for conversion hide their pro-corporate, anti-cooperative tendencies, and the readers of those arguments for conversion read those arguments such that they interpret those texts without realizing their biases.

Ferraro et al. (2003) further illustrate how dominant discourses become accepted as commonsensical and acceptable discourse. They demonstrate that theories become the dominant discourse when they are taken for granted and become normatively valued. This process makes them “true” in application independent of their empirical validity. They provide three means by which theories can become self-fulfilling: institutional design, social norms, and language. These three means were evident in the expert discourse of equity liquidity and equity access, the attempt to depoliticize the conversion of SSP to an LLC, and the reprivatization by economism discourse.

Similar to Fairclough who notes that dominant discourses are typically associated with an institution, Frazer (1989:14) discusses how expert discourses are associated with university academic departments and research think tanks. By considering economic problems as beyond the understanding of novices and as capable of being only fully understood by experts, these institutions attempt to remove these problems from the realm of public discourse and relegate them to the realm of experts. This practice also occurs in the discourse of cooperative conversion: the discipline of agricultural economics and its associated journals dominate the discourse to the extent that other social scientists and their perspectives are marginalized or rendered inconsequential. The increasing role of experts rather than members in cooperative decision making has resulted not only in the bureaucratization of cooperatives but also in the loss of cooperative democracy. Expert managers make decisions on "technical" matters, and because of their technical nature, only experts with similar training are qualified to evaluate the merits of these decisions (Mooney and Gray, 2002). As authority has increasingly been delegated to hired management and staff, purely economic interest has become dominant in cooperative decision making (Seipel and Heffernan, 1997).

Methodological and practical implications arise from this research. The methodological implication is a call for increased reflexivity among agricultural social scientists, and the practical implication is a call for increased opportunities for opponents of conversion to have access to legal or organization recourse to challenge conversion. As mentioned in the introduction, through their un-reflexive use of neoclassical economic theory as applied to cooperative conversion, discourse producers have unwittingly created a situation where the ideological assumptions contained in their theories become self-fulfilling through institutional design, social norms, and language. Bourdieu and Wacquant (1977) are critical of such un-reflexive social science research. They call upon social scientists to intentionally consider how the effects of their disciplines may warp or influence their objectivity. They argue that social scientists must engage in a constant reflexive consideration of their own discipline so that they do not unwittingly attribute to their object of study the characteristics of the subject. During their research, social scientists should always be thinking about how their perceptions (habitus) acquired through their disciplinary training are influencing their research. Only by constant vigilance can they become aware of the tendency to unwittingly import their disciplinary biases into their work.

The practical implication of this research is in finding an organizational or legal recourse for opponents to challenge conversion. If the board of directors of a cooperative begins to believe that the cooperative would be better off as a corporation, the board should be required to contract with an independent third party firm to assist it in conducting scenario planning to determine whether the outcome of conversion is beneficial both to the members and to the cooperative. In this situation, the purpose of scenario planning would have been to project the likely outcomes of conversion for members and for the company by remaining a cooperative versus converting to a corporation. Based upon the outcome of scenario planning, the board of directors and the members could make a choice informed by these scenarios as to the likely outcome of continuing as a cooperative or converting to a corporation. Another difficulty that the opponents of conversion experience is that they are a minority with no legal recourse or standing available within the cooperative's bylaws to challenge the board of directors. Recently, the North American Bison Cooperative adopted provisions modeled after a Canadian statute that allows a minority (20%) of the members to call for a third party performance audit and review of management practices in the cooperative.

References

Archer, R. 1978. "Idealism and Physicalism", in R. O'Donnell, R. Stevens, and L. Lennie, (eds.) Paper Tigers: *An Introduction to the Critique of Theory*. Sydney, Australia: Department of General Philosophy.

Baarda, J. 1986. *Cooperative Principles and Statutes*, Agricultural Cooperative Service, Research Report 54. Washington, D.C.: U.S. Department of Agriculture.

Block, Fred. 1990. *Postindustrial Possibilities: A Critique of Economic Discourse*. Berkeley, CA: Univ. of Calif. Press.

Boland, Michael and David Barton, 2003a, South Dakota Soybean Processors: Joint Ventures and Strategy, Arthur Capper Cooperative Center, Department of Agricultural Economics, Kansas State University, Manhattan KS, January.
www.agmrc.org/NR/rdonlyres/BB4A92C3-8E34-4E92-95C5-353E27111983/0/ksusdsoy.pdf

Boland, Michael and David Barton, 2003b, Striking Oil: South Dakota Soybean Processors finds new ways to add value to crop, Rural Cooperatives, 70(2) (March/April): 20-23
http://www.rurdev.usda.gov/rbs/pub/mar03/marapr03.pdf

Bonanno, A., 1987. *Small Farms: Persistence with Legitimation*. Boulder, Colorado: Westview Press.

Bordieu, P. 1977. *Outline of a Theory of Practice*. Cambridge: Cambridge University Press.

Bordieu, P., and L. Wacquant. 1992. *An Invitation to Reflexive Sociology*, University of Chicago Press.

Collins, R.A. 1991a. "The Conversion of Cooperatives to Publicly Held Corporations." *Western Journal of Agricultural Economics* 16: 326-330.

Collins, R.A. 1991b. *Analysis of Economic Motives for Cooperative Conversions to Corporations.* University of California: Center for Cooperatives.

Craig, J., 1980. *Managing Cooperative Organizations* (Working Paper). York, Canada: Cooperative College of Canada.

Fairclough, Norman (2001). *Language and Power* (2nd edition). London: Longman.

Ferraro, Fabrizio, Jeffrey Pfeffer, Robert I. Sutton., 2003, *Economics Language and Assumptions: How Theories Can Become Self-fulfilling*. Stanford, CA: Stanford University.

Fink, Rodney J., 2001. *New Generation Cooperatives: Case Studies: South Dakota Soybean Processors*, Illinois Institute of Rural Affairs, Western Illinois University, Macomb, IL http://www.iira.org/pubsnew/publications/IVARDC_CS_169.pdf

Finlayson, Alan C., Thomas A. Lyson, Andrew Pleasant, Kai A. Schafft, and Robert J. Torres, 2005. "The “Invisible Hand”: Neoclassical Economics and the Ordering of Society." Critical Sociology 31 (40: 515 - 536.

Frazer, Nancy, 1989. *Unruly Practices: Power, Discourse, and Gender in Contemporary Social Theory*. Minneapolis, MN: University of Minnesota Press.

Granovetter, M., 1985. "Economic action and social structure: The Problem of Embeddedness." *American Journal of Sociology* 91: 481-510.

Granovetter, M., 1990. The old and the new economic sociology: a history and an agenda. In Friedland, R., Robertson, A.F. (Eds.) *Beyond the Marketplace: Rethinking Economics and Sociology*. Aldine de Gruyter, New York.

Gray, Thomas. W., and H. Patrick. 1998. “Rhetorical Constructions and Cooperative Conversions: A Comment”. *Journal of Rural Cooperation* 26(1-2): 37-48.

Klamer, A. 1987. “As If Economists and Their Subject Were Rational”, in J.S. Nelson, A. Megill, and D.M. Closkey (eds.) *The Rhetoric of the Human Sciences: Language and Argument in Scholarship and Public Affairs*. Madison: The University of Wisconsin Press, 1987.

Lasley, P., P. Baumel, R. Deiter, and P. Hipple. 1997. *Strengthening Ethics within Agricultural Cooperatives*. Rural Business and Cooperative Service, Research Report 151. Washington, D.C.: U.S. Department of Agriculture. http://www.rurdev.usda.gov/rbs/pub/rr151.pdf Retrieved July 13th, 2004.

Mingione, E., 1991. *Fragmented Societies: A Sociology of Economic Life Beyond the Market Paradigm.* Basil Blackwell, Cambridge, MA.

Mooney, P.H., 1988. *My Own Boss? Rationality and the Family Farm*. Boulder, Colorado: Westview Press.

Mooney, P.H. 1990 "Political and Economic Class Practices in U.S. Farmers Mobilizations: Continuities and Discontinuities" (Unpublished paper). Lexington KY: Department of Sociology, University of Kentucky.

Mooney, P.H., and T. Gray 2002. *Cooperative Conversion and Restructuring in Theory and Practice.* Research Report 185. Washington, DC: Rural Business--Cooperative Service, U.S. Department of Agriculture.

Mooney , P.H. and T. Majka, 1995. *Farmers' and Farm Workers' Movements: Social Protest in U.S. Agriculture*, New York: Twayne Publishers.

Mooney, P. H., J. Roahrig, and T. W. Gray; 1996. "The De-politicization of cooperation and the discourse of conversation" *Rural Sociology* 61(4): 559-576.

Morris, J.M., 1979. "Non-events" *Philosophical Studies* 34(3): 321-324.

Schrader, Lee. 1989. "Equity capital and restructuring of cooperatives as investor-oriented firms." *Journal of Agricultural Cooperation* 3: 107-109.

Seipel, Michael, and William D. Heffernan. 1997. *Cooperatives in a Changing Global Food System*. Washington, D.C.: USDA, Rural Business - Cooperative Service, Research Report 157.

Torgerson, Randall E., Bruce Reynolds, and Thomas W. Gray. 1998. "Evolution of Cooperative Thought, Theory and Purpose." *Journal of Cooperatives* 13:1-20. Torgerson, et. al. 1998 - page 10, 11, 12.

Data

UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549, FORM 10-Q, for the quarterly period ended June 30, 2002
http://www.sec.gov/Archives/edgar/data/1163609/000110465902004183/j4796_10q.htm

South Dakota Soybean Processors, Information Statement/Prospectus, Proposed Reorganization—Your Vote Is Very Important!
http://www.sec.gov/Archives/edgar/data/1163609/000091205702021888/a2080821z424b3.htm#01STP2933_1#01STP2933_1