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FARMER COOPERATIVES
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STRATEGIES FOR COOPERATIVE SYSTEM DESIGN: THE CASE FOR COORDINATION AMONG COOPERATIVES: DISCUSSION

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Torgerson's paper starts with two conclusions or assertions. The first is that there is excessive competition among cooperatives and such is costly to members/users. Evidence to support the conclusion is offered along with a rationale for why the system exists. The second conclusion is that actions of competing IOF's will force cooperatives to coordinate themselves.

Torgerson proceeds to list a number of strategies for cooperatives developing a more rational system. All except the last (the holding company) are in existence today. The paper does not indicate how some mix of the strategies will reduce competition among coops or improve the competitive position of coops vis-a-vis IOF's. This should be pursued in future work.

Torgerson also does not give an idea of the scope of the holding company except to imply that it would be large. Some of the current discussions among coop leaders seem to visualize a single national holding company as a solution to both the economic and political problems of farmers.

While not a major part of Torgerson's paper I will exercise a discussant's prerogative and raise questions about such an approach.

My major question is whether a national cooperative system is either attainable or desirable. If attainability is in the realm of possibility, one must assume that some common thread such as being a farmer or involved in agriculture, or being part of the coop movement is sufficiently strong to offset the competition and differences in economic interests of producers of different commodities in different regions. Nothing in our history indicates such to be the case. Certainly increased farm specialization, diversity in farm size, the move to industrialized pro-

duction, and in some cases shrinking markets are heightening the feelings of competition. If the proposed unit is to be an operating system, and not a trade organization such as the National Council of Farmer Cooperatives, there must be some means of providing direction and coordination. Proponents generally favor the federated approach to securing the necessary linkage, which means direction would come from bottom up. How will this change the current situation of excess competition and capacity and meet the conditions outlined by Torgerson as essential for a national system.

Regardless of attainability the economic desirability should be examined. For such an approach to be desirable one must assume that the advantages of conglomeration *per se* are greater than offsetting costs. An even better criterion, because it would include the option of having no coops, would be that the proposed system would have to yield farmers returns at least equal to opportunity costs. IOF's are in another conglomeration mode and it may be a wise course for them, but it does not follow that it is wise for coops. After all, the predominant role of coops is representing the interests of members as growers which may be very different than seeking optimum returns on an investment in the coop corporation.

The approach that I suggest is to follow through on the assertion that actions of competing IOF's will have considerable influence on the role and structure of cooperatives. This analysis should be done industry by industry. The analysis should consider technology, market channels, channel control or coordination, location as well as market concentration and imperfections. One will likely discover that the potential coop role and optimal structure varies widely among far-

supply categories as well as suppliers of markets and services.

As examples, consider the future of two industries historically significant to coops. In the case of seed, breeding has moved from the public to the private sector and within the private sector to large chemical firms with heavy emphasis on research and marketing branded products. What role is there for coops? In the case of milk, coops dominate at the assembly level, have a major voice in public policy and at least have their feet wet in the consumer products field. What will or can be the role of coops under expected technology and alternative public policy scenarios?

Such an approach may show that the best system is a whole series of special purpose independent coops with limited purpose joint ventures. It may turn out that even the multipurpose farm supply distribution system will be replaced by discrete systems for feed, chemicals, fertilizer, etc.

Other basic concerns need to be addressed separately or as part of the industry by industry examination. One is the viability of the federated approach in the world of 1995 and later. Torgerson uses several examples of federation that have had some success to date. There is no question that in places and for certain functions, a federated approach does work; but it also does not mean that the federated systems, which are predominant between the two continental divides, are either viable or the best options in the future. In fact I will argue that

without significant changes some of the conditions listed by Torgerson as necessary for a successful coop cannot prevail.

Torgerson inserted a few remarks on "maintaining market power" (his choice of words). He concludes and I think correctly, that coops acting alone have not been able to exercise market power but adds that "there is continued need for identifying alternative institutional arrangements for producer price and income enhancement through cooperative systems."

The issue does merit attention. The farm income situation is not likely to improve dramatically soon. The very expensive farm programs are clearly bandaides. The proposal that Jim Shaffer threw out 15 months ago at the AAEEA workshop on coops at Cornell, and all other ideas that involve a combination of cooperatives and public policy initiative for solving the farm income problem should be fully explored. I am disappointed that the matter did not get more attention at this conference.

The managers and most leaders of the existing cooperatives naturally have an interest in preserving the institutions and probably largely in their present form. There is a need for some people to be thinking the unthinkable and advancing options for appraisal and discussion. This role may by default go to the Land Grant University. I hope we do not default. A continuing concern of the Land Grant University should be rural institutions. Coops at least have been significant rural institutions.