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# STRATEGIES FOR SURVIVAL IN THE COUNTRY ELEVATOR INDUSTRY

Steven Gunn and David Cobia

**W**idespread dependence on government storage payments is beginning to plague country elevators. Many elevators have relied upon government storage income for survival in recent years (government storage accounted for 19.6% of gross income among the elevators surveyed for this report). Now that this income source has been lost, many elevators are faced with a major financial crisis.

Exacerbating this crisis is the anticipated record low carryover stocks which, combined with reduced planting because of the Conservation Reserve Program (CRP) and continued drought in some areas, may reduce potential handle for succeeding years. Continuing structural adjustments created by rail line abandonment and massive excess capacity present in the industry add to the problem. A few bright spots on the horizon offset this gloomy picture. A reduction in setaside percentage (27.5% to 10% for wheat and 20% to 10% for feed grain [USDA Situation and Outlook]) and the release or maturity of farmer owned reserve loans is scheduled. A possible improvement in commodity prices could take pressure off of narrow margins.

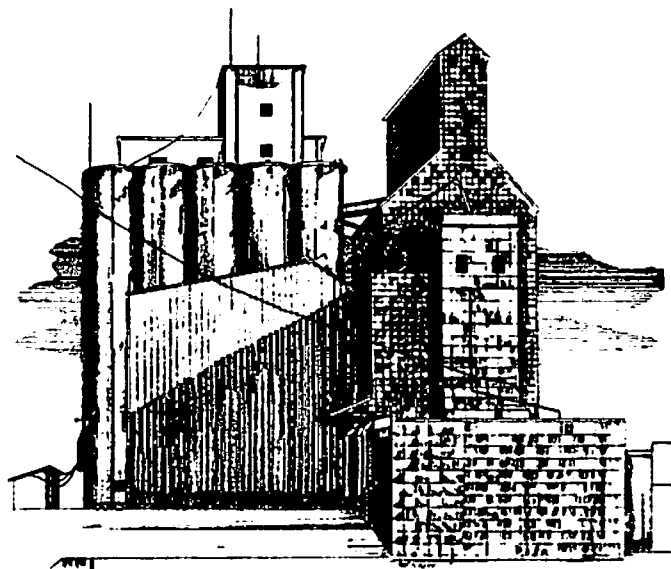
## RECOMMENDATIONS

What will elevators do to make up for the loss of government storage income and cope with possible reductions in grain flows in the face of already existing severe competition created by excess capacity? This report presents recommendations based in part on preliminary findings of a survey on how the managers of 87 cooperative country elevators evaluated 15 income-enhancing alternatives to survive the coming crisis.<sup>1</sup> Recommendations are also based on previous research, reviewer comments, and industry periodicals.

Most recommendations should not be applied across the board because each case is unique. What is appropriate for one elevator would not necessarily be appropriate for the neighboring one. Managers should consider the following suggestions in light of their particular circumstances in order to survive the current crisis.

Excess capacity afflicting the country elevator industry is already having an extraordinary impact on the competitive environment. In a competitive industry, firms normally leave or exit under pressure of excess capacity, resulting in a rationalization of the system. However, the fixed assets in the country elevator industry are highly specialized and have a very low salvage value for other uses. Because it is difficult to dispose of fixed assets, barriers to exit are exceptionally high. Thus, excess capacity will continue to force competitive pressures on existing firms for some time. In such an environment, there two generic strategies survivors can pursue: become a cost leader and/or develop market niches.

To compete as a cost leader an elevator must become aggressive in its efforts to control costs and to attract volume to cover those costs. The current crisis makes such an effort critical. Though cost containment should be a continuing goal, it is critical now. There may be expenditures that will have to be delayed until the current crisis subsides. Examples include selected



capital improvements, advertising, and making charitable contributions. An employee or two might have to be released. If such actions are not taken in some cases, there will not be an elevator around to hire anyone or make any charitable contributions.

Mergers and acquisitions can be one of the most painless ways to reduce the duplication of equipment and services and overlapping memberships associated with excess capacity. However, we found in a previous study (Cobia et al., p. 86) that management was often restricted from exploiting these economies by members of merging cooperatives insisting as a condition of the merger that not only their particular station remain open, but that prices at satellite stations equal those at the main station. Research by Clow and Wilson found that merged multi-plant grain marketing cooperatives performed more poorly than did single plant firms, likely because managers were restricted from exploiting potential economies.

The desire to keep local stations open because of community pride and preservation of nearby service is understandable. Insisting on it ties the manager's hands, potential savings are wasted, the entire cooperative suffers and the net price received by members is reduced, including members located near stations that should be phased out of active service. Massive levels of excess capacity implies that several stations need to be closed.

Another sensitive area is employment. It may be necessary to reduce employment, at least temporarily, to save the elevator. In some cases, reducing hours, such as closing at 5:00 p.m. or on Saturdays, may be all that is needed. In others, the hard decision to release employees must be faced. True, it is hard to release an employee, but that is minimal compared to closing the entire operation.

The current crisis provides an excellent opportunity to eliminate an unprofitable service or product line. For some, liability insurance may make carrying a line of ag chemicals unprofitable. A few members might complain about losing unprofitable services but they would likely complain even more if the cooperative closed. Another option is to change pricing policy by pricing each service to contribute equally to net margins. This avoids one service subsidizing another, and it is also in harmony with the cooperative principle of business-at-cost.

Not every elevator can or ought to be a cost leader. Market niches provide opportunities for elevators to develop a reputation for consistent quality and/or aggressive marketing. They can then merchandise grain at premium prices and/or facilitate grain acquisition. Attracting new patrons is a popular alternative among managers to enhance income. How are elevators going to attract patrons away from competitors? Obvious answers such as lower margins for the elevator will not

lead to survival unless the elevator is clearly a cost leader. A reputation with producers to effectively market grain will help attract new patrons and maintain present ones. Prompt execution of orders, being alert to market opportunities and aggressive solicitations of grain to capitalize on those opportunities will attract patrons from less progressive elevators.

Many elevator managers may want to consider using more creative grain acquisition and selling strategies. Grain acquisition strategies such as forward contracting, no price established (or delayed pricing contracts) and minimum price contracts may attract more volume. Use of computerized linear programming (LP) models would provide managers with information not only on optimum blending procedures, but also on what premiums can be paid and what discounts should be charged in light of characteristics of current grain stocks and market price differentials. Many elevator managers, particularly those nearing retirement who understandably may not want to become skilled in these areas, may wish to hire marketing consultants to at least help get started.

Marketing niches on the selling side are becoming increasingly important. Consumer, and as a result government, concern over food quality and food safety are being fueled by food scares, improved measurement, and research linking health with certain foods and contaminants (Kiplinger). These concerns are already being acted on by processors. Anderson reports that mills are ranking grain shippers according to quality. He asks "Are you a #1 select, a #2 preferred or a #3 approved elevator shipper to mill. This could mean a lot of money . . ." An alternative for many elevators will be to penetrate markets by developing reputations for quality. Some elevators, particularly those in the spring wheat area, can develop specialty crop market niches such as durum and edible beans. Market niches may be limited. They are not an answer for the entire industry.

## SURVEY RESULTS

The 87 cooperative elevators participating in the survey reported in this publication represent elevators of various sizes and economic conditions. They are spread across the hard red spring wheat (HRS wheat, 32 elevators), hard red winter wheat (HRW wheat, 27 elevators) and corn (28 elevators) production areas. The elevators in this survey were selected from nominations made by regional grain merchandising firms and banks for cooperatives.

The managers were asked to identify which of the 15 alternatives (Table 1) they considered practical. Next they were asked to rank the alternatives they considered practical on their potential for enhancing income. The frequency of ranking is given in Table 1 (e.g., 18 managers listed attracting new patrons as

having the most potential, 25 ranked it 2nd . . . , none ranked it 10th, etc.). The ranking index (Tables 1-7) was created by assigning weights to each ranking. For example, items ranked 1st were given a value of 1, those ranked 2nd, a value of 2, and so on (see Table 7 for the formula).<sup>2</sup>

We are reporting what a sample of country elevator managers consider as practical reactions to a loss of government storage income and an apparent reduction in total grain flow. However, managers, as a group, cannot achieve what each is planning. Therefore, managers need to reevaluate their alternatives.

### Compatibility of Alternatives

The dilemma faced by elevators is reflected in survey responses (Tables 1-7). Though some responses are realistic, others are unrealistic in light of competitive environment, and others are incompatible or suffer from the fallacy of composition. (What works for one individual does not work if everyone tries it, such as, the early bird gets the worm.) For example, one elevator may increase its handle by attracting new patrons. But, in this survey, 90% of the elevators considered attracting new patrons as practical, more than any other alternative. Seventy-one percent ranked this alternative as one of their top 3 options compared to 57% for changing merchandising practices (Table 1). Obviously, not all elevators can attract new patrons.

Competitive pressure from excess capacity and declining farm numbers makes attracting new patrons by 90% of the elevators nearly impossible. How can elevators simultaneously increase margins and the number of patrons without reducing the number of elevators? Mergers and subsequent facility restructuring are a major way out of this dilemma. However, there seems to be an unwillingness to even consider mergers and acquisitions by many cooperatives. Only 41% of them considered this option and only 11% ranked it among their top 3 choices (Table 1). However, 5% mentioned joint ventures as a method of increasing revenue.

Attracting additional patrons is also incompatible with increasing margins, as over half would like to do. Increasing margins ranked highest in income potential among the 54% of the managers selecting this option. While this option has some potential in light of the anticipated bullish market the existence of massive excess capacity makes it problematical. Unit train loading facilities were conservatively estimated to be operating at 17% of capacity in Iowa, 23% in Nebraska, and 43% in North Dakota (Cobia et al., p. 8). Rather than increase margins, elevators may have to reduce them, along with adding services or handling new crops to attract new patrons. Most managers identified increasing margins, yet only 37% considered adding new crops.

Several income-enhancing alternatives seem to be realistic and internally consistent (Table 1). These ranged from changing merchandising practices (see Tables 8 and 9 for changes in the 1980-1987 period) which ranked near the top (2nd) in potential for enhancing income, to changing internal management structure which ranked at the bottom (15th). The other alternatives include better labor utilization (3rd), decrease costs in other ways (5th), add or drop marketing services (6th), mergers and acquisitions (8th), change discount and premium practices (9th), decrease transportation costs (10th), handle new crops (11th), change blending and cleaning practices (12th), eliminate a product line (13th) and close plant (14th). The astute manager should concentrate on these alternatives according to the circumstances being faced.

### Comparison by Production Region

There were major differences in perception of alternatives to improve net income between production regions (Tables 2-4). Managers in the spring wheat area considered handling new crops as practical more often than did managers in other areas. Spring wheat elevators tend to handle a larger number of commodities than do elevators in other areas and are probably more alert to this option. Changing blending and cleaning practices and changing discount and premiums practices rated higher for income potential in the spring wheat area than in the other areas. This indicates the importance of quality differentials, premiums and discounts and blending opportunities in handling commodities in the spring wheat production area.

Differences in excess capacity in each region may influence managers perceptions. Managers in the spring wheat area, where excess capacity is lower, placed more importance on increasing margins than did managers in the other areas. Managers in the winter wheat and corn production areas saw less potential for increasing margins, with the corn belt managers observing the least income potential from increasing margins. This is possibly due to the substantially higher level of excess capacity in much of the Corn Belt. It is also possible that excess capacity prompted corn and winter wheat managers to see more potential in mergers and/or acquisitions.

Other differences between production regions may have affected manager's perceptions. Such differences include greater use of alternative merchandising practices and the higher degree of independence (less reliance on commission companies) in the corn and winter wheat areas versus the spring wheat area. Also, cooperatives in the spring wheat area tend to be single purpose establishments more often than in the corn and winter wheat areas where cooperatives sell inputs as well as market grain. Adding and/or dropping marketing service and changing merchandising practices (both rated more important in corn and winter wheat areas

than in the spring wheat area) are two alternatives thus affected.

### Progressive-Conservative Comparisons

Cooperatives were placed in 3 groups (Tables 5-7) according to net income (net income as a percent of assets and as a percent of net worth) and innovativeness (use of noncash grain acquisition methods, computerized accounting, and fax machines). Those classified as progressive (30 elevators) had higher levels of net income and employed new technology such as fax machines and microcomputers. Those classified as conservative (25 elevators) generally had the lowest levels of net income and tended not to use the specified practices. There were 32 elevators classified as intermediate.

Major differences existed among these groups. The progressive group considered a greater range of alternatives. Nine alternatives were considered practical by more than half of the progressive managers. Only two alternatives were considered as practical by more than half of the conservative group. All but two of the alternatives were considered practical by a higher percentage of the progressive managers than the conservative managers.<sup>3</sup> Those two alternatives were changes in blending and cleaning practices and eliminate a product line. Thus, the progressive (profitable and innovative) were more conscious of ways to increase net income.

Compared to the other two groups, conservatives believed more strongly that they could simultaneously increase margins and attract new patrons. Conservatives ranked increasing margins 3rd in potential for generating income and 3rd in percentage considering it practical while the progressives ranked it 5th in potential and only 8th in percentage considering it practical. Both conservatives and progressives stressed the importance of attracting new patrons.

Progressives recognized more potential through increasing revenue by some means (the most common means given was joint venture with other cooperatives). Increasing revenue by some means ranked 6th by progressives and 12th by conservatives. Progressives saw more potential for improving labor utilization than conservatives (potential indices are 5.18, and 7.36 respectively). Conservatives saw more potential for handling new crops and for improving cleaning and blending practices than progressives, likely because progressive elevators have already realized those benefits. Another finding was that those conservatives who considered adding or dropping a marketing service practical<sup>4</sup> (20%) placed it 4th in potential, while the progressives who considered it practical (77%) placed it 9th in potential. Perhaps the conservatives saw potential in adopting marketing services the progressives are already using.

## SURVEY SUMMARY

Many country elevators are facing financial crisis brought on in part by declining government storage income, introduction of unit-train shipping, and excess capacity. This report examines alternatives elevator managers may consider to enhance income. Eighty-seven cooperative elevator managers in seven states were surveyed on the practicality and income-enhancing potential of 15 selected alternatives. The results indicate that the four alternatives of attracting new patrons, changing merchandising practices, improving labor utilization, and increasing margins were viewed as having the most income-enhancing potential. Some of the alternatives selected, such as attracting new patrons and increasing margins, may prove difficult to achieve due to excess elevator capacity and competitive pressure from other elevators.

Comparison of elevator manager responses demonstrated differences between production regions (spring wheat, corn, and winter wheat) and progressiveness rankings (progressive, intermediate, and conservative). Spring wheat managers saw more potential for handling new crops and increasing margins and less potential for mergers/acquisitions and changing merchandising practices than did managers from the corn and winter wheat production areas. Progressive managers saw more potential for improving labor utilization and adding or dropping marketing services, and less potential for handling new crops and changing blending and cleaning practices than did conservative managers.

Cost containment and development of marketing niches are two recommendations for elevator managers. These recommendations have increased in importance for elevators under the present crisis. Strategies can be expected to vary among firms because each situation is unique.

### FOOTNOTES

<sup>1</sup>These managers also answered questions regarding their operations, merchandising practices, the impact of government programs, and other exogenous factors on their operations. A comprehensive publication covering the entire survey will be available at a later date.

<sup>2</sup>Tables that include statistical tests of comparison between groups are somewhat complicated and are therefore not included in this report. Copies of these tables can be obtained from the authors.

<sup>3</sup>Hereafter referred to as progressives and conservatives.

<sup>4</sup>These rankings do not incorporate weights for unranked alternatives and are therefore different from those in Tables 5-7.

TABLE 1. Frequency distribution of rankings of net income enhancing alternatives by managers of 87 selected grain marketing cooperative elevators, fall 1988.

Alternatives	Frequency of ranking													Total (%)	Index <sup>a</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13		
1 Attract new patrons	18	25	19	4	5	2	2	2	1	0	0	0	0	78 (90)	3.55 (1)
2 Chg. merch. practice	27	14	9	5	4	4	1	0	0	1	0	0	0	65 (75)	4.60 (2)
3 Labor utilization	5	15	17	8	2	6	0	1	0	1	0	1	0	56 (64)	6.03 (3)
4 Increase margins	24	7	4	5	3	0	2	2	0	0	0	0	0	47 (54)	6.31 (4)
5 +/- mkting service	2	3	5	5	7	9	5	2	4	1	0	0	0	43 (49)	7.98 (6)
6 Decrease cost by ___	1	6	4	9	6	6	6	2	1	0	0	0	0	41 (47)	7.97 (5)
7 Incr. revenue by ___	2	4	5	9	6	4	1	4	0	2	0	0	0	37 (43)	8.20 (7)
8 Merger/acquisition	4	3	3	4	6	2	4	2	2	4	2	0	0	36 (41)	8.57 (8)
9 Chg. disc./premium	1	0	5	7	10	5	3	0	2	0	2	0	0	35 (40)	8.65 (9)
10 Handle new crops	0	2	4	6	5	2	2	2	4	0	3	2	0	32 (37)	9.19 (11)
11 Decr. trans. cost	1	2	2	5	3	4	5	4	4	0	0	0	0	30 (34)	9.16 (10)
12 Chg. blend./clean.	1	3	2	8	7	5	1	0	0	0	0	0	0	27 (31)	9.07 (12)
13 Elim. product line	0	0	1	2	1	3	3	6	1	2	0	0	0	19 (22)	10.14 (13)
14 Close plant	0	1	0	2	1	5	6	0	0	1	0	0	1	17 (20)	10.17 (14)
15 Chg. mgmt. structure	1	1	1	0	3	0	0	1	3	2	1	1	1	15 (17)	10.41 (15)
Total	87	86	81	79	69	57	41	28	22	14	8	4	2		

\*See Table 7 for footnote.

TABLE 2. Frequency distribution of rankings of net income enhancing alternatives by managers of 32 HRS wheat production area cooperative elevators, fall 1988.

Alternatives	Frequency of ranking													Total (%)	Index <sup>a</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13		
1 Attract new patrons	6	7	8	1	3	2	1	2	1	0	0	0	0	31 (97)	3.66 (1)
2 Chg. merch. practice	2	5	4	2	2	4	1	0	0	1	0	0	0	21 (66)	6.38 (4)
3 Labor utilization	2	6	6	3	0	3	0	0	0	1	0	1	0	22 (69)	5.95 (3)
4 Increase margins	17	3	0	3	2	0	0	1	0	0	0	0	0	26 (81)	3.72 (2)
5 +/- mkting service	1	0	0	2	1	5	1	0	3	1	0	0	0	14 (44)	8.73 (9)
6 Decrease cost by ___	0	3	2	2	4	2	4	1	1	0	0	0	0	19 (59)	7.38 (5)
7 Incr. revenue by ___	1	1	1	3	2	1	1	1	0	1	0	0	0	12 (38)	8.72 (8)
8 Merger/acquisition	1	0	0	1	0	0	2	0	0	4	1	0	0	9 (28)	10.08 (12)
9 Chg. disc./premium	0	0	3	4	4	2	2	0	1	0	0	0	0	16 (50)	8.05 (7)
10 Handle new crops	0	2	3	3	3	1	2	1	1	0	2	1	0	19 (59)	7.77 (6)
11 Decr. trans. cost	1	1	1	3	0	0	0	3	1	0	0	0	0	10 (31)	9.33 (11)
12 Chg. blend./clean.	1	3	2	1	3	1	0	0	0	0	0	0	0	11 (34)	8.86 (10)
13 Elim. product line	0	0	0	1	0	0	0	2	1	0	0	0	0	4 (13)	10.80 (15)
14 Close plant	0	0	0	1	1	2	2	0	0	0	0	0	1	7 (22)	10.34 (14)
15 Chg. mgmt. structure	1	1	1	0	1	0	0	1	1	0	1	1	1	8 (25)	10.25 (13)
Total	32	32	31	30	26	23	16	12	10	8	4	3	2		

\*See Table 7 for footnote.

TABLE 3. Frequency distribution of rankings of net income enhancing alternatives by managers of 28 corn production area cooperative elevators, fall 1988.

Alternatives	Frequency of ranking													Total (%)	Index <sup>a</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13		
1 Attract new patrons	7	7	7	3	0	0	0	0	0	0	0	0	0	24 (86)	3.39 (1)
2 Chg. merch. practice	14	4	2	2	0	0	0	0	0	0	0	0	0	22 (79)	3.45 (2)
3 Labor utilization	0	4	6	3	2	2	0	1	0	0	0	0	0	18 (64)	6.18 (3)
4 Increase margins	4	2	1	1	0	0	2	1	0	0	0	0	0	11 (39)	7.84 (8)
5 +/- mkting service	0	1	4	2	3	2	2	1	1	0	0	0	0	16 (57)	7.32 (4)
6 Decrease cost by ___	1	3	2	2	2	2	1	0	0	0	0	0	0	13 (46)	7.64 (6)
7 Incr. revenue by ___	0	3	1	3	3	2	0	1	0	0	0	0	0	13 (46)	7.73 (7)
8 Merger/acquisition	2	2	0	3	4	1	0	1	2	0	0	0	0	15 (54)	7.34 (5)
9 Chg. disc./premium	0	0	1	1	4	1	0	0	0	0	1	0	0	8 (29)	9.43 (11)
10 Handle new crops	0	0	0	1	0	1	0	0	1	0	1	1	0	5 (18)	10.50 (14)
11 Decr. trans. cost	0	0	1	1	2	0	4	0	2	0	0	0	0	10 (36)	9.16 (19)
12 Chg. blend./clean.	0	0	0	2	1	4	1	0	0	0	0	0	0	8 (29)	9.36 (10)
13 Elim. product line	0	0	0	0	1	2	0	3	0	1	0	0	0	7 (25)	9.95 (12)
14 Close plant	0	1	0	0	0	1	2	0	0	1	0	0	1	6 (21)	10.20 (13)
15 Chg. mgmt. structure	0	0	0	0	1	0	0	0	2	2	0	0	0	5 (18)	10.52 (15)
Total	28	27	25	24	23	18	12	8	8	4	2	1	1		

\*See Table 7 for footnote.

TABLE 4. Frequency distribution of rankings of net income enhancing alternatives by managers of 27 HRW wheat production area cooperative elevators, fall 1988.

Alternatives	Frequency of ranking													Total (%)	Index*
	1	2	3	4	5	6	7	8	9	10	11	12	13		
1 Attract new patrons	5	11	4	0	2	0	1	0	0	0	0	0	0	23 (85)	3.59 (1)
2 Chg. merch. practice	11	5	3	1	2	0	0	0	0	0	0	0	0	22 (81)	3.70 (2)
3 Labor utilization	3	5	5	2	0	1	0	0	0	0	0	0	0	16 (59)	5.98 (3)
4 Increase margins	3	2	3	1	1	0	0	0	0	0	0	0	0	10 (37)	7.80 (5)
5 +/- mktng service	1	2	1	1	3	2	2	1	0	0	0	0	0	13 (48)	7.76 (4)
6 Decrease cost by ___	0	0	0	5	0	2	1	1	0	0	0	0	0	9 (33)	9.00 (10)
7 Incr. revenue by ___	1	0	3	3	1	1	0	2	0	1	0	0	0	12 (44)	8.06 (6)
8 Merger/acquisition	1	1	3	0	2	1	2	1	0	0	1	0	0	12 (44)	8.07 (7)
9 Chg. disc./premium	1	0	1	2	2	2	1	0	1	0	1	0	0	11 (41)	8.56 (8)
10 Handle new crops	0	0	1	2	2	0	0	1	2	0	0	0	0	8 (30)	9.52 (12)
11 Decr. trans. cost	0	1	0	1	1	4	1	1	1	0	0	0	0	10 (37)	8.94 (9)
12 Chg. blend./clean.	0	0	0	5	3	0	0	0	0	0	0	0	0	8 (30)	9.02 (11)
13 Elim. product line	0	0	1	1	0	1	3	1	0	1	0	0	0	8 (30)	9.56 (13)
14 Close plant	0	0	0	1	0	2	2	0	0	0	0	0	0	5 (19)	9.94 (14)
15 Chg. mgmt. structure	1	0	0	0	1	0	0	0	0	0	0	0	0	2 (7)	10.50 (15)
Total	27	27	25	25	20	16	13	8	4	2	2	0	0		

\*See Table 7 for footnote.

TABLE 5. Frequency distribution of rankings of net income enhancing alternatives by managers of 30 progressive grain marketing cooperatives, fall 1988.

Alternatives	Frequency of ranking													Total (%)	Index*
	1	2	3	4	5	6	7	8	9	10	11	12	13		
1 Attract new patrons	5	5	9	1	3	1	2	1	1	0	0	0	0	28 (93)	4.05 (1)
2 Chg. merch. practice	8	8	4	1	1	2	0	0	0	0	0	0	0	24 (80)	4.27 (2)
3 Labor utilization	4	7	4	4	0	3	0	0	0	0	0	0	0	22 (73)	5.18 (3)
4 Increase margins	6	2	2	1	2	0	0	2	0	0	0	0	0	15 (50)	7.27 (5)
5 +/- mktng service	0	2	1	2	6	4	3	1	3	1	0	0	0	23 (77)	6.95 (4)
6 Decrease cost by ___	0	2	0	5	2	3	2	1	1	0	0	0	0	16 (53)	7.95 (8)
7 Incr. revenue by ___	2	2	1	2	2	3	0	4	0	1	0	0	0	17 (57)	7.60 (6)
8 Merger/acquisition	2	0	2	3	4	1	2	0	0	3	2	0	0	19 (63)	7.68 (7)
9 Chg. disc./premium	1	0	3	3	1	2	2	0	2	0	1	0	0	15 (50)	8.48 (9)
10 Handle new crops	0	0	1	1	2	0	2	0	2	0	2	2	0	12 (40)	9.90 (11)
11 Decr. trans. cost	0	0	1	2	1	2	2	3	2	0	0	0	0	13 (43)	9.27 (10)
12 Chg. blend./clean.	1	0	1	2	1	1	1	0	0	0	0	0	0	7 (23)	10.10 (12)
13 Elim. product line	0	0	0	0	0	1	2	4	0	1	0	0	0	8 (27)	10.55 (14)
14 Close plant	0	1	0	2	0	0	4	0	0	1	0	0	0	8 (27)	10.18 (13)
15 Chg. mgmt. structure	1	1	0	0	1	0	0	0	2	0	0	1	1	7 (23)	10.57 (15)
Total	30	30	29	29	26	23	22	16	13	7	5	3	1		

\*See Table 7 for footnote.

TABLE 6. Frequency distribution of rankings of net income enhancing alternatives by managers of 32 intermediate cooperative elevators, fall 1988.

Alternatives	Frequency of ranking													Total (%)	Index*
	1	2	3	4	5	6	7	8	9	10	11	12	13		
1 Attract new patrons	5	12	9	2	2	0	0	0	0	0	0	0	0	30 (94)	2.91 (1)
2 Chg. merch. practice	13	1	1	3	2	2	0	0	0	1	0	0	0	23 (72)	4.92 (2)
3 Labor utilization	0	4	10	3	2	2	0	1	0	0	0	1	0	23 (72)	5.80 (4)
4 Increase margins	11	4	1	3	0	0	2	0	0	0	0	0	0	21 (66)	5.22 (3)
5 +/- mktng service	2	0	1	3	1	4	2	1	1	0	0	0	0	15 (47)	8.11 (7)
6 Decrease cost by ___	0	4	1	2	3	2	3	1	0	0	0	0	0	16 (50)	7.73 (5)
7 Incr. revenue by ___	0	2	2	6	3	1	0	0	0	0	0	0	0	14 (44)	8.05 (6)
8 Merger/acquisition	1	1	0	1	1	1	1	2	1	1	0	0	0	10 (31)	9.33 (12)
9 Chg. disc./premium	0	0	1	1	6	2	1	0	0	0	0	0	0	11 (34)	8.95 (8)
10 Handle new crops	0	1	3	2	1	1	0	1	2	0	1	0	0	12 (38)	9.03 (9)
11 Decr. trans. cost	0	2	0	2	2	2	2	1	0	0	0	0	0	11 (34)	9.06 (10)
12 Chg. blend./clean.	0	1	0	2	4	3	0	0	0	0	0	0	0	10 (31)	9.16 (11)
13 Elim. product line	0	0	0	0	0	1	0	1	1	1	0	0	0	4 (13)	10.69 (15)
14 Close plant	0	0	0	0	0	2	2	0	0	0	0	0	1	5 (16)	10.52 (13)
15 Chg. mgmt. structure	0	0	1	0	0	0	0	1	1	1	1	0	0	5 (16)	10.53 (14)
Total	32	32	30	30	27	23	13	9	6	4	2	1	1		

\*See Table 7 for footnote.

TABLE 7. Frequency distribution rankings of net income enhancing alternatives by managers of 25 conservative grain marketing cooperatives, fall 1988.

Alternatives	Frequency of ranking													Total (%)	Index*
	1	2	3	4	5	6	7	8	9	10	11	12	13		
1 Attract new patrons	8	8	1	1	0	1	0	1	0	0	0	0	0	20 (80)	3.78 (1)
2 Chg. merch. practice	6	5	4	1	1	0	1	0	0	0	0	0	0	18 (72)	4.60 (2)
3 Labor utilization	1	4	3	1	0	1	0	0	0	1	0	0	0	11 (44)	7.36 (4)
4 Increase margins	7	1	1	1	1	0	0	0	0	0	0	0	0	11 (44)	6.56 (3)
5 +/- mkting service	0	1	3	0	0	1	0	0	0	0	0	0	0	5 (20)	9.04 (11)
6 Decrease cost by ___	1	0	3	2	1	1	1	0	0	0	0	0	0	9 (36)	8.28 (6)
7 Incr. revenue by ___	0	0	2	1	1	0	1	0	0	1	0	0	0	6 (24)	9.10 (12)
8 Merger/acquisition	1	2	1	0	1	0	1	0	1	0	0	0	0	7 (28)	8.68 (9)
9 Chg. disc./premium	0	0	1	3	3	1	0	0	0	0	1	0	0	9 (36)	8.46 (7)
10 Handle new crops	0	1	0	3	2	1	0	1	0	0	0	0	0	8 (32)	8.54 (8)
11 Decr. trans. cost	1	0	1	1	0	0	1	0	2	0	0	0	0	6 (24)	9.14 (13)
12 Chg. blend./clean.	0	2	1	4	2	1	0	0	0	0	0	0	0	10 (40)	7.72 (5)
13 Elim. product line	0	0	1	2	1	1	1	1	0	0	0	0	0	7 (28)	8.94 (10)
14 Close plant	0	0	0	0	1	3	0	0	0	0	0	0	0	4 (16)	9.72 (14)
15 Chg. mgmt. structure	0	0	0	0	2	0	0	0	0	1	0	0	0	3 (12)	10.08 (15)
Total	25	24	22	20	16	11	6	3	3	3	1	0	0		

\*It is not possible to recreate the index without the original data for each cooperative. Index = sum R<sub>i</sub>/N, where R<sub>i</sub>=rank of alternatives by ith elevator and N=number of cooperatives in group. Values for unranked alternatives = (sum (n+1)+... 15)/15-n, where n=number of ranked alternatives (this procedure assumes a tie for last for unranked alternatives).

TABLE 8. Relative importance of grain acquisition methods by selected grain marketing cooperative elevators, 1980 and 1987.

Group (number)	Year	Grain acquisition methods			
		Cash purchase	Forward contract	NPE/DPC <sup>a</sup>	MPC <sup>b</sup>
		- - - - - percent - - - - -			
All elevators (87)	1980 <sup>c</sup>	83.4	13.1	3.4	0.0
	1987	78.3	15.2	5.9	0.6
Production region: Spring wheat (32)	1980	81.6	12.4	6.0	0.0
	1987	76.6	14.8	8.5	0.1
Corn (28)	1980	74.6	22.2	3.2	0.0
	1987	68.9	23.0	7.1	1.0
Winter wheat (27)	1980 <sup>c</sup>	94.6	4.5	0.5	0.0
	1987	90.0	7.6	1.7	0.7
Progressiveness: Progressive (30)	1980 <sup>c</sup>	74.5	19.0	6.2	0.0
	1987	68.5	20.2	10.5	0.8
Intermediate (32)	1980	86.1	11.8	2.1	0.0
	1987	79.7	15.2	4.3	0.8
Conservative (25)	1980	90.6	7.6	1.8	0.0
	1987	88.1	9.3	2.5	0.1

<sup>a</sup>NPE/DPC = No price established or delayed pricing contract.

<sup>b</sup>MPC = Minimum pricing contract.

<sup>c</sup>Less than .5% miscellaneous methods.



TABLE 9. Relative importance of grain selling methods by selected grain marketing cooperative elevators, 1980 and 1987.

Group (number)	Year	Grain selling methods			
		Spot market	To-arrive market	FOB country	Basis trading
		----- percent -----			
All elevators (87)	1980	45.2	35.6	8.7	10.5
	1987	37.8	34.6	9.5	18.1
Production region: Spring wheat (32)	1980	50.3	40.2	7.5	2.0
	1987	47.9	40.2	8.1	3.8
Corn (28)	1980	31.0	31.1	14.0	23.9
	1987	24.4	27.1	15.6	32.9
Winter wheat (27)	1980	53.9	34.8	4.6	6.7
	1987	39.8	35.5	5.0	19.7
Progressiveness: Progressive (30)	1980	42.0	37.5	6.2	14.3
	1987	29.8	38.9	5.9	25.4
Intermediate (32)	1980	54.7	22.9	8.3	14.1
	1987	47.6	23.3	10.7	18.4
Conservative (25)	1980	36.8	49.6	12.2	1.4
	1987	34.9	43.7	12.4	9.0

This manuscript reports on a small part of a personal interview survey of 87 cooperative country elevators in seven wheat and corn producing states. The portion of the survey presented in this publication is being reported first because its value is more immediate. A more comprehensive report is scheduled for publication later in 1989.

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