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87-16

FACULTY PAPER SERIES

FP 87-16

October
1987

MEMBERSHIP POLICY ALTERNATIVES FOR GROWTH COOPERATIVES

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FP 87-16 October 1987

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*Thomas L. Sporleder**

Abstract

Growth is inevitable in marketing cooperatives operating pools which consistently obtain member returns in excess of cash market prices. In some cooperatives, the capital plan is the only means used to establish a fortuitous membership policy. This article presents a simple conceptual framework for two distinct parts: acquisition and transfer of rights to deliver to a pool, and equality of treatment of new members relative to original members. Specific policy alternatives for each component are defined and examined. The interaction among the components also is considered. The analysis suggests that strategic planning in some cooperatives should involve consideration of alternatives for membership policy.

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MEMBERSHIP POLICY ALTERNATIVES FOR GROWTH COOPERATIVES

Firm growth typically is defined as increases in output or assets over time. Growth can occur in either the horizontal or vertical dimension, and may be either external or internal. Major sources of growth are: 1) an increase in the availability of productive resources (e.g. from acquisition of another firm) and 2) a change in the productivity of available resources. This latter source of growth can result from an improvement in technology, a change in the relative proportion of resources used, or a change in the composition of firm output.

Growth is inevitable in marketing cooperatives operating pools which consistently obtain member returns greater than spot market prices. This forces a cooperative eventually to some planned growth strategy over time. This paper outlines some major alternatives regarding membership in growth cooperatives. Specifically, policy alternatives are presented which address 1) the acquisition and transfer of participation rights and 2) the equality or fairness among members over time in a growth marketing cooperative. Participation right means which producers have the right to deliver to a pool of their cooperative. The question basically deals with how membership is defined. Equality or fairness means determining a procedure so that all patrons, new or old, in some manner provide a "fair share" of equity to the cooperative.

The discussion does not investigate the societal or welfare implications of membership alternatives, although this may be an important macro question. After a brief background on the reasons for and extent to which cooperatives have limited membership, a conceptual framework for the membership policy

alternatives is presented. Next, alternatives for acquisition and transfer of participation rights are presented with the objectives, mechanics, and advantages and disadvantages of each alternative discussed. Alternative policies regarding equality among members subsequently is discussed, using the same presentation framework. A concluding section discusses the interaction among participation rights and equality alternatives. Throughout, the discussion is oriented toward marketing cooperatives which have marketing agreements for crops and are vertically integrated into further processing.

Background

Some marketing economists feel that the greatest potential for assuring market access and control by producers lies with vertical integration growth of marketing cooperatives. The rationale for this position is that the domestic food production and distribution system increasingly is becoming industrialized with fewer but larger processing and marketing firms with increasing market power (Connor). To participate in an industrialized, commercial food complex may require producers to take action to assure market access, protect markets, and/or assure control, by vertically integrating forward in the marketing channel.

Whether this view of the current status of the agricultural complex is correct is not to be settled here. Suffice it to say that one alternative for maintaining some degree of producer access or protection of markets is through vertical growth of marketing cooperatives. Indeed, in a recent article in this Journal, Staatz discusses the cooperative as a form of vertical integration. Staatz traces this theoretical model of cooperatives to Emelianoff's writings in 1942. Other recent writings by Cotterill, Lopez and Spreen, and McGregor consider theoretical conditions that may lead current members of a processing cooperative to restrict membership. Even though previous literature recognizes

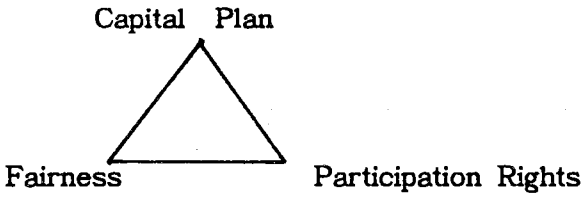
the possibility of restricted membership, specific policy alternatives for growth in membership over time are not available from this literature. However, expulsion of members was recently explored by Copeland.

Earlier literature recognizes that cooperatives adopting policy to restrict membership may stem from a market power incentive, but is more likely to be a manifestation of limited processing capacity. This processing capacity was put in place by initial members who contributed risk capital. Forward vertical integration by committed marketing cooperatives could occur for motives such as market power rather than market access or protection. However, a much quoted study by Youde and Helmberger in 1966 found that about 25 percent of the 30 "leading cooperatives" had limited membership. Of these, only four were judged to have limited membership to enhance market power. The majority of limited membership cooperatives were judged to pursue this policy for reasons of limited processing plant capacity or because federal milk marketing order provisions make such a policy advantageous. A 1977 update of this study found much the same pattern existing then as existed in 1966 (Youde).

Processing plant capacity constraints are very real in vertically integrated cooperatives. Especially with committed pool marketing and fixed processing capacity, growth over time calls for conscious and judicious policy regarding membership by the cooperative. Aspects of such membership policy are the mechanism for acquisition and transfer of participation rights as well as consideration of equitable treatment of original and new members of the cooperative over time. After a brief conceptual framework is presented, the remainder of this paper describes the major alternatives for both aspects of membership policy in a growth cooperative. Some advantages and disadvantages, along with the mechanics of each policy, are discussed.

Conceptual Framework

In many cooperatives, the capital plan is the method used to establish a fortuitous membership policy. The conceptual framework here is that even though membership policy in many cooperatives typically is defined by the capital plan, it is not *necessary* for membership policy to be treated that way. There are three distinct and separate considerations with regard to membership policy: 1) establishment of a policy with regard to acquisition and transfer of participation rights, or rights to deliver to the cooperative, 2) equality of treatment among members over time or fairness to original members of the cooperative who supplied initial risk capital, and 3) the capital plan or equity of each member. The conceptual framework for this paper is that these items *can be separate*. That is, that separate, distinct, and deliberate policies can be established to treat each aspect separately. The conceptual framework suggests only that policies can be separate, not that they must be separate from the capital plan for all cooperatives. Diagrammatically, the conceptual framework is:



The diagram is meant to connote the idea that policies regarding the capital plan, fairness and participation rights are all related but can be treated separately and have policies established which separately address each aspect. The relationship or interaction among fairness alternatives and participation rights alternatives, is briefly recognized in the last section.

Participation Rights Alternatives

Policy regarding acquisition and transfer of participation rights in a limited membership cooperative has many aspects. The central aspect of alternative policies essentially becomes a question of the "attachment" of the right. This means that the key differences among all alternative policies is whether the right of participation is attached to the land from which production is delivered, to the member, or whether the right is retained within the cooperative and controlled by the Board of Directors.

Four leading alternatives with regard to the acquisition and transfer of participation rights are: 1) land by description, 2) member, 3) member and land, and 4) membership rights not assigned to either member or land but retained by the Board of Directors. This latter system of acquisition and transfer of participation rights will be called a non-transferable system. Possible variations in the last system are significant in terms of how rights might be acquired and/or transferred and are discussed briefly.

Land By Description

Purpose of the Policy. "Land by description" defines the acquisition and transfer of participation rights through land only. Rights to deliver to a pool are attached to a specific number of acres, typically described in a manner identical to the Agricultural Stabilization and Conservation Service (ASCS) description of the land. The purpose of the system is to stabilize volume delivered to the pool and/or membership in the cooperative. The land by description system purposefully makes acquisition and transfer of participation rights difficult relative to other alternatives. Membership in the cooperative is obtained under such a system only through land ownership.

Mechanics of the Policy. Typically, initial assignment of rights is on the basis of specific acres and is a Board of Directors decision. The only way that transfer of rights can take place is to sell the acres to which rights are attached. In the case of a landlord/grower relationship, obviously only the landlord would have the opportunity to sell rights. Over time, these rights would acquire value in relation to the average price differential between a cooperative's final settlement price and the open market spot price. Assuming that this differential was positive over time in favor of the cooperative, then acres sold with rights to deliver to the cooperative would be more valuable than similar acres without those rights. Thus, in this system, the value of the participation right is capitalized into land price.

Advantages. Relative to the other membership policy alternatives regarding acquisition and transfer of participation rights, land by description represents the most difficult system under which to transfer membership. Stability in volume or members may be the most important longer run consideration. With stability in volume and members, production management practices and members producing more nearly correct quantity and quality for processing may be easier to achieve for the cooperative. The costs of member education or of providing other services to members may decline as stability increases.

At the same time, a system which makes it relatively difficult to transfer participation rights also would be a disadvantage for the member. All other things equal, current members would prefer ease in the transfer of participation rights.

Disadvantages. The primary disadvantage of this system is that production is frozen on a certain number of acres at whatever point in time the system is

adopted. The expected long-term effect would be to increase the cost of production to the cooperative relative to non-cooperative production. One long-term cost effect is that production cannot move over time to areas where cost of production is least. Another expected effect is that rights are capitalized into the cost of production and thus become an additional cost compared to spot production.

A mechanism for expansion of acres at a future time is really not a part of the land by description system. That is, suppose the Board of Directors decides that expansion in acres is desirable. Initial assignment of these *additional acres* would be a decision for the Board of Directors, not prescribed as part of this policy. This could lead to arbitrary decisions concerning which additional acres are assigned rights.

Member System

Purpose of the System. The purpose of this system of participation rights is to assign rights to members rather than the land. The amount of rights to deliver, either acres or quantity, simply would be carried on the books of the cooperative. No physical description of land is necessary and members could shift the specific acres to which they apply their rights from one production season to another.

Mechanics of the System. Initial assignment of rights under a member system is relatively easy compared to the land by description system. Records of the cooperative simply show the amount of production rights and the member specifies the location of those rights annually, in the case of acreage agreements. It does not matter whether owners wish to assign rights to their own farms or to some other acres. Members are free to assign rights on an annual

basis to whatever acres they designate. Also, rights could be leased unless expressly forbidden by Board policy.

With regard to the transfer, rights can be sold to any other farmer that wishes to purchase them, subject to Board of Directors approval of the new member. Sales are private treaty transfers at whatever price the seller can obtain. Any new member that bought rights usually is subject to Board approval prior to the sale becoming final. There can be a time limit put on transfer of rights. Once rights are transferred, the purchaser can face a requirement to produce the rights or lose them within some period of time. For example, a two year limit could be imposed.

Expansion of either pool acres, quantity, or number of members takes place by allocating new rights, usually to existing members. These members then have a choice of producing from the additional rights or selling those rights.

Advantages. Implementation of the member system is relatively easy compared to land by description. No physical description of land is ever needed. Bookkeeping entries on who has rights to deliver to the pool are simple.

Over time, the system does not freeze the acres on which production occurs, as does the land by description system. Since assignment of rights to acres takes place on an annual basis, the outcome is that rights are assigned over time to whatever acres have a comparative cost advantage in production.

Disadvantages. There is a possibility of speculation with the member system. It is conceivable that some members of a cooperative might buy membership rights of other members purely for the reason that they expect the value of those rights to increase over time. One solution to minimize

speculation is to limit the percentage of acres acquired by any one member to some small percentage. A second possible solution is to allow the Board of Directors to rule that rights must be uses or lost within a certain period of time. That is, a member either uses the rights or loses them. The problem with this solution however, is that someone could still buy a large number of rights and lease them, meeting production requirements so rights are not lost.

The value of the right under the member system is capitalized into the cost of production even though it does not manifest itself in the price of land when land is sold. The expected result of this would be that cost of production would increase over time as participation rights increase in value. However, any system that allows the value of participation rights to accrue to either a member or the land would increase long-term costs of production.

Another potential disadvantage is the mobility factor or lack of perfect knowledge. Problems associated with membership instability include: 1) frequency with which member education programs need to be conducted, and 2) intermediate and long run planning made more difficult or expensive because of high membership turnover. The member system possibly could lead to speculation on the value of the rights to participate and that could in turn add to the instability in membership.

Determination of who gets any expanded or additional future rights is still an arbitrary decision under the member system. The Board of Directors may be left without guidance as to whether existing members should be assigned rights to additional acres or whether producers outside the cooperative might be assigned additional rights (perhaps on the basis of how much they are willing to pay for them).

Member and Land

Purpose of the System. The member and land system for acquisition and transfer of participation rights involves a combination of some aspects from the member system and some from the land by description system. The purpose of the combination of member with land by description is to gain some "advantages" from each of those systems. The member and land system purposefully is complex compared to the others, especially with regard to transfer. The member and land system is designed to capture the flexibility of assigning specific pool acres or quantity on a seasonal basis, yet attempt to stabilize membership by making transfer of participation rights from one member to another more difficult. Members are assigned rights rather than land. However, transfer of rights can only take place with the sale of land. The system attempts to inject more stability in volume or membership than may occur under the member system, yet maintain some flexibility.

Mechanics of the System. Initial assignment of participation rights under the member and land system is essentially identical to that under the member system. The primary difference between member versus member and land is with regard to transfer of rights to deliver to the pool, rather than initial assignment.

The transfer of rights under the member and land system would occur only with the sale of land. That is, if a member has rights to deliver from (say) 1000 acres, the member can assign that right annually to specific acres. These can vary from one season to the next. However, if the member wishes to sell the participation rights to those 1000 acres, (i.e. leave the cooperative) he or she must also sell 1000 acres of land.

New members would be subject to Board of Director's approval. In the case of land sale with rights attached, the sale is contingent upon approval of the new member. Participation rights would be capitalized into the price of land under this system. Leasing of rights usually is not allowed. This is because if leasing were allowed, the purpose of the transfer of rights only with the sale of land is defeated.

Advantages. This system results in a more stable membership relative to the member system and does not freeze production on certain acres as does land by description.

Disadvantages. The system is cumbersome for transfer of participation rights. Value of the participation right is realized only through sale of land. Also, allocation of new or expanded rights remains an arbitrary Board decision under this system.

Non-Transferable

Purpose of the System. The purpose of non-transferable rights is to allow the Board of Directors of a cooperative to maintain maximum control over membership. No lateral or member-to-member transfers of participation rights are allowed under the system. If any current member wants out or a new member in, it is solely a Board decision. Rights cannot be transferred from one member to a non-member or from one member to another member under this system.

Mechanics of the System. There are three possible ways of defining the amount of participation rights that any particular member holds under the non-transferable system. One is to define rights in the terms of number of acres, a second is quantity, and a third system is an "unlimited" system where each

member simply holds membership, regardless of size. The mechanics of each is discussed briefly.

Under the acreage non-transferable system, initial assignment of right is in proportion to the amount of current production, or some average over the past (say) two or three years or seasons. In terms of the transfer of participation rights, if a member ceased production, the rights revert to the Board. The Board of Directors would then have complete discretion over re-assignment of those rights. They could be re-assigned with or without a transfer of equity from the member leaving to the new member. The Board would not have discretion over the amount of rights that could be re-assigned however. If for example, 500 acres of rights were turned into the Board, only 500 acres could be re-assigned to a new or existing member.

Initial assignment in the non-transferable system where size is determined according to quantity is on the basis of a season average on yield from delivered acres. Transfer of membership is from member to Board, Board to member. As with the acreage system, no lateral transfers are allowed.

The final alternative for the determination of the amount of rights any particular member holds is an "unlimited" system. This simply means that membership is on a one for one basis, regardless of size. If a present member terminates, one membership becomes available. The Board can re-assign this to anyone, regardless of size of the expected deliveries from prospective producers. Again, transfer of membership is not allowed from one member to another, only member to Board and Board to member.

Advantages. The Board of Directors has nearly complete control over membership relative to other alternatives. This membership system is simple in implementation compared to other alternatives. Production over time can move to

the lowest cost of production areas. Members can assign rights to specific acres annually. Under "unlimited," no acreage assignment is necessary.

Disadvantages. Under this system, the Board of Directors has much discretionary power and is able to manipulate membership to a high degree. The non-transferable system does not solve the question of who gets additional or expanded rights, should future growth occur. Allocation of additional rights are arbitrary. Relative to the member system of participation rights, the non-transferable system does not permit individual members as much freedom. Volume control by the cooperative is relatively less than with other systems.

Fairness Alternatives

A second aspect of the conceptual framework regards equality or fairness to original members of a cooperative as growth occurs. Membership policies regarding the fairness issue can be wide-ranging. Regardless of the mechanics of particular fairness policies, all have as their intent assurance that all members of a cooperative contribute a fair share for equity over time to the operation. Original members of a cooperative contribute risk capital to enable building the facility. As the cooperative grows in membership over time, original members may be concerned that the new or entering members contribute to the equity base of the cooperative in sufficient magnitude so that there is a reward to the original risk capital.

Each of the membership policy alternatives regarding fairness discussed in this section allows for differential treatment of new members compared to original members. The alternative policies described vary widely in their impact on new members and to a lesser extent on original membership, and in their mechanical aspects. Policies for equality include: 1) base contracts, 2) front-end equity, 3) pool price differentials, and 4) multiple pools.

Base Contract System

Purpose of the System. The purpose of a base contract system is to reward original risk capital while providing for growth in the cooperative. The system operates by establishing a negotiable (or marketable) marketing right which is allocated to only the original members of the cooperative. Over time the value of the negotiable marketing right, or base contract, becomes the return to the original patron's risk capital. The market for these negotiable rights determines the amount of the return.

Mechanics of the System. The base contract system is specifically designed to create a certain amount of rights to deliver to the pool which will, over time, have value or a market price in a successful cooperative. The base acreage allotment is determined on (say) a three year average of production, in terms of the equivalent acres, delivered to the pool. Base acres can be sold in private treaty transactions among growers. A restriction on base acres is that, without misfortune such as hail or drought, base acres must be planted each season. If a base acre allotment is not used, it is lost in (say) two years, or becomes non-negotiable.

As an example, assume an equivalent pool size of 25,000 acres. Base acreage contracts initially are assigned on a proportional basis to each original member, based on delivery history. In this example then, initial base contracts amount to 25,000 acres and are assigned to original members. Only base contracts accrue market value over time.

Temporary (one to three year) pool expansion can occur through the action of the Board of Directors. The Board can issue non-transferable "term contracts" valid for one to three years. Deliveries from all acres, term or base, would share equally in pool proceeds. However, since these term contracts

are not negotiable while base contracts are, only base contract acres have market value. The amount of base contract in addition to the contract's price would determine the extent to which an original member realized a risk capital return over time.

Prior to each production season, notification of term contract availability is made in either a public announcement, or such contracts can be made available on a priority basis to existing base acre members. In the event that existing base acre members do not wish to produce the additional amount desired, term contracts would go to producers outside the cooperative. Anyone that holds only term contracts would have temporary rights to deliver.

Advantages. The base contract system allows for reward to original risk capital, as do all the systems discussed in this section. The system is relatively flexible over time to meet changing conditions or requirements of the pool in terms of size. It allows for either permanent or temporary pool expansion over time.

Disadvantages. A possibility exists for speculation in base acres. Base acre contracts are negotiable and are bought and sold among existing members. It is possible that members might buy base acres simply because they expect next year's price of base acres to be higher than the current season. There is no viable means of preventing short-term speculation from occurring under such a scheme.

Some growers may consider the "produce it or lose it" requirement on base acres as unfair. However, this is a necessary aspect of the base acre system.

The expected long run outcome of the base acre system is to increase the cost of production from base acres. Since any new acres with rights to deliver

to the pool need a base acre contract, the cost of obtaining a base acre contract simply becomes an additional cost of production.

Under the base contract system, the Board of Directors has wide decision-making latitude. This may be both an advantage and a disadvantage. If the Board decides to allocate all new acres over time to existing members, then young farmers might have difficulty becoming members.

The long-term incentive under a base contract system may be to promote the status quo. This may happen since additional members, either temporary or permanent, would still share equally in processing margins. Depending on the value or market price of the negotiable base contract, the Board or original members may not consider that reward to be sufficient. Under these conditions, no new base acres would be allocated over time and growth could be prohibited.

Differential Front-End Equity Requirement

Purpose of the System. The purpose of a differential equity requirement is to provide for a higher equity requirement for future members. Higher equity for future members relative to original members provides an indirect return to the risk capital of original members. The differential equity requirement is called "front-end" because it represents a one-time payment of equity by new members at the time they join the organization. The front-end equity is separate and apart from the equity requirement under the capital plan of the cooperative

Mechanics of the System. The differential front-end equity requirement as a policy alternative regarding fairness is a simple program to administer. It represents new permanent equity capital to the cooperative when future members are accepted. The additional equity is permanent and the amount is based on the

amount of new acreage or quantity that acquired the right to deliver to the pool. The front-end equity calculation typically is based on some percent of the crop value delivered for the first year. This requirement is usually a per-unit retain and established without regard to earnings of the cooperative.

Advantages. The system is simple. Capital is provided for the expansion of processing facilities at a later time or diminution of original member's permanent capital requirements.

Disadvantages. Original members that provided risk capital may not consider the diminution of their permanent capital a sufficient return under this system. This system rewards original members of the cooperative indirectly, not directly as in the case of a system like base contracts.

Pool Price Differentials

Purpose of the System. The purpose of the pool price differential system is to assure return to the capital of original members by paying differential pool prices based on the length of time a member has belonged to the cooperative. In essence, sub-pools are created for different classes of members. Such sub-pools could allow unequal proportioning of the processing margin. The pool price differential is a scheme best suited to operate in a cooperative where all raw product coming into the pool is processed.

Mechanics of the System. The mechanism for calculating a pool price differential is to differentially allocate the cost of processing to various members. As new members of the organization enter, they are allocated a relatively higher cost share of operating a processing facility than an original

member. The differential can be a sliding percentage scale based on the number of years of delivery to the pool.

Advantages. The sole advantage of this system seems to be that young farmers are more likely able to participate (relative to other fairness alternatives). This is because the system would not require an initial lump sum capital investment to become a member, or the expense of purchasing a base contract.

Disadvantages. The tax implications of such a system are not clear. The system in essence gives a return on investment to original members of the cooperative. The Internal Revenue Service may treat this as allocation of the pool on the basis of equity rather than patronage. If so, the tax implication could be that the IRS would apply dividend treatment to the difference. In this case it would be taxable.

New members may be difficult to obtain under such a system since the disincentive in pool price may be of sufficient magnitude to discourage new members. Also, the system is relatively complex to administer since it requires sub-pools, an extra accounting burden. Basically, the magnitude of any differential is an arbitrary Board decision.

Multiple Pools

Purpose of the System. Multiple pools are established under the philosophy that no fair way exists to treat original members or new members when expansion occurs with a single pool.

Mechanics of the System. Only original members share in the pool established for the current processing facilities. Any future new member is part of a separate pool.

Advantages. Some would contend that this system is most fair to new and original members, relative to the other alternatives.

Disadvantages. Management of multiple pools can be a considerable problem over time. Incentives for new members to join a separate pool may not exist if processing margins can be captured over time by new members. Multiple pools could be viewed as creating "nested" or multiple cooperatives.

Interaction of Participation Rights and Fairness Alternatives

The interaction or compatibility of alternative policies concerning participation rights and equality or fairness is a crucial management and Board consideration before any one policy is adopted. Some participation rights policies are not compatible with certain fairness policies, Table 1. Using the fairness policy alternatives as a base, compatibility with participation rights policy alternatives is discussed.

The base contract alternative for fairness is compatible only with the "member" participation rights policy. Since the purpose of the base contract system is to create a negotiable marketing right, only participation rights alternatives designed to readily facilitate exchange of rights among members is fully compatible. The participation rights system of "land by description" and "member and land" are both designed to make membership transfer relatively difficult. Of course, the non-transferable system does not allow such transfer at all.

Both front-end equity and pool price differential fairness alternatives are fully compatible with all participation rights alternatives. Either of these fairness policy alternatives could be combined with any of the

Table 1. Interaction or Compatibility of Membership Policy Alternatives.

Participation Rights System	Fairness System			
	Base Contract	Front-End Equity	Pool Price Differential	Multiple Pools
Land by Description	No	Yes	Yes	Yes
Member	Yes	Yes	Yes	Yes
Member and Land	No	Yes	Yes	Yes
Non-Transferable:				
(a) Acreage	No	Yes	Yes	Yes
(b) Quantity	No	Yes	Yes	Yes
(c) Unlimited	No	Yes	Yes	Yes

participation rights systems discussed. The multiple pool fairness alternative also is compatible with any of the participation rights systems discussed.

Summary and Conclusions

Growth cooperatives inevitably face the need for a planned growth strategy. Successful cooperatives are under long-term pressure to increase volume and membership, even though they may have fixed processing capacity in the intermediate run. For some cooperatives, membership policies have been treated only implicitly as a "residual" of the capital plan for the cooperative. This need not be the case. The membership policy alternatives outlined here are specifically separate, although effect the capital plan.

Obviously, no one membership policy can be suitable for all cooperatives. However, there are several aspects of membership policies that seem to surface as important in the choice of one policy over another. One important aspect of membership policy is to what extent acquisition and transfer are predetermined by the policy. That is, how much discretionary authority does the Board of Directors possess with the policy? Wide latitude by the Board means a weak policy or no policy at all. Among the alternatives discussed here, clearly the "non-transferable" policy gives a Board greatest discretion.

Along the same lines, an aspect of membership policy worthy of consideration is the extent to which the policy incorporates economic criteria rather than arbitrary decision. For example, is a policy aimed at transferring membership in the cooperative through a negotiable marketing right which reflects "market" conditions, or is the value at the time of transfer established by edict?

An explicit conceptual framework and the definition and comparison of membership policy alternatives in growth cooperatives may provide managers and Boards with valuable information. A fortuitous policy serves neither member or

management well over time. Recognition and analysis of the alternatives is necessary for optimal strategic planning.

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