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Issues Facing Traditional Cooperatives

*Rita Reuss
Land O'Lakes*

I have been asked to address issues facing "traditional" cooperatives. First, I challenge whether any successful cooperative today can be labeled traditional. Land O'Lakes is a market- and customer-driven regional cooperative with both individual direct members and local cooperative members. It is committed to optimizing the value of its members' dairy, crop and livestock production. Its business is in areas that are both value-added, consumer-oriented and farm supply.

We organize and conduct our governance in what many would say is a "traditional" cooperative structure. The challenges of the changing nature of both agriculture and the consumer food industry make it necessary to find non-traditional approaches to running our businesses, providing returns for our member-owners and governing our organization. It is imperative the governance system be efficient, cost effective and produce quality board members to facilitate business objectives and strategic direction.

As we look at the issues facing us it is imperative to recognize and understand the environment we function in. The environment is one of fast-paced, well-financed global competition—an environment in which our customers themselves are constantly changing. Communication, understanding and even partnering with our customers is becoming increasingly important.

In this environment we focus on issues such as:

- How do we grow, innovate and beat the competition?

- How do we operate at least cost while serving our members, building capital and optimizing our members' return?
- How do we have the best governance system to lead us in the twenty-first century?

Our challenges are our opportunities and we and our member-owners need to find new ways of thinking and doing things. It is imperative our member-owners continually remind themselves they are owners and commit themselves to what is needed to succeed in a global competitive environment. As an organization we must:

- Respond to change in compressed time frames.
- Grow and gain critical mass and economies of scale.

Today's competitive environment means we need to react quickly, make timely decisions and have the ability to source capital. This requires member commitment and member investment not totally unlike the member investments of some of the new generation cooperatives. It also calls for a governance system that allows for timely decisions and the ability to be flexible to permit management to focus on achieving strategic plans.

Some of the questions we hear from our members are, How big do we really need to be to be successful in the future? Is what you are investing in going to get us a fair return? How

much, and how, does the rate of return compare to the risks of the venture?

Land O'Lakes exists to optimize its members' return. Balancing the need to grow to be competitive and provide a good return to the members with immediate needs and demands, and recognizing their governance role is a true business and communication challenge and opportunity. There is a real need to change expectations as to how things have been done and how they will be done in the future—this relates to management style, member involvement and communications. This said, it is also important that we:

- Keep a feeling of belonging in the membership.
- Keep our heritage and values as a cooperative.
- Attract and retain quality board members.
- Overcome the perceived conflicts between:
 - ◆ Traditional/new.
 - ◆ Large/small.
 - ◆ Production/supply.
 - ◆ Least cost/quality and service.
 - ◆ Growth/investment/member return.
 - ◆ Traditional/new market demands.

In conclusion, an effective governance system should allow for, and enhance, the organization's ability to achieve its vision and strategic direction. This so-called "traditional" cooperative is seeing opportunities provided by the new environment, meeting the challenges by finding new solutions to achieve success while meeting and exceeding its customers' and owners' needs.

Notes

Rita Reuss is Vice President of Public Affairs, Land O'Lakes, Minneapolis, Minnesota.