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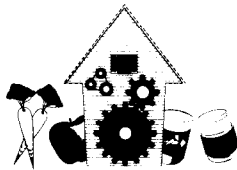
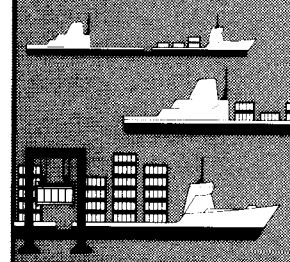


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Strategic Planning Systems of Large Farmer Cooperatives



Farmer Coop



Abstract

Strategic Planning Systems of Large Farmer Cooperatives

James J. Wadsworth
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This report describes the methods, procedures, and functional relationships that make up the strategic planning systems of four large farmer cooperatives. Case study analysis of the cooperatives indicates the existence of well-developed, comprehensive, and active strategic planning systems. Strategic planning methods or components stressed by the cooperatives include: mission or vision statements; situation/environmental assessment; development of goals and/or objectives and corresponding strategies; implementation programs, projects, or action plans; and strategic planning feedback.

Keywords: Cooperative, strategic planning, organizational structure, strategies, objectives.

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Preface

This report presents case studies of the strategic planning systems of four large farmer cooperatives. Cooperatives interested in strategic planning can use these studies to help them implement or improve their own systems. Large cooperatives can develop or enhance strategic planning systems from exposure to the systems employed by their successful counterparts, and small- and moderate-size cooperatives can improve or develop strategic planning systems by learning important strategic planning philosophies and methods practiced by successful cooperatives.

The case study cooperatives are among the top 100 cooperatives, each having sales exceeding \$400 million and having strong governance and organizational structures. The cooperatives vary in characteristics of their operations and functions. Both marketing and farm supply cooperatives are represented. Information about the four cooperatives was collected by personal interviews and by use of cooperative documents.

To protect the confidentiality of the cooperatives, the subjects are not identified. Instead, the cooperatives are identified as A, B, C, and D. These cooperatives were selected for study because of their size, diverse operations, products and services, and financial and operational soundness, and because each cooperative has integrated a system of strategic planning into its organizational structure.

Agricultural Cooperative Service is grateful to the cooperative leaders and management personnel whose contributions were essential for this research.

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Highlights

The cooperative strategic planning systems examined in this report are comprehensive, results-oriented systems developed over time to fit the organizational and operational structures of the case cooperatives. Management personnel in these cooperatives help carry out strategic planning from the initial development phase, through implementation, and to the feedback stage.

Among the many characteristics of large-cooperative strategic planning, these stand out:

- Mission, vision, or definition and scope statements provide direction for strategic planning.
- The essence of strategic planning is to identify goals and issues, and develop strategies to achieve those goals and resolve those issues.
- Strategic planning is decentralized, with business units developing plans for their particular area of responsibility.
- In-depth analysis of the business environment is an essential component of strategic planning.
- Action plans, projects, or implementation programs are developed to carry out strategies so time is properly channeled and necessary resources are properly allocated.
- Feedback improves strategic plans. Major forms of feedback are monitoring financial data and reports on the effectiveness of strategies and the progress toward goals.
- The board of directors takes more of an advisory, review, and approval role than it does an active development role in strategic planning.

Strategic Planning Systems of Large Farmer Cooperatives

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“The dynamic business environment in which cooperatives operate comprises a complex array of structures, institutions, and influences ranging from local to global in scope. Cooperatives identify and respond to the changing needs of farmer-members in an evolving agricultural structure. The effectiveness of that response, however, is dictated by cooperatives’ posture, flexibility, and influence in the marketplace, relative to competitors.”¹

In responding to the changing needs of farmer-members within today’s dynamic business environment, many farmer cooperatives have integrated strategic planning systems into their organizational structures. An increasing number of cooperative leaders realize they need to make proactive adjustments in their cooperatives’ operations—“posture, flexibility, and influence”—for them to remain competitive and progressive in today’s marketplace. Such adjustments are the essence of strategic planning. Business decisions must be made on the basis of comprehensive strategic planning, rather than in reaction to adverse internal or external developments.

No universal strategic planning system exists. Rather, each system encompasses philosophies unique to the organization. Cooperatives are no exception. Cooperative leadership should seek to formulate and implement a system that “fits” the cooperative’s business philosophy and organizational structure.

This publication reports and analyzes the comprehensive strategic planning systems that four large farmer cooperatives have developed and incorporated into their organizational structures.

The phrase “strategic planning” is used to encompass the development, implementation, and evaluation of strategies that enable a cooperative to achieve its goals, including measurement, feedback, and control. Management is intrinsic in this definition. The case study cooperatives view strategic planning as more than a prescribed set of procedures. They see it as part of management’s dedication to think, make decisions, and take action given the organization’s strengths, weaknesses, opportunities, and purpose.

The four cooperatives are among the top 100 cooperatives in the United States. Some also are Fortune 500 corporations with net sales of more than \$400 million. All are highly diversified in various capacities, including marketing farm products, selling farm supplies, and providing farm services. All are involved in joint ventures and/or have subsidiary operations, and have sound governance structures. Each has a large board of directors (anywhere from 10 to 40 members) and upper management organized into departments, divisions, business groups, business units, etc.

COOPERATIVE A-DIVERSIFIED MARKETING

Cooperative A, though diversified, is oriented primarily toward marketing. Operations include manufacturing and marketing of agricultural products, distribution of farm supply inputs, and various member services.

¹U.S. Department of Agriculture, Positioning Farmer Cooperatives for the Future, A Report to Congress, Agricultural Cooperative Service, October 1987, p. 1.

Strategic planning, formalized by Cooperative A in the mid-1970's, involves the development of long-range (5-year) plans and an annual business plan. The latter is a tactical plan for the next year's operations that corresponds to the first year of the 5-year plan. Management updates the strategic long-range plan and develops the annual business plan each year.

Cooperative A separates its many functions into major business groups or units. These units are identified by their products, services, or manufacturing and distribution functions. Each unit is responsible for developing strategic plans specific to its function.

Because staff interaction is important, many employees participate in plan development. Further, the plan goes to the board of directors for review and discussion. The board approves the final plan.

Strategic planning in Cooperative A has five major stages or components (exhibit A-1 and fig. 1). Stages are undertaken at specific times throughout the year. The time frame of each stage is shown in exhibit A-1.

Business Unit Long-Range Planning

Each business unit within the cooperative develops its own long-range plan from January

Exhibit A-1-Cooperative A's strategic planning system time frame

Planning stage	Time frame
1. Business unit long-range planning	January to June
2. Planning review sessions	June to August
3. President's staff retreat	July or August
4. Board planning retreat	August or September
5. Annual business planning	September to December

through June. Three major components to be completed are listed in exhibit A-2.

Vision Statement The cooperative's vision statement is the starting point for business unit planning. The statement is developed through an interactive process by the chief executive officer and other senior management. Cooperative A defines its vision statement as a description of what the organization is to become. The statement is clear and concise. It provides guidance to business units as they each develop individual long-range plans. Cooperative A's vision statements are usually qualitative but also can be expressed in quantitative terms.

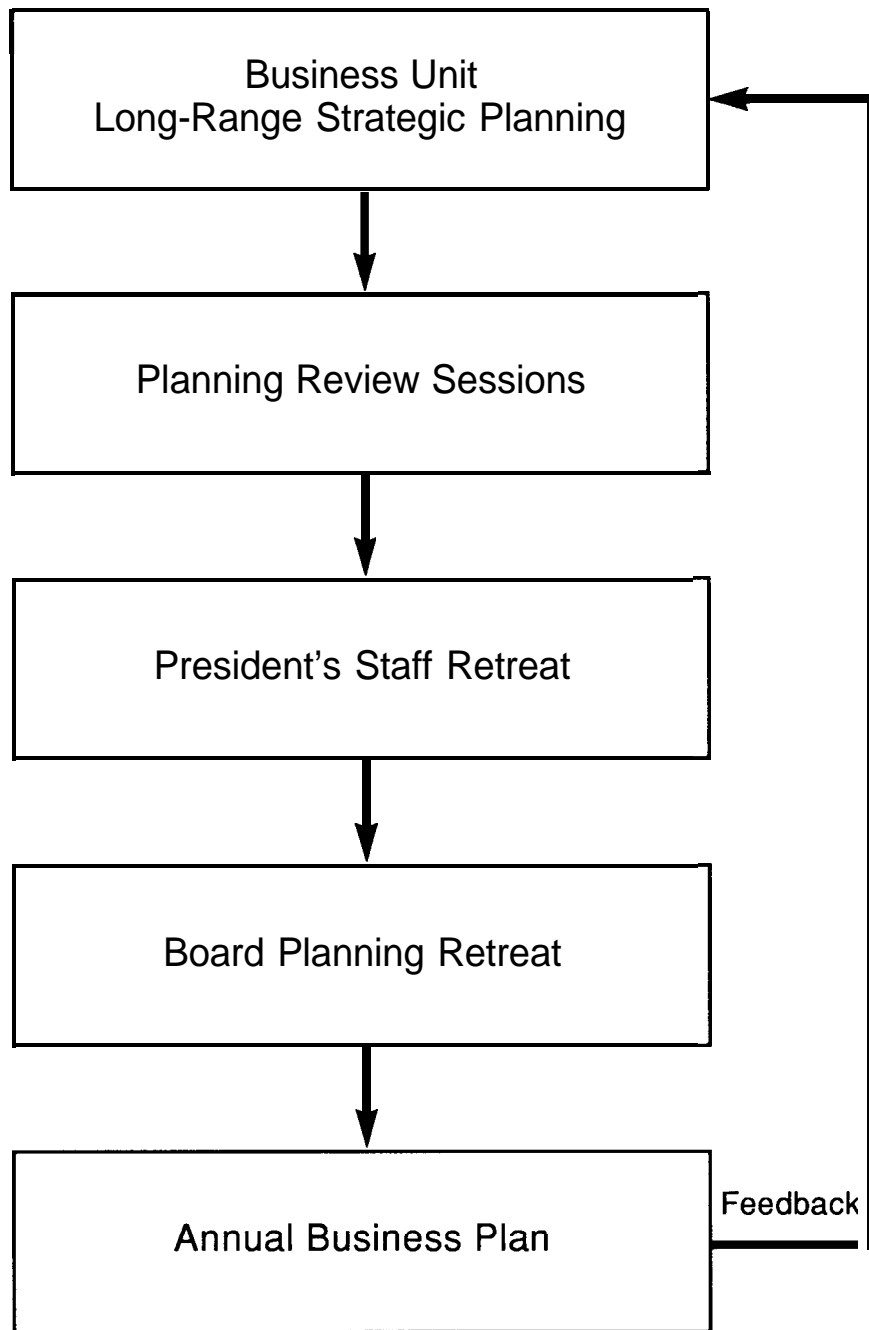
Business Unit Planning Each business unit follows an organized procedure to prepare a long-range plan. The plan includes an executive summary, the long-range strategic plan itself, and long-range financial estimates. The focus is on the business environment, unit goals, and strategies. At this stage, personnel spend about 90 percent of planning time on business strategy and the remainder on financial analysis.

Executive Summary. The executive summary is held to one page. It contains the key points of the strategic plan and identifies significant changes from previous plans.

Exhibit A-P-Cooperative A's business unit long-range planning components

1. Vision statement
 2. Business unit planning
 - A. Executive summary
 - B. Long-range strategic plan
 - C. Long-range financials
 3. Business unit planning summary and action plans
-

Figure I-Cooperative A's Strategic Planning



Long-Range Strategic Plan. The long-range strategic plan for each business unit contains a mission statement, an analysis of the competitive environment, critical business issues, and major goals and strategies.

Each business unit develops a mission statement to define, in general terms, what the unit is to accomplish.

To identify the competitive environment, each business unit completes industry, competitor, and internal analyses. The industry analysis includes a description of the general status (structure) of the industry in which the business unit operates, identifies key industry changes (internal and external), describes the government or regulatory issues that may affect the unit, documents significant industrial trends, and identifies any significant trends in the work force or labor markets.

The competitor analysis profiles the competition, including historical and current performance (sales, market share, profitability, product quality, customer service and loyalty, etc.), strengths and weaknesses, and current and anticipated changes in strategy. The analysis also examines market-segmentation patterns, research and development trends, and entry and exit of competitors.

The internal analysis evaluates the business unit's competitive position in terms of its own strengths and weaknesses, market position, critical issues to address, and the impact of business changes.

Business units set major goals to be reached and develop the strategy to be successful. Units (a) describe goals to be achieved; (b) define a measurement of the goal- for example, numerically and/or time frame; and (c) identify and describe progressive benchmarks.

In presenting the selected strategy, the unit documents the rationale, estimates resource requirements, and projects the outcome in broad financial terms from the present actual year through the next 5 future years (exhibit A-3).

Business units identify the key factors for the strategy to be successful in meeting goals. These include: what must be performed, acquired, or accessed; organization structural changes; and employee skill or development needs.

Assumptions critical to successful execution of strategies are documented. Situations that might be volatile during strategy execution are noted, and a range of possible circumstances requiring adjustments are listed. Finally, the business units identify and describe any risks or problems associated with carrying out strategies.

Long-Range Financial Estimates. Cooperative A strategy includes development of long-range financial estimates. These show the financial contribution that business units are expected to make through strategy implementation. They also estimate the financial resources required to carry out their strategic plans (exhibit A-4).

Exhibit A-3—Cooperative A's format to project strategy outcome in broad financial terms

Strategy description	Estimate	Actual year	Future years				
			year 1	year 2	year 3	year 4	year 5
	Sales units						
	Sales \$						
	Pretax earnings						
	Invested capital						

Financial information derived from this exercise shows the anticipated results of successfully carrying out the business unit's strategies. This information is used also in formulating Cooperative A's corporate long-range financial plan.

Business Unit Planning Summary and Action Plans Business units summarize their plans clearly and concisely. However, the length of explanation is determined by how large and complex the unit is. Further, some units have functions that are operationally related but organizationally separated, so summaries indicate important interrelationships.

Action plans to carry out strategies are specific and concrete. A timetable for completion is developed. Resources needed, human and capital, are estimated.

Review Sessions

During review sessions, senior management discusses major issues and strategic changes facing Cooperative A. And management reviews each business unit's plan. The review focuses on the selected goals and strategies and, taking into account the effect of issues raised, assesses the ability of the business unit to reach its stated goals. Unacceptable strategies are challenged. Changes

Exhibit A-4—Cooperative A's business unit long-range financial estimation summary items

	Actual year	Projection year	Future years			
			year 1	year 2	year 3	year 4
Operations						
Sales units						
Sales \$						
Pretax earnings						
Cash Flow						
Pretax earnings						
Depreciation						
Capital spending						
Acquisitions/divestitures						
Actual working capital changes						
Investment changes						
Net cash flow						
Invested Capital						
Base working capital						
Investments						
Property, plant, and equipment						
Present value operating leases						
Other						
Total invested capital						
Return on invested capital						

are required if the business unit insufficiently defends its position.

After review, the vice president and director of corporate planning and business development synthesize the business unit plans into a corporate strategic plan.

President's Planning Retreat

In August, the president and senior management staff hold a planning retreat away from corporate headquarters. Participants discuss the significant issues the cooperative needs to resolve. They review the drafted long-range strategic plan and revise it as necessary into a final plan ready for presentation to the board of directors.

Board Planning Retreat

In September, the board of directors holds its planning retreat away from corporate headquarters. But prior to the retreat, a copy of management's final plan is sent to each director. Each business unit summarizes its plan before the board, highlighting for discussion critical issues, significant changes, and existing and new strategic plans.

Annual Business Plan

Cooperative A's annual business plan is defined as its tactical plan for the coming year, which also is the first year of the corporate strategic plan. It is developed through the September-to-December period. The plan describes the operating environment and plans for the coming year and summarizes the detailed budget previously reviewed and approved.

Feedback

Cooperative A measures the success of its strategies through an ongoing analysis of its long-range financial estimates. Financial data analyzed and/or tracked include performance measures such as return on sales, return on invested capital, unit or sales volume, and market share. The annual business plan comes strongly into play each year in Cooperative A's strategic planning in that future planning depends on how well the cooperative performs under its tactical business plans.

COOPERATIVE B-REGIONAL FARM SUPPLY

Cooperative B, a large regional farm supply cooperative, provides a wide variety of agricultural supplies and grain marketing services to farmers through a system of member local cooperatives.

The regional initiated annual planning in 1976 and formally incorporated long-range (3 to 5 years) planning in 1980. The cooperative's organizational structure comprises several operational groups, each having planning units responsible for carrying out their own specific functions.

Cooperative B does not describe its long-range planning system as strategic planning. Rather, strategic planning is defined as an optional component of the planning unit (business unit).^{*} Strategic planning becomes part of the planning process if management feels plans in place need to be changed.

Essentially, Cooperative B identifies planning as a management tool. More than 40 managers develop and implement plans for their respective business units (the division or area they manage). Business unit managers report to their operational group vice president.

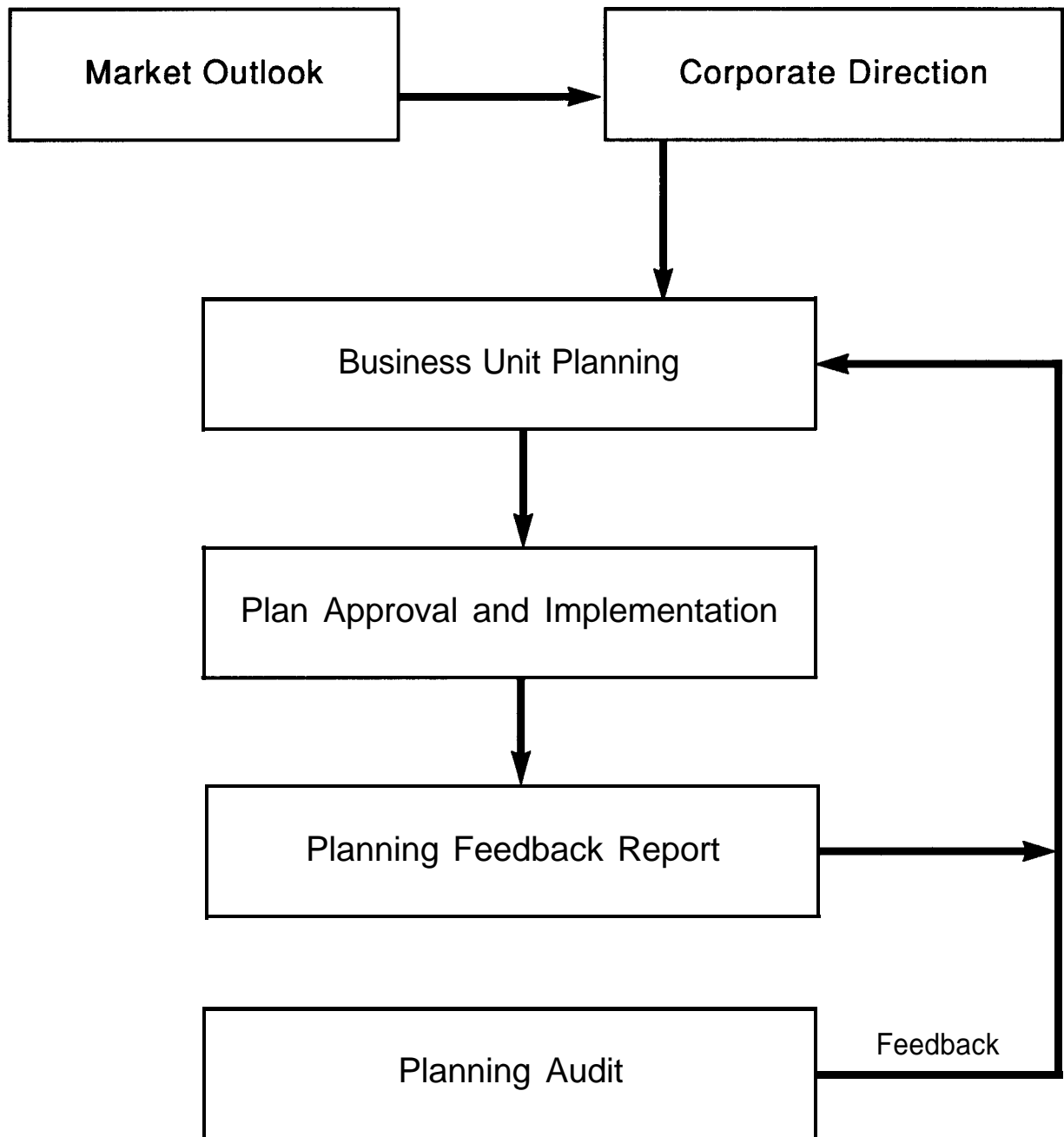
Five major components comprise Cooperative B's planning system (exhibit B-1 and fig. 2).

Exhibit B-1—Cooperative B's planning system

1. Market outlook and corporate direction
 2. Business unit planning
 3. Approval and implementation
 4. Planning feedback
 5. Planning audits
-

² **Though** Cooperative B uses the term "planning unit," which may have a different connotation than "business unit," this publication uses business unit to be consistent in discussing the four case study cooperatives.

Figure 2—Cooperative B's Planning System



Market Outlook

Early in the planning cycle, Cooperative B uses outside consultants and internal resources to develop marketing scenarios. These scenarios present assumptions about the cooperative's external business and market environment, and will be used for planning.

Corporate Direction

Cooperative B's plans are developed from lower management tiers with more direct links to markets, and proceed to upper tier management. Some direction comes from the chief executive officer (CEO) in the initial stages. The CEO sets an agenda, provides corporate direction, answers questions from management, and discusses possible corporate directional change such as acquisitions or mergers.

Business Unit Planning

Business units begin with individual planning that follows a guide developed by the corporate planning division. Cooperative B has several guides so it is important to note that planning does not involve a rigid system. Cooperative B strongly asserts that the major idea is not for business units to write a plan, but to reach goals and get things done. Planning time and effort are directed toward quality and action, not the plan appearance.

Cooperative B's planning process involves reviewing the organization's purpose, primary functions, and long-range direction; and developing plans of action for the next year. As a tool, planning is carried out to let the business unit know where it is going, how it is going to get there, and what needs to be done.

Cooperative B's guide includes nine business unit planning components (exhibit B-2 and fig. 3).

Definition and Scope Each business unit has its own "definition and scope" to explain why the business unit exists and to define its principal

Exhibit B-2—Cooperative B's business unit planning components

1. Definition and scope
 2. Long-range goals
 3. Current strategy
 4. Situation appraisal (optional)
 - A. External facts
 - B. Internal facts
 - C. Historical data
 5. Strategic planning (optional)
 - A. Strategic issues
 - B. Alternatives
 - C. Recommendation
 6. Problems and opportunities
 7. Specific objectives
 8. Projects
 9. Progress reports
-

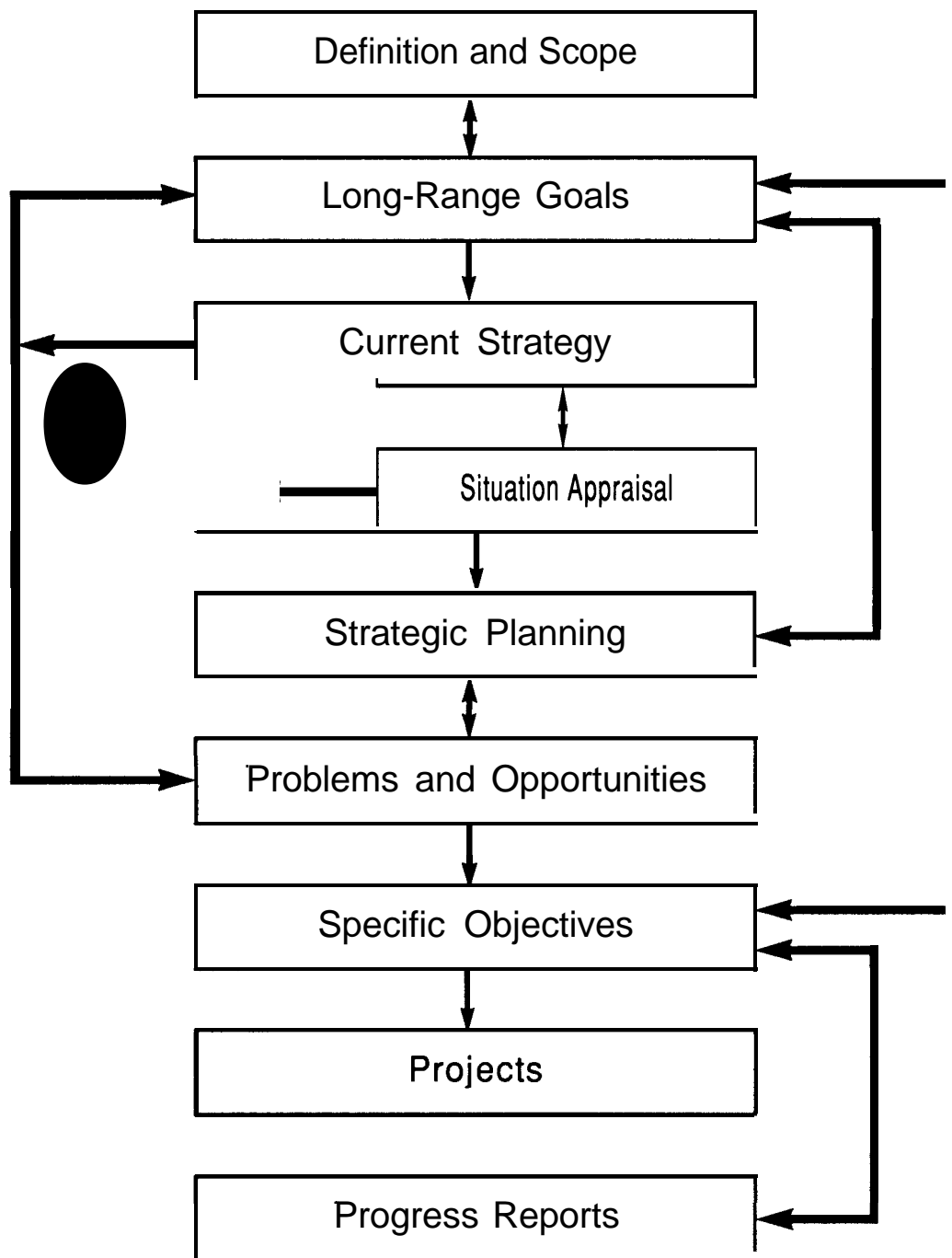
responsibilities and functions. Definition and scope implies one concept, not two.

The definition and scope is reviewed by the business unit each year. The unit manager, with input from staff, seeks to improve how well the definition and scope communicates what the business unit does. Under this scenario, definition and scope evolves as changes occur due to reorganization, adoption of new functions, or introduction of new technology.

Business units develop a definition and scope statement to identify their primary functions. Cooperative B business units sometimes use definition and scope in place of a mission statement. However, when a business unit conducts strategic planning, a mission statement is also developed to describe what the business unit wants its future business to become.

Long-Range Goals Cooperative B develops long-range goals from the review and development of the definition and scope (or mission statement), situation appraisal, and strategic planning. At least one long-range goal is developed for each principal

Figure 3—Cooperative B's Business Unit Planning



business unit function. A list of long-range goals, intended to set the agenda for the business unit over a 5-year period, results. Each business unit develops from three to six performance and operational categories under which long-range goals can be grouped.

Current **Strategy** Business units develop current strategies to reach each long-range goal. Strategies are assessed to determine if they are working as expected. If they are not working, reasons are identified as part of the problem/opportunity stage of the planning process (the sixth component).

The relationship of current strategy to long-range goals is considered important. Business units are expected to be progressive and results-oriented, improving and changing current strategy as necessary. The rate of strategy improvement and/or change is a primary measure of planning effectiveness in Cooperative B.

Situation Appraisal Situation appraisal identifies operational problems, opportunities, and issues that need to be resolved through strategic planning. However, business units are allowed to skip this step if they believe the strategic planning isn't necessary.

In proceeding with a situation appraisal, business units use external facts and internal facts and historical data to describe their business situation in terms of the past, present, and future. As the situation appraisal progresses, business units identify operational and long-range problems and opportunities. Problems and opportunities identified are dealt with in a later stage of the planning process.

External facts describe situations outside Cooperative B's control. They reflect situations that limit or enhance business unit ability to reach long-range goals. Business units develop new and/or review existing external facts about external forces influencing their day-to-day operations and ability to accomplish long-range goals.

Internal facts describe situations within Cooperative B that affect business unit ability to operate day-to-day and attain long-range goals. To carry out this exercise, business units first develop

a current internal facts list then compare it with the previous year's list. The approach is to provoke fresh thought but still not overlook previously identified and still relevant facts.

As part of internal fact gathering, business units identify their own strengths to be exploited and weaknesses to be corrected.

Among subjects Cooperative B business units develop into internal fact statements are:

- Personnel skills, productivity, turnover, etc;
- Work-place technology;
- Availability of capital resources;
- Strengths and weaknesses; and
- Operating systems and procedures.

Historical data, updated annually, are useful to gain a thorough understanding of the business unit's situation. Data correspond to services provided, people served, types of activity, events conducted, and financial information. These data are a basis for making forecasts to identify potential problems and/or opportunities.

Strategic Planning Cooperative B views strategic planning as an optional step in its planning system if the business unit needs to change its long-range goals and current strategies. In this sense, strategic planning for business units means defining strategic issues, developing alternatives, and making recommendations that will change long-range goals and current strategies.

Strategic Issues. In undertaking strategic planning, business units develop strategic issues by evaluating relationships between their long-range goals and current strategies, and between their long-range goals and situation appraisal. They also evaluate the significance of their identified **problems** and opportunities. Several questions are answered in this evaluation.

- Will current strategies accomplish the long-range goals? If not, what is stopping their accomplishment? Is the problem something that can be changed?

- What situation is restricting the ability of the business unit to accomplish its long-range goals? Can this situation be corrected or changed? Will this situation get worse with time?

- What are the major strategic problems and/or opportunities facing the business unit?

Cooperative B frames strategic issues in a question format, believing that questions cause planners to immediately search for answers. In contrast, a statement format could result in planners either agreeing and giving no further thought, or disagreeing and concentrating on what is wrong with the statement rather than thinking of ways to resolve the issue.

Resolving strategic issues helps determine long-range goals and new strategic direction leading to more effective operations.

Alternatives. Business units develop alternative solutions to resolve strategic issues. These are developed over time and are intended to change current strategy and/or long-range goals. To develop effective alternatives, business units ponder the strategic issue over a period of months, gather expert input (usually technical in nature), and seek appropriate counsel (counsel is gained from staff within the business unit, employees within Cooperative B who are affected by or have knowledge of the strategic issue, and members of the cooperative who would be affected by the issue). In Cooperative B, it often takes up to 12 months to develop effective alternatives to a strategic issue and sometimes another 3 to 5 months to analyze the alternatives before making a recommendation.

Three to five alternatives are developed for each strategic issue. In Cooperative B, experience indicates that only 1 or 2 good alternatives become apparent initially and that it takes another 4 or 5 months to develop 5 to 10 alternatives. Business unit managers then reduce the number to three to five high quality alternatives through consolidation and/or elimination. These alternatives are presented to the business unit supervisor for approval. In certain instances, corporate management staff reviews the alternatives to ensure that each is realistic and fits into Cooperative B's overall strategic

plan. After approval, business units recommend one of the alternatives to resolve the strategic issue.

Recommendations. Alternatives for resolving strategic issues are summarized into recommendations, complete with reasons for accepting or rejecting each alternative. Recommendations must be properly developed to give corporate management a clear understanding of what needs to be changed, what benefits will result, and why the cooperative will benefit from making the change.

Recommendations contain the following information (exhibit B-3):

The executive summary, written after parts II and III are completed, summarizes the complete recommendation in one page.

The part II summary precisely defines the recommended change in a few pages. Some or all of part III attachments may be submitted as part of the recommendation.

Problems and Opportunities Business units often identify problems and opportunities while they are carrying out other phases of their planning

Exhibit B-3—Cooperative B's business unit recommendation components

I. Executive summary

II. Recommendation

A. Summary

B. Alternatives considered

C. Selection analysis

III. Attachments

A. Business unit long-range plans

B. Situation appraisal background

C. Impacts on Cooperative B, members

D. Financial analysis commentary

E. Risk analysis

F. Implementation plans

process. Problems and opportunities may surface during the development of long-range goals and current strategies, during the conduct of situation appraisal, or while exploring strategic issues. In some cases, what is thought to be a strategic issue is really just a problem that needs to be addressed.

Specific Objectives Specific objectives are short-term (1-year) objectives. They include target dates and have a high degree of measurability. These attributes distinguish them from the more general long-range goals. Specific objectives are measurable, so business units know precisely when they should complete their work. Specific objectives are a critical component in Cooperative B's quest to move from planning to action.

Business units review their long-range goals and problems and opportunities and compile a list of specific objectives they can reach within the coming year.

Projects Projects are organized to accomplish specific objectives. Business units have full flexibility in organizing projects. However,

Cooperative B provides guidelines that business units follow for developing projects (exhibit B-4).

Progress Reports Business unit managers write quarterly reports of progress toward specific objectives to the operational group vice president. Timing, content, and format of progress reports are left to the discretion of the group vice president and business unit managers.

Plan Approval and Implementation

Business unit managers submit plans to their supervisors for approval, working with them on any modifications. Their final plan goes to Cooperative B's chief executive officer for review and approval. After the total plan has been approved, management allocates the resources for plan implementation.

The board of directors of Cooperative B becomes more involved in the planning process when business units undertake strategic planning that points toward substantial change in operational function. Under this scenario, the board pro-

Exhibit B-4—Cooperative B's project development guidelines for business units

1. Project data **summary**—1-page project description including results expected, responsibility, key completion dates, and resources required. The resource section includes the following:
 - A. Operating expenses—include estimate of the project expenditures for travel, materials, meeting expenses, consulting fees, etc. (If other planning units contribute to the project, their expenditures are included also.)
 - B. Capital—if capital or fixed assets are needed to complete the project, estimate the total amount of capital required.
 - C. Staffpower—after developing the project activity and scheduling task sheets, include estimate of the total number of staff days and costs necessary to complete the project.
 - D. Information—estimate of the total project expenditures for the purchase of studies or information, computer costs, etc.
 - E. Project activity and schedule—a list of tasks needed to accomplish the results expected. This task sheet includes: 1. all key steps of the project activity; 2. the identification of tasks completed by others; 3. completion dates for each task; and 4. who is responsible for each task.
-

vides input, questions changes, and ultimately, either approves or rejects the plans.

Planning Feedback

Cooperative B closely monitors the success level of planning. The planning director reviews business unit progress reports and prepares a feedback report that is presented to top management and the board of directors.

Planning Audits

The planning director of Cooperative B conducts a planning audit of each business unit every 3 or 4 years. Audits include reviewing the entire process that business units employ in planning. Focus is on how well business units put plans into action, how smoothly planning proceeds, and how efficiently resources are used. The planning director counsels and coaches business unit personnel when audits indicate inefficient or inadequate planning practices.

COOPERATIVE C-FARM SUPPLY AND FOOD MARKETING

Cooperative C, a large farm supply and food marketing cooperative, has major operations in manufacturing, processing, and purchasing of farm production supplies.

This cooperative formalized strategic planning in the mid-1970's. The chief executive office (CEO), the CEO's staff, business group vice presidents, and business unit management and staff are all actively involved in the long-range strategic planning system. Cooperative C's organizational structure includes a divisional system of major business groups that is further divided into business units.

Long-range strategic planning is incorporated into the organizational structure of Cooperative C through a six-component process (exhibit C-1 and fig. 4).

Corporate Strategic Plan

Cooperative C's CEO is responsible for developing a corporate strategic plan every odd year. The plan sets strategic direction of the cooperative over a 5-year period.

The corporate strategic plan of Cooperative C provides general guidance and direction for other planning (i.e., business group strategic planning and business unit operating and marketing planning). The corporate strategic plan has six components (exhibit C-2).

Although the CEO is responsible for developing the corporate strategic plan, the board of directors plays an important role. For instance, the board defines the cooperative's basic purpose and approves the plan. The statement that summarizes Cooperative C's basic purpose is reviewed and discussed annually, but the purpose remains fundamentally the same.

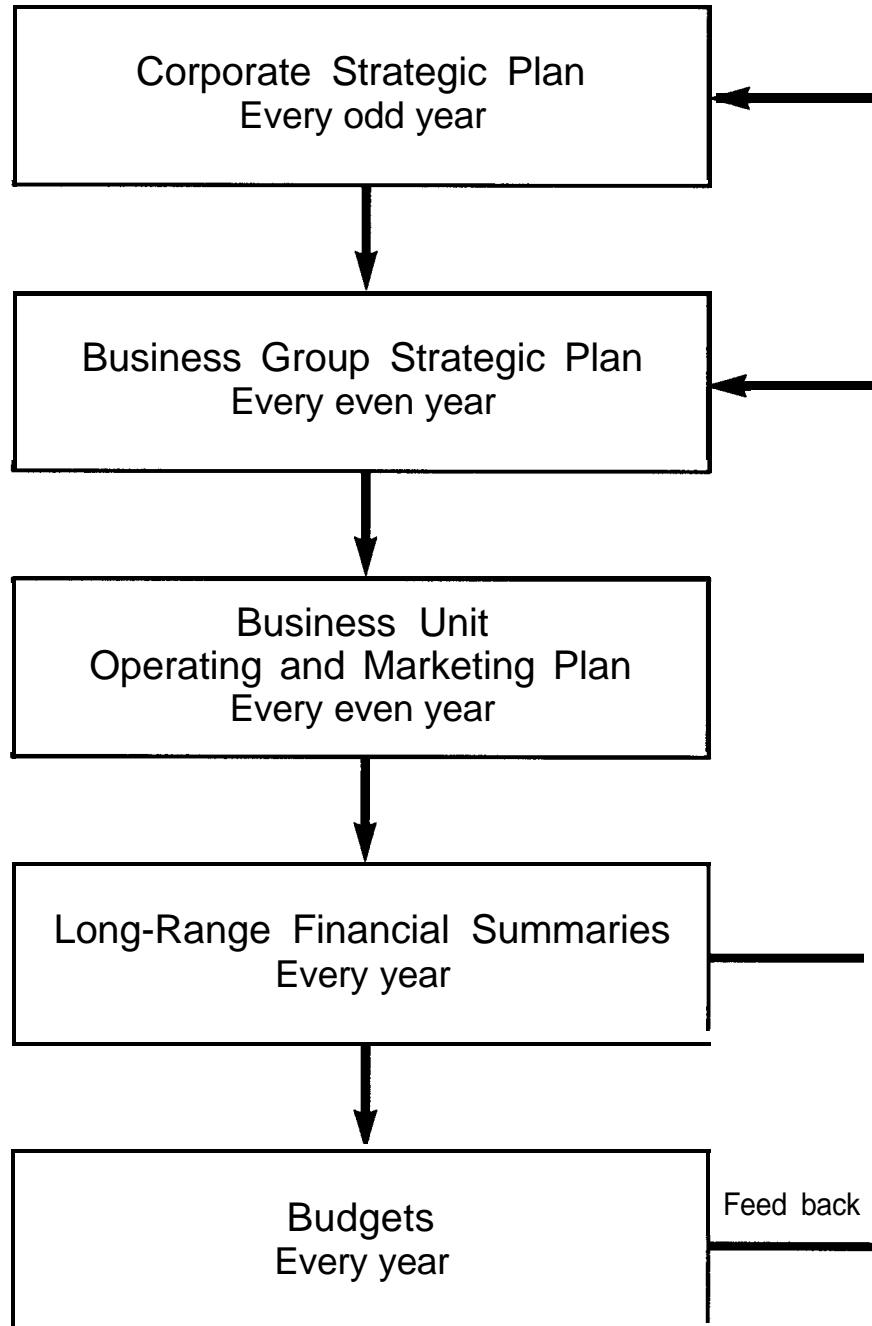
Exhibit C-1-Cooperative C's planning system

1. Corporate strategic plan
 2. Business group strategic planning
 3. Business unit operating and marketing planning
 4. Long-range financial summaries
 5. Budget development
 6. Planning feedback
-

Exhibit C-2—Cooperative c's corporate strategic plan components

1. Basic purpose
 2. Corporate mission
 3. Corporate objectives and targets
 4. Corporate strategy
 5. Business group charters
 6. Corporate investments
-

Figure 4-Cooperative C's Strategic Planning



The CEO develops the mission statement, corporate objectives and targets, and corporate strategy to provide overall direction for business group planning.

Each business group develops a charter. The charter includes the business group's mission, strategic objectives, and performance targets. In essence, the charter sets the base from which the business group develops its strategic plan.

Possible and contingent corporate investments are listed in the corporate strategic plan. This list identifies probable capital investments and establishes when and where they will take place.

Business Group Strategic Planning

Business group strategic planning is completed every even year. This planning provides the mission and strategies for each business group and sets direction and targets for the business units within the business groups. Business group vice presidents prepare the plans, while the CEO, the board executive and planning committee, and the board of directors approve the plans.

Exhibit C-3 lists the components of business group strategic planning.

Business group strategic plans place heavy emphasis on the business units within the business group. Thus, much of the business unit operating and marketing planning (the next component of

Cooperative C's planning system) is actually done during the business group strategic planning.

Business group vice presidents appoint task force groups to assist in developing information for business strategic plans and to develop the business unit operating and marketing plans.

Business Mission The business mission statement is the starting point of business group strategic planning. It establishes the foundation for developing objectives and strategies. In this respect, the business mission provides direction to the business group and to each business unit within the business group.

Cooperative C defines business missions as comprehensive statements of purpose that are broad in scope. Missions are stated in terms consistent with the corporate strategic plan and define why Cooperative C is in its particular businesses and what function each business group performs. Missions reflect the desired positioning, direction, scope, and general activities of business groups and establish any limitations placed on business activities.

Cooperative C business mission statements often include managerial philosophy, desired image, economic goals, production or delivery method, markets served, technology, service/products offered, and/or sources of competitive advantage.

Exhibit C-3—Cooperative C's business group strategic planning components

1. Business mission
 2. Situation analysis
 3. Business strategy
 4. Business unit(s) direction (summary form)
 - A. Mission
 - B. Strategic effort
 - C. Objectives and core strategy
 - D. Targets
-

Situation Analysis Situation analysis is a critical component of Cooperative C's planning system. Information generated during this phase forms much of the basis for the planning that follows. Situation analysis permits the development of business strategies, business unit targets, and the business unit operating and marketing plans. This analysis identifies significant forces that have an impact on the formulation and implementation of business group strategies, and appraises the present and future internal and external environment of business groups.

Planning task forces identify significant changes between the present situation analysis and previous situation analyses. These changes are

summarized and listed in the business group strategic plans and business unit operating and marketing plans.

The situation analyses define the relative position of each business group and associated business units both within the cooperative and the external environment. The analyses address the past, present, and future. For the past, entry into a particular business and past performance are examined. Information is presented relative to how and why Cooperative C got into the business, sales and margin history, how customer segments evolved, technological advances that have affected the business, development of competition, and past strategies and their degree of success. For the present, the analysis includes business group information on who the customers are, their needs, attitudes, and degree of satisfaction; the current competitive position; distribution capabilities; sales and profitability; source of supply; and environmental issues and factors. For the future, business groups estimate the most likely trends and developments that will affect them and their business units. Future internal and external environmental issues are documented and realistic assumptions are developed.

Business groups also analyze the competitive environment within which they operate during the situation analysis. This includes examining the strengths, weaknesses, and opportunities of, and threats to, their operations and those of their competitors.

Business Strategy Each business group develops a business strategy that describes in general terms how the business group will fulfill its mission. If a well defined and working business strategy is already being implemented, then that strategy is simply reviewed.

Business Unit Direction The business unit direction component of business group strategic planning, listed in exhibit C-3, includes a mission, strategic effort, objectives, core strategy, and targets.

Mission. The business unit mission statement defines why Cooperative C has the business unit

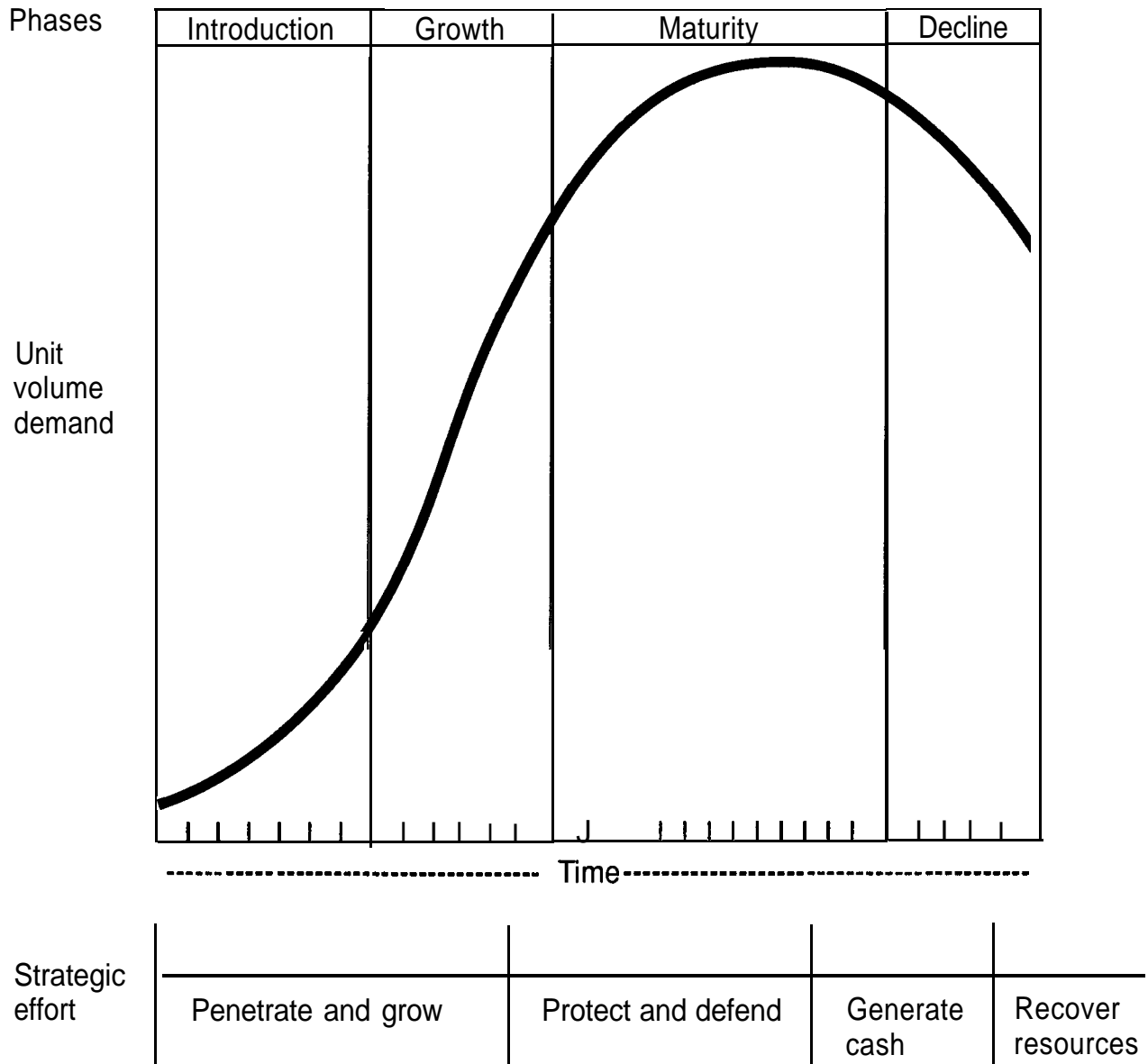
and what role it is expected to perform. The statement reflects the desired positioning, direction, scope, and general activities. It can contain economic goals, services and products offered, market segments served, desired image, distribution channels, managerial philosophy, primary customer needs, and the basis for gaining a competitive advantage in the marketplace.

If business unit missions had been previously developed, they are reviewed to ensure consistency with the business group mission.

Strategic Effort. Strategic effort provides the directional thrust for management and investment within business units. Strategic efforts are categorized as (a) penetrate and grow, (b) protect and defend, (c) generate cash, and (d) recover resources. A product life cycle curve is used to chart the progress that business units make with a specific product or product line (fig. 5). It consists of four phases—introduction, growth, maturity, and decline. Each of these phases has characteristics relative to sales volume, demand, competition, profit level, growth, etc. By identifying where in the product life cycle curve a business unit's activities fall (the situation analysis helps accomplish this), the task forces determine what strategic effort is required of business units.

The four business strategic effort categories are distinctive by definition: (1) Penetrate and grow refers to the business unit making a long-term commitment of resources where risks are assumed and planning is done for future payback. This strategic effort usually represents increasing market share and often requires the addition of new products and/or new market segments. (2) Protect and defend includes maintaining or increasing current profitability and developing a strong competitive position. This strategy requires cost control, high-capacity use, maintenance of market share, and investments to maintain market position—that is, when competition is strong. (3) Generate cash focuses on gradual cash intake from past investments for use elsewhere. This effort is characterized by a controlled reduction in market share in markets that are mature or declining, as profits are maximized. (4) Recover resources effort is directed

Figure 5—Cooperative C's Product Life Cycle Curve



toward recovering resources as optimally as possible during a carefully controlled exit from an existing business.

Objectives and Core Strategy. Objectives provide business units with direction and define the position to be achieved. They are developed consistent with the corporate and business strategic plans and the business unit strategic effort. Objectives are defined in qualitative, not quantitative, terms since objectives are quantified into targets later in the strategic planning process. Each business unit within a business group has a definite objective.

Business units also develop a core strategy. A core strategy is a single general statement that summarizes in terms consistent with the strategic effort—the strategic intent for the business unit. It is the basic strategy from which the remaining business unit planning flows.

Targets. Business units develop 5-year targets. They are stated in quantitative, measurable terms consistent with the business unit strategic effort, objective, and core strategy. They are specific quantitative goals that define the results to be attained at a definite time and are used to measure how well a business unit accomplishes its objectives. Targets define performance and are measured in terms of market share, sales volume, cash flow, gross margin, return on assets, net margin, or various other measures.

Business Unit Operating and Marketing Planning

At this stage in Cooperative C's planning, a good deal of business unit marketing and operating work has already taken place. Research and development work completed for the business group strategic planning provides the base for business units to proceed with the remaining portions of their operating and marketing plans. Essentially, what remains is developing strategies to reach business unit targets—and therefore objectives, creating implementation programs to put strategies to work, and developing contingency

plans that enable business unit managers to respond to unexpected developments (exhibit C-4). This planning takes place every even year to coincide with business group strategic planning.

Operating and Marketing Strategies After Cooperative C has determined where it wants its business units to be in the marketplace through the development of objectives and targets, where business units are in the marketplace, and where the cooperative would like them to be, strategies are developed.

The business unit task forces develop the marketing and operating strategies by reviewing business units' strategic efforts and corporate and business group strategies. This ensures that business unit operating and marketing strategies are developed in line with corporate and business group strategy as well as the business unit's strategic effort.

Implementation Programs Implementation programs are courses of action that detail, in measurable terms, precisely how business unit objectives and targets will be met, conditional upon available resources. Implementation programs specify how strategies will be implemented, the personnel responsible for implementing and completing the program, and the date by which the program is to be completed.

Human Resource Requirements Business unit task forces analyze the human resources needed to carry out implementation programs. Some

Exhibit @I-Cooperative C's business unit operating and marketing planning components

1. Operating and marketing strategies
 2. Implementation programs
 3. Human resource requirements
 4. Volume projections
 5. Contingency plans
-

programs require new positions, experience, and skills. If additional human resources are required, task forces must identify the precise changes necessary. Additional human resources required for a particular implementation program of a business unit are submitted to the personnel director for review.

Volume Projections Business units project the volume of products associated with their business for 5 years. When possible, volume projections are made in units; otherwise they are made in dollars (exhibit C-5).

Contingency Plans Contingency plans outline specific actions to be taken when a situation occurs that is inconsistent with the assumptions upon which actual plans were developed and implemented. They document possible events or factors that would critically affect the use of

established strategies and programs, and they include warning signals that indicate when contingency plans should be implemented.

Long-Range Financial Summaries

Business units develop long-range financial summaries each year that correspond to long-range strategic plans. Targets specified in the cooperative's business group strategic plans—which are adjusted regularly for changes within the relative industry—provide the source of direction for these summaries. Operation personnel and controllers usually prepare these summaries. The business group vice president, CEO, and the board of directors approve the financial summaries.

Four components are included in long-range financial summaries (exhibit C-6). Together, these components provide the costs and expected returns that will evolve through implementation of the cor-

Exhibit C-5—Cooperative c's business unit volume projections

Product category	units	Actual current-year	Budget	Plan			
				year 1	year 2	year 3	year 4

Exhibit C-6—Cooperative C's long-range financial summary components

1. Five-year financial targets
 2. Unit volume projections
 3. Operating statements
 4. Balance sheets
-

porate strategic plan, the business group strategic plans, and the business unit operating and marketing plans over the 5-year planning period.

Budget Development

Budget development is the final stage of Cooperative C's strategic planning system. All business units develop annual budgets. The same staff that developed the long-range financial summaries usually prepares the budgets. Business group vice presidents, the CEO, and finally the board of directors approve the budgets.

Budgets cover the next year, or the first year of long-range plans, thus providing the path for business units to follow. Components are shown in exhibit C-7.

Planning Feedback

Feedback from strategic planning in Cooperative C results mostly from the monitoring and follow-up of long-range financial summaries and budgets. Results from operations and plan implementation programs provide the means for monitoring plans. This feedback is instrumental for Cooperative C's future planning.

Planning Cycle

Cooperative C's strategic planning system, involving its five parts, evolves during a planning cycle that incorporates an every-other-year time frame for some parts and an every-year time frame for others. It includes the planning component, frequency of plan development, the time frame within

Exhibit C-7—Cooperative C's planning unit budgeting process components

1. Operating year statement
 2. Sales volume and expenses
 3. Balance sheet
 4. Fluctuation analysis
-

which plans are completed, the time period that plans cover, and the personnel involved in developing the key planning components (exhibit C-8).

COOPERATIVE D-DIVERSIFIED MARKETING AND FARM SUPPLY

Cooperative D is a diversified marketing and purchasing cooperative. Its strategic planning was formalized in the early 1970's and has evolved into the present system. Strategic plans cover a 5-year period and are updated annually. They correspond to the present marketing year and 4 subsequent years.

Cooperative D's organizational business structure includes divisions and groups, and subsidiaries, each having business units. Cooperative D has a corporate planning department, essentially one person, to facilitate strategic planning. The corporate planner, who has other job responsibilities in the cooperative, guides the strategic planning process, organizing the process, providing economic analysis, assisting business units in their strategic planning, and consolidating business unit strategic plans into the corporate strategic plan.

Cooperative D's board of directors is indirectly involved in strategic planning through discussion with top management. The board provides general strategic direction. The board sees strategic plan summaries but not all of the detailed strategic plans.

Cooperative D uses a multiple committee system for strategic planning review, enhancement, and regulation. Top executives and the controller serve as the strategic planning review committee, reviewing, enhancing, critiquing, and approving

Exhibit C-8—Cooperative c’s strategic planning cycle

Cycle attribute	Planning component				
	Corporate strategic plan	Business group strategic plans	Business unit operating and marketing plans	Long-range financial summaries	Budgets
Frequency	every odd year	every even year	every even year	every year	every year
Time frame	August	Sept to Nov	Dec to Jan	Feb to May	May
Period covered	5 years	5 years	5 years	5 years	1 year
Personnel involved:					
Plan development	CEO and board of directors task forces	Business group vice president and assigned staff	Assigned task forces staff	Business unit and controller controller	Business unit and controller
Plan approval	Board of directors	CEO, board executive and planning committee, and board of directors	Business group vice president	Business group vice president, CEO, and board of directors	Business group vice president, CEO, and board of directors

plans. Four-member overview subcommittees are assigned to specific business groups, with three of the members coming from areas outside the business unit to which they are assigned. These subcommittees regulate group and business unit strategic plans by monitoring and evaluating the effectiveness of developed objectives and strategy

Strategic planning in Cooperative D involves a six-step process (exhibit D-1 and fig. 6).

Business Unit Strategic Planning

A guide for updating strategic plans is given to business units early in Cooperative D's planning cycle. The guide, distributed in December or January, includes corporate definitions, descriptions, and explanations of significant strategic planning components (exhibit D-2). Business units generally follow the guidelines but have the flexi-

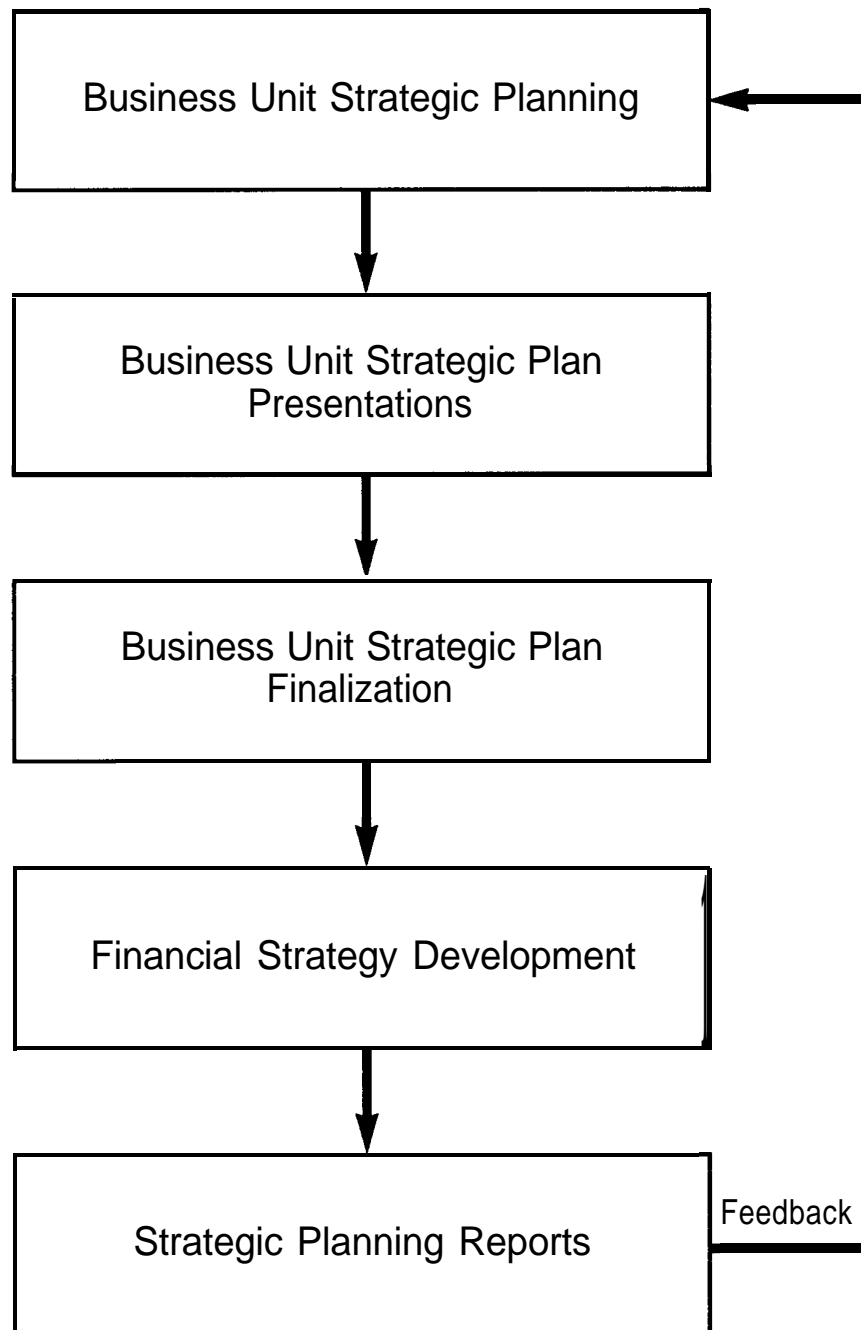
Exhibit D-S-Cooperative D's strategic planning components

1. Mission statement
2. Industry conditions and outlook
 - A. Current conditions
 - B. Assumptions and projected conditions
3. Capital investment requirements
 - A. Desirable capital expenditures
 - B. Essential capital expenditures
 - C. Annual depreciation
4. Cooperative human resource conditions
 - A. Strengths and weaknesses
 - B. Organizational structure
 1. Lines of authority
 2. Lines of responsibility
 - C. Personnel requirements
 1. Additional personnel needed
 2. Replacement personnel anticipated
5. Competitive position
 - A. Major product market share trends
 - B. Major competitors
 1. Whom
 2. Strengths and weaknesses
 - C. Major markets and customers served
6. Objectives and strategies
7. Financial performance goals
 - A. Average for past 3 years
 - B. Projections for next 5 years
8. Action plans for strategy implementation
 - A. Steps to be taken
 - B. Human resources assigned
 - C. Completion dates
 - D. Results achieved

Exhibit D-I-Cooperative D's strategic planning process

1. Preparation of preliminary business unit strategic plans.
2. Presentation of consolidated preliminary plans to the Strategic Planning Review Committee for critique and suggestions for revision.
3. Submission of final business unit plans to the Corporate Planning Department for consolidation into the corporate strategic plan.
4. Submission of final updated plans to strategic overview subcommittees.
5. Presentation of the cooperative's financial strategy to Strategic Planning Review Committee.
6. Presentation of reports from each strategic overview subcommittee to the Strategic Review Committee.

Figure 6—Cooperative D's Strategic Planning



bility to update and develop their individual plans as they wish. However, this report discusses the components contained in Cooperative D's strategic planning model.

To keep business unit strategic planning consistent, Cooperative D's corporate planner provides planning forms to business units. Forms are available to document capital investment requirements; analyze competitive position; list objectives and strategies; complete past, budgetary, and projected financial performance goals; and develop action plans.

Mission Mission statements specify the overall purpose of the business units. Each business unit has a mission statement. Business units use their current mission statement or modify it contingent on changes in their operational functions and/or purpose.

Industry Conditions and Outlook Industry conditions and outlook summarizes the current situation and projected conditions for the industries in which the business units are involved.

Capita/ Investment Requirements Business units document capital investments that are, or will be, required over the planning horizon. Units provide specific data for three major areas: (1) essential capital expenditures, (2) desirable capital expenditures, and (3) annual depreciation. A narrative description of the required capital investments accompanies financial estimates in this portion of the plan.

Essential capital expenditures are funds sufficient to maintain facilities and equipment in minimal operating condition. Desirable capital expenditures would maintain facilities and equipment in good condition and fund the additions necessary to reach 5-year planning objectives.

Human Resources Business units identify personnel strengths and weaknesses for each functional area within their unit. This exercise provides an overall assessment of the personnel situation and identifies areas for improvement. An

organizational chart in this analysis shows lines of authority for business unit operations.

Business units summarize anticipated additional or replacement personnel needed for the 5-year period, explaining the reasons for changes.

Competitive Position Business units assess their competitive position in the marketplace, including: (a) market share of major products, (b) major competitors and their strengths and weaknesses, and (c) major markets and customers served.

The business unit's market share for each major product is determined for the past 3 years so trends can be observed. Cooperative D's corporate planner helps business units identify their major competitors' strengths and weaknesses.

In defining major markets and customers, business units determine who is purchasing a significant portion of the unit's total sales for a product and who, if that business were lost, could have a significant impact on unit operations.

Objectives and Strategies Objectives are concise goals business units would like to accomplish. Objectives are presented in measurable terms with an indication of expected results. A strategy is developed for each objective. Both objectives and strategies carry interim and completion dates so progress can be monitored.

Financial Performance Goals Business units develop financial performance goals for each year of the 5-year planning period. These goals are based on the most likely expectations of financial performance. For comparison and future reference, average financial performance measures are developed for the past 3 years of operations.

Action Plans Business unit management develops action plans to implement strategies for each objective. Plans list steps to be taken, management personnel responsible for implementing the steps, staff personnel assigned to the steps, intended completion date, and, after

implementation, the date of the completed action plan and the results achieved.

Business Unit Strategic Plan Presentations

Business units present their strategic plans to the review committee usually in March. At this time, the committee critiques the plans, including offering suggestions for improvement. The business unit then incorporates review committee comments and produces its final plan within 2 weeks. The plan then goes to the corporate planner who condenses all business unit plans into the corporate strategic plan.

In this consolidation process, the corporate planner summarizes each business unit's financial performance goals, objectives, and strategies.

Financial Strategy

Cooperative D's financial division produces a corporate financial strategy from the completed corporate strategic plan, business group plans, and business unit strategic plans. This strategy is presented to the strategic planning review committee usually in May. Financial performance criteria in the strategy show the overall financial direction Cooperative D will follow.

Strategic Overview Subcommittee Activities

Final business unit strategic plans go to strategic overview subcommittees. As indicated previously, each business unit reports to a strategic overview subcommittee. The subcommittees provide regulatory functions—reviewing, monitoring, and evaluating—through the rest of the year, usually May through November.

Subcommittees use regulatory guidelines developed by the corporate planner. These guidelines help facilitate subcommittee activities and provide a common format.

Strategic Overview Subcommittee Reports-Feedback

Strategic overview subcommittees report on the progress business units make toward their objectives and strategies to the strategic planning review committee. Subcommittees develop progress reports containing five sections: (1) transmittal, (2) executive summary, (3) objective and strategy review, (4) recommendations, and (5) supporting data.

The transmittal section documents the names of subcommittee members and identifies the business unit reviewed. The executive summary section describes the approach the subcommittee used to review business unit achievements relative to objectives and strategies, the quality of the objectives and strategies, and financial performance.

Objective and strategy review includes an interpretation from the subcommittee on the status and rating of each objective and corresponding strategy. The status indicates progress made in implementing strategies according to plan dates and reaching associated objectives. Status guidelines include: (1) completed, (2) ahead, (3) on schedule, (4) behind, and (5) no progress.

The subcommittee gives an "effectiveness" rating on objectives and associated strategies. The rating system is somewhat subjective; subcommittees must make an interpretive judgment on results achieved. However, in cases where objectives have definitive measures, ratings become more objective. Ratings commonly are stated as: (1) excellent, (2) good, (3) fair, (4) poor, and (5) not rated.

Subcommittee recommendations for improving existing objectives and strategies or for developing new objectives and strategies make up the fourth section of the report. The fifth section includes any supporting information and/or data the subcommittee feels are important to the strategic direction of the business unit.

The strategic overview subcommittees develop their reports over a period of months as strategies are implemented to reach business unit objectives. These reports are an essential element of strategic planning feedback in Cooperative D. Subcommittee reports are presented to the strategic

planning review committee and the appropriate business unit manager in December.

SUMMARY AND COMPARISON

The four agricultural cooperatives have integrated comprehensive strategic planning systems into their organizational structures. These systems were not just applied from a guide book, but were developed and modified as the cooperatives changed and grew over the years. What evolved are complex, efficient, results-oriented systems.

All four cooperatives use a 5-year planning horizon, although their planning cycles are not identical. Cooperatives A, B, and D go through their complete strategic planning system every year while Cooperative C uses an every-other-year alternating routine for some of its planning components and an annual routine for others. However, it is important to note that all four cooperatives are continually involved in some facet of strategic planning.

The cooperatives take a bottom-up approach to strategic planning by using line business management and personnel in their strategic thinking and planning systems. However, top-down direction also comes from corporate developed planning guides. Cooperatives A, B, and C also provide further corporate direction-Cooperative A with overall corporate vision, Cooperative B with directional communication from its CEO, and Cooperative C with the development of a Corporate Strategic Plan.

Although they use different terminology, all four cooperatives view assessing the business environment as a critical component of strategic planning. Assessments are made on an internal and external basis, taking into consideration the cooperative's operations and performance, and its position relative to the marketplace and competition.

Cooperatives A, C, and D emphasize financial data-estimates, projections, and performance measures-in their strategic plans. While Cooperative B often uses data in its detailed strategic plans, doing so is at the discretion of business unit management.

All of the cooperatives use action or implementation plans/programs to carry out and monitor developed strategies.

The boards of directors of the four cooperatives take part in strategic planning in essentially the same manner-in more of an advisory and approval role. Cooperative A has a board planning retreat where the long-range strategic plan is presented to the board and major strategic issues are examined and discussed. Cooperative B's board is kept abreast of plans through presentations from business unit vice presidents on approved plans and from the planning director's report on specific objective progress. The board of Cooperative B gets more involved only when strategic planning that points to directional change is included in plans. In Cooperative C, the board is mainly involved in planning as it relates to the corporate strategic plan; it assists in some development, as well as approval, and it also reviews business strategic plans. In Cooperative D, the board reviews strategic plans, but only in summary form.

Cooperatives A and C include retreats in their strategic planning-Cooperative A, a president's retreat and board planning retreat, and Cooperative C, a retreat-type meeting (for plan presentation to the board executive and planning committee). Cooperatives B and D do not appear to set up any formal corporate retreat strictly for planning purposes. However, business unit managers in Cooperative B are free to organize retreats for their respective units if they wish.

Cooperatives A and C get planning feedback from an ongoing financial analysis of strategy performance. On the other hand, Cooperative B uses a report feedback system to evaluate its specific objectives and a planning audit to correct for inadequate or inefficient planning, and Cooperative D uses strategic overview subcommittees to develop reports corresponding to the progress that business units make relative to objectives and strategies.

The methodology followed for strategic planning in the four cited cooperatives is basically similar-developing a mission statement, assessing the business environment, developing goals and/or objectives, designing strategies to meet objectives, carrying out implementation programs, and gain-

ing feedback. The cooperatives' differences in terminology and methodological order of planning components seem to have evolved largely dependent on the personalities and business philosophies of their management personnel. Cooperative C's system should be noted as being somewhat atypical. Cooperative C's distinctive method of strategic planning, whereby it identifies a strategic effort from a product life cycle curve for business units to plan and operate from, relates to the primary business characteristic of the cooperative-selling farm inputs.

CONCLUSIONS

Methods of strategic planning by large farmer cooperatives have undergone important changes over the past 10-15 years. In the past, many cooperatives had rather large complex planning departments made up of personnel whose primary responsibilities were tied to planning. This was not found to be the case in this research. Current systems show that planning responsibilities are delegated to different levels of management in which the managers have many other responsibilities as well. This is important evidence that strategic planning is interwoven into management.

It is clear that the four cooperatives spend a great deal of time and effort on strategic planning. The strategic planning concepts, methods, and thinking implemented by these cooperatives provide an organized means for developing and achieving objectives.

While smaller cooperatives may lack the resources to undertake an extensive planning process, it is clear that many of the principles and practices of strategic planning are relevant at that level as well. For example, although many smaller scale cooperatives may not be organized into business groups or units or have the resources to undertake planning on a divisional basis, they can use the strategic planning methodologies of business units by applying them to their complete organizations. Methods for analyzing the environment and market position, tracking strategies through financial analysis, and feedback and strategy examination are strategic planning concepts smaller

cooperatives could use. In some instances, the board of directors in small cooperatives would likely need to take a more active role in the actual development and negotiating phases of strategic planning, rather than just review and approve. While strategic planning is an important management concept that is gaining in use, the agricultural business environment imposes limitations. Many agricultural cooperatives operate on relatively low margins that limit resources. So cooperatives must be efficient in all modes of their operations, including strategic planning. Therefore, the challenge is to develop strategic planning systems that are not only comprehensive and action-oriented, but that have characteristics that allow them to be efficiently implemented into distinctive organizational and operational structures.

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Agricultural Cooperative Service (ACS) provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

ACS publishes research and educational materials and issues *Farmer Cooperatives* magazine. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, age, marital status, handicap, or national origin.