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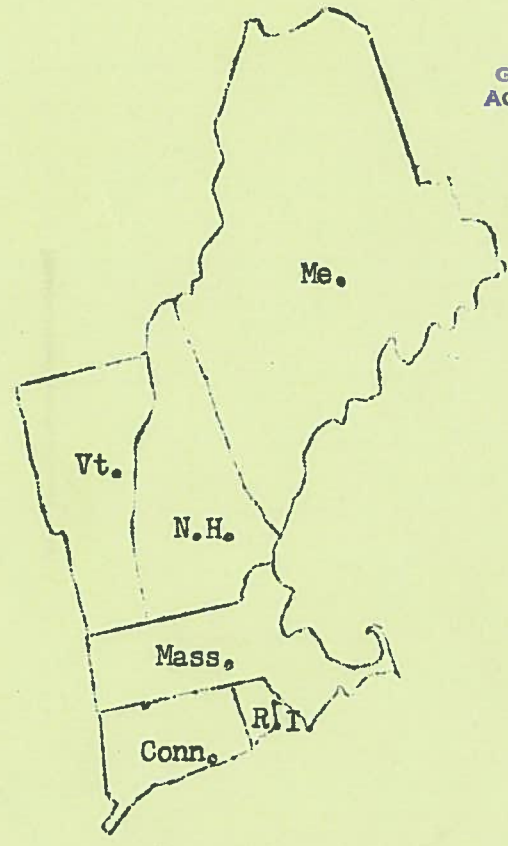
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WHAT COOPERATIVES CAN DO IN A CHANGING AGRICULTURE

Edward C. Masten
General Manager, Manchester Dairy Cooperative

Since the inception of the cooperative movement, farmer cooperatives have been helping their farmer patrons to meet changing conditions in agriculture. Thus, it is reasonable to assume that these cooperatives can continue to do so providing it is recognized that the challenges of today and in the future are and will be far greater, and more complicated than they have been in the past because our economic society is far more complex than it has been, and growing more so.

However, if cooperatives are to meet these challenges, it is important that membership, officers and management not only be able to recognize the need for changes as they develop, but be willing to make adjustments in operations and policies as changes may so demand.

For example, one of the major changes facing dairymen and their cooperatives today is the conversion to the bulk tank pick-up method of moving milk from the farm to the processing plant.

It is generally agreed that this is the system of tomorrow, and that dairymen and handlers who do not make the change will find themselves left behind in the competitive race for quality markets.

While most dairymen and cooperative leadership are in agreement with this contention, it can not be said that they are meeting this change with enthusiasm or rapidity.

If cooperatives are going to do a better job of helping their patrons, they must frequently take time to reappraise their cooperative business, activities and policies in order to make a determination as to whether or not its present activities are directed to best serve the interests of its patron owners, the industry of which it is a part, and the market or area in which it operates.

Another area that likewise needs to be reappraised is the understanding of cooperation and its objectives, particularly as it applies among and between cooperatives. If the interests of farmers are to be advanced through working together, then their cooperatives must likewise be willing to work more closely together. This is particularly true of the smaller cooperatives.

Today, we appear to be well on the way to bigness in business, whether or not this is the right direction remains to be proven. Thus, if farmer cooperative business is to hold its own in competition with corporate enterprise in the same field, then it too must acquire greater size.

It is extremely doubtful as to whether cooperative patrons can be expected to furnish sufficient capital to both acquire size as an individual farm operator and their cooperative to buy or expand its way into bigness. Therefore, the possibility of consolidation or merger among small and medium-sized cooperatives must be given serious consideration.

Such consolidation should enable cooperatives to pool their volumes of product handled, their physical facilities, their know-how, their manpower, and their fiscal strength and thus become more efficient and a more important factor in the market place, much of which they cannot accomplish as individual organizations.

Consolidation, its advantages or disadvantages, is a change which must first be considered by management and leadership from the viewpoint of what is best for the patron owners. But before this can be accomplished, the questions of pride in individual ownership, who might eventually set on the Board of Directors, who might be an Officer, who might be the Manager must be relegated to a position of little importance lest they become far more important than the objectives to be accomplished.

I know of three dairy cooperatives in New England who were recently advised as a result of an impartial survey by disinterested parties, that if these cooperatives would consider partial integration to the extent of pooling their processing facilities, there were potential savings amounting to \$126,000 per year in operations.

In spite of the fact that none of the cooperatives would lose their identity, when the plan was submitted at a meeting of the combined Board of Directors, there was not sufficient unanimity of reaction to pursue the subject further to a logical conclusion.

The problem of disparity in prices to dairymen and what to do about them will continue to plague their cooperatives.

Changes in transportation and distribution methods are creating larger areas of supply and larger marketing areas which create competitive situations which are difficult to cope with.

In the past cooperatives have taken the lead in seeking the assistance of local, state, and the Federal government to maintain sound pricing of dairy products and policing the market to protect the dairymen.

The interstate movement of raw and finished product has reached a point where the powers of state governments to adequately assist dairymen has become not only limited, but doubtful. Thus, in the future dairy cooperatives and dairymen will, of necessity, have to place greater reliance on assistance of the Federal Order Marketing Procedure, if they hope to withstand the competitive forces and to maintain equity in sharing markets and returns.

There is another area for reappraisal as it may apply to operating cooperatives where patrons have a substantial financial investment. The yardstick of measuring the success of the business cannot be based alone on returns in the marketplace, but must also include returns on invested capital. Whether these returns are called savings or profits is incidental, for either are the result of the application of the same business principles.