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Dairy Farmers' Evaluation of Northeastern Dairy Cooperatives

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Abstract

Dairy Farmers' Evaluation of Northeastern Dairy Cooperatives, by Paul C. Wilkins, Cooperative Management Division, and Thomas H. Stafford, Cooperative Marketing and Purchasing Division, Agricultural Cooperative Service, U.S. Department of Agriculture. ACS Research Report No. 19.

A survey of northeastern dairy farmers showed most dairy farmers who either shifted their dairy cooperative membership or quit marketing their milk through a cooperative did so because of special assessments imposed by the cooperative. Most current members gave high marks to the way cooperative management performs. Members by and large also gave high ratings to their cooperative in such areas as obtaining good prices for milk, providing high-quality services, and keeping members informed on cooperative matters. Most members want their dairy cooperative to stick strictly to milk marketing and exclude associated services.

Most members think dairy cooperatives must handle and process more members' milk for greater efficiency; however, they do not think this should be done either through merger or more member financing to build additional facilities.

Key words: Dairy cooperatives, dairy farmers, attitudes, Northeast

Preface

This study describes the attitudes of northeastern dairy farmers toward cooperative milk marketing. It also describes current members' opinions on efficiency and effectiveness of northeastern dairy cooperatives and their views on the future role of dairy cooperatives in the Northeast. Nearly 800 dairy farmers were interviewed in late 1980 in four areas—Connecticut-Vermont, New York, Pennsylvania, and Maryland-Virginia.

The study provides useful information to dairy cooperative managers and directors in developing programs to better serve dairy farmers in the Northeast.

The method of conducting this study as well as sampling variability are described under "Survey Description" in the Appendix.

Highlights

Seventy percent of northeastern dairy farmers marketed their milk cooperatively in 1980. Both farmers on larger dairy farms, those milking 50 or more cows, and farmers on smaller farms, milking fewer than 50 cows, reported about the same level of cooperative membership.

Connecticut-Vermont had the highest percentage of cooperative members—89 percent of all dairy farmers—and New York had the lowest—65 percent.

Nine dairy cooperatives with the largest memberships in the survey areas accounted for about 75 percent of total cooperative membership. Nearly 80 percent of dairy farmers reported two or more cooperatives served their locality, indicating considerable geographic overlapping.

In the past 5 years, cooperative members equal to 19 percent of current membership have either shifted membership from one cooperative to another or given up membership altogether. Those most likely to have given up their membership were dairy farmers who milked 50 or more cows, lived in either New York or Pennsylvania, and held membership in one of the nine largest dairy cooperatives in the Northeast. The major reason for both shifting or cancelling membership was special assessments.

Members tended to give high marks to the way management performed its duties, with boards of directors getting somewhat higher ratings than hired management. Members active in cooperative affairs tended to rate management higher than did less active members.

In answering questions about prices received, member relations, and benefits of cooperative membership, members by and large gave high marks to their cooperative. Also members' rating was high on the quality of basic services provided by their cooperatives. At the same time, cooperative members generally did not want their cooperatives to provide any additional services.

About three-fourths of cooperative members believed, that to have strong cooperatives, it is necessary to have a membership marketing agreement with an automatic renewal feature. About the same number believed cooperatives will need to handle and process more of members' milk for efficient marketing. Members' opinions on how this greater marketing efficiency could be achieved were not discovered in this study. Rather, findings indicated more than 60 percent of members did not believe such efficiency should or could be achieved either by merging dairy cooperatives or by providing more equity capital to build additional facilities. This in turn suggests need for stronger leadership in reorganization and program development for future operations.

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Dairy Farmers' Evaluation Of Northeastern Dairy Cooperatives

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In recent years, several major and many small northeastern dairy cooperatives have encountered financial difficulties. Many dairy leaders say severe competition and excessive geographic overlapping in milk procurement have led to high acquisition costs. Also, marketing and manufacturing costs among these cooperatives generally exceed those of efficient operations elsewhere. These, along with other reasons, have led many dairy farmers to shift memberships from one dairy cooperative to another and caused others to give up membership altogether.

About 130 dairy cooperatives serve farmers in the region studied, which comprises four areas: Connecticut-Vermont, New York, Pennsylvania, and Maryland-Virginia. Nine cooperatives with the largest number of members in the survey area, at the time of this survey, including one federation with 54 cooperative members, are identified as the Big 9.¹

Dairy Cooperative Membership

Seventy percent of the estimated 38,000 dairy farmers² in the four areas reported they were members of a dairy marketing cooperative (table 1). About three-fourths were members of the Big 9 cooperatives. About the same proportion of dairy farmers with large herds (those milking 50 cows or more) were members in one of the Big 9 cooperatives as were dairy farmers with smaller herds (fewer than 50 cows milked).

¹Agri-Mark, Inc.; Dairylea Cooperative, Inc.; Eastern Milk Producers Cooperative Association; Inter-State Milk Producers' Cooperative; Maryland Cooperative Milk Producers, Inc. (now Dairymen, Inc., Middle Atlantic Division); Maryland and Virginia Milk Producers Association, Inc.; Milk Marketing, Inc.; Northeast Dairy Cooperative Federation, Inc. (NEDCO); and Upstate Milk Cooperatives, Inc.

²Dairy farmers who milked 20 or more cows in any one day in 1980. Farm numbers based on Crop Reporting Board, SRS, USDA 1980 estimate of farms with milk cows adjusted by 1974 Census of Agriculture estimate of percent of farms with 20 or more milk cows.

Table 1—Northeastern dairy farmers' membership in dairy cooperatives

Farmer category	Dairy farmers	Membership in		
		Big 9	Other	Nonmember
	<i>Number</i>	<i>Percent</i>		
By farm size:				
50 or more cows.....	15,400	51	18	31
Fewer than 50 cows	22,600	53	17	30
By farm location:				
Conn.-Vt.....	4,400	49	40	11
N.Y.	15,200	51	14	35
Pa.	14,500	57	10	33
Md.-Va.....	3,900	47	33	20
All dairy farmers	38,000	52	18	30

Membership differed among areas. While only about two-thirds of the dairy farmers in New York and Pennsylvania reported cooperative membership, nearly 90 percent of such farmers in Connecticut-Vermont reported membership. Further, in the Connecticut-Vermont and Maryland-Virginia areas, only 55 to 60 percent of cooperative members held membership in one of the Big 9 cooperatives. In New York, however, 78 percent of the dairy farmers that belong to cooperatives were Big 9 members and in Pennsylvania, 85 percent.

Seventy-nine percent of all dairy farmers interviewed in this survey reported at least two dairy marketing or bargaining cooperatives served their area. In addition, noncooperative dairy firms also serve many of these areas. Only 3 percent of dairy farmers reported no dairy cooperative served their area or they did not know the name of any. This suggests considerable competition among milk handlers for dairy farmers' milk in most of the Northeast. It also suggests this probable overlapping of milk hauling routes could be an important factor contributing to high procurement costs.

A further indication of degree of overlapping is the relatively small proportion of all dairy farmers who hold memberships in a principal cooperative serving an area. On the average, 96 percent of the membership of a Big 9 cooperative live where their cooperative is one of two principal ones serving the area. In the same area, however, the average

Big 9 cooperative has only 38 percent of the dairy farmers living there as members. The other 62 percent hold membership in other dairy cooperatives or sell their milk to noncooperative dairy firms.

Member Participation

Cooperative leaders generally consider member participation in cooperative affairs both desirable and necessary for efficient, effective, and democratic operation of cooperatives. Low member participation may result in weak member control, failure of a cooperative to meet changing needs of members, and direction of the cooperative for the primary benefit of the few members who exercise control.

To obtain some insights into the level of participation among members of northeastern dairy cooperatives, they were asked if, in the past 3 years, they engaged in or performed one or more of five activities associated with active cooperative members (table 2 and 3)³. A high level of participation among members was reported in all activities. From two-thirds to nearly all (95 percent) participated in the four activities over which they had the most control—attending cooperative meetings, voting in elections, reading cooperative magazines, and maintaining close contact with cooperative officials. Twenty percent served on a cooperative committee, a type of participation only a small percentage of cooperative members can engage in at any one time.

Level of participation was somewhat higher among dairy farmers milking 50 or more cows than among those milking fewer than 50 cows—both in percentage of farmers participating in each of the five activities and in the number of activities they participated in.

No major differences existed in level or type of member participation by farm location. Cooperative members in Connecticut-Vermont seemed somewhat less likely to attend cooperative meetings, vote in cooperative elections, or maintain close contacts with cooperative officials. This is largely attributed to the low level of participation reported by members of a newly formed dairy cooperative in the area, which had not, at the time of this survey, completed an annual cycle of membership activities. Members of the Big 9 cooperatives were more likely to read the cooperative's magazine (97 percent) than were those of other cooperatives

³They responded as to whether they attended one or more co-op meetings, voted in election of delegates or board members, read co-op magazine, maintained close contact with co-op officials, and served on a co-op committee.

4 Table 2—Northeastern dairy cooperative members' participation in cooperative activities, 1978-80

Member category	Member activity				
	Attended one or more co-op meetings	Voted in election of delegates or board members	Read co-op magazine	Maintained close contact with co-op officials	Served on a co-op committee
	<i>Percent</i>				
By farm size:					
50 or more cows.....	81	72	94	73	24
Fewer than 50 cows	72	62	95	61	18
By farm location:					
Conn.-Vt.....	66	57	97	57	11
N.Y.....	73	62	90	61	19
Pa.....	81	72	98	71	28
Md.-Va.	73	72	96	79	11
By co-op membership:					
Big 9.....	76	66	97	69	20
Other cooperatives	73	67	87	70	19
Average	75	66	95	66	20

Table 3—Level of northeastern dairy cooperative members' participation in cooperative affairs, 1978-80

Member category	Number of activities engaged in ¹					
	0	1	2	3	4	5
	<i>Percent</i>					
By farm size:						
50 or more cows.....	1	9	13	20	36	21
Fewer than 50 cows....	1	19	10	28	27	15
By farm location:						
Conn.-Vt.....	1	21	15	24	29	10
N.Y.	2	18	11	26	29	14
Pa.	(²)	12	7	24	31	26
Md.-Va.....	1	6	17	24	43	9
By co-op membership:						
Big 9.....	1	15	11	24	32	17
Other cooperatives	2	13	12	27	29	17
Average (Northeast)	1	15	11	25	31	17

¹Members responded as to whether they attended one or more cooperative meetings, voted in the election of delegates or board members, read co-op magazine, maintained close contact with co-op officials, and served on a co-op committee.

²Less than 0.5 percent.

(87 percent) (table 2). This latter difference possibly stems from the Big 9 publishing more professional-quality magazines, while some of the other cooperatives do not publish any magazines at all.

Changes in Membership

In the past 5 years, about 5,000 dairy farmers (equivalent to 19 percent of current membership) either shifted membership from one dairy cooperative to another or gave up their dairy cooperative membership altogether (table 4).

Dairy farmers who milked 50 cows or more were not only much more likely to take some action on their cooperative membership than smaller dairy farm operators but were also more likely to quit their cooperative rather than merely shift their membership from one cooperative to another.

Table 4—Dairy farmers' change in cooperative membership, 1976-80¹

Member category	Membership changes		
	Shifted	Gave up	Total
	<i>Percent</i>		
By farm size:			
50 or more cows	8	15	23
Fewer than 50 cows.....	7	9	16
By farm location:			
Conn.-Vt.	15	5	20
N.Y.....	8	15	23
Pa.	6	14	20
Md.-Va.	1	1	2
By former co-op membership:			
Big 9	7	12	19
Other cooperatives.....	10	9	19
Average (Northeast)	7	12	19

¹Dairy farmers who shifted membership or quit cooperatives as a percent of current membership.

Geographically, dairy farmers in the Connecticut-Vermont area who took some action on their cooperative membership were most likely to shift from one cooperative to another. Those in New York and Pennsylvania areas, however, were most likely to just give up their cooperative membership—probably indicating either considerable dissatisfaction with cooperative milk marketing in their area or their inability to find a satisfactory cooperative that would accept them.

Only in the Maryland-Virginia area was there little change in membership, indicating considerable member approval of cooperatives operating in that area.

Members of the Big 9 cooperatives were just as likely to take some action on their memberships as were those of other dairy cooperatives in the Northeast. Their action, particularly among a few in the Big 9, was much more likely to be abandonment of cooperative membership than shifting from one dairy cooperative to another.

In general, dairy farmers who appeared most likely to shift their milk marketing from a cooperative to a noncooperative handler were those who milked 50 cows or more, lived in either the New York or Pennsylvania areas, and held membership in one of the Big 9 cooperatives.

Reasons for Membership Change

Of the 5,000 dairy farmers who made changes in their dairy cooperative membership during the past 5 years, 37 percent shifted membership from one dairy cooperative to another, while the remaining 63 percent gave up their cooperative membership. Well over half of these membership shifts and cancellations occurred among members of a few northeastern cooperatives. There were both similarities and differences in the frequency with which a specific reason was mentioned for shifting membership or giving up cooperative membership (tables 5 and 6).

By far, the most frequently mentioned reason for both shifting and cancelling membership was farmer dissatisfaction with cooperatives that made special assessments. Forty-five percent of those who shifted from one cooperative to another and 68 percent of those who cancelled membership and sold milk to a noncooperative handler did so because of special assessments.

The second most important reason reported by these farmers (excluding reasons labeled personal and other) was price reblands or deductions withheld by the cooperatives that they considered too high. This reason was given by 36 percent and 28 percent respectively of the dairy farmers who shifted or cancelled memberships. When this reason is combined with other price or cost-related reasons such as "milk prices too low" and "excessive hauling costs," most of these dairy farmers appeared to believe their former dairy cooperative had not properly compensated them for their milk.

Among dairy farmers who shifted membership from one cooperative to another, excessive hauling costs and inadequate farm services were far more important reasons for smaller than for larger dairy farmers. Such reasons as milk prices too low, special capital assessments, and price reblands or deductions too high were especially important in causing Pennsylvania dairy farmers to shift membership. Excessive hauling cost was mentioned infrequently by former members of the Big 9 cooperatives (6 percent), but was an important reason for former members who shifted membership from cooperatives other than the Big 9 (21 percent).

Table 5—Northeastern dairy farmers' reasons for shifting membership from one dairy cooperative to another, 1976-80

Member category	Reasons ¹						
	Milk prices too low	Special assessments	Price reblands or deductions too high	Excessive hauling costs	Inadequate on-farm services	Personal	Other
<i>Percent</i>							
By farm size:							
50 or more cows.....	11	49	35	3	3	13	37
Fewer than 50 cows.....	9	43	37	17	23	61	24
By farm location:							
Conn.-Vt.....	4	25	33	21	0	47	34
N.Y.....	9	42	30	12	21	18	37
Pa.....	16	72	49	0	16	65	19
Md.-Va. ²	—	—	—	—	—	—	—
By former co-op membership:							
Big 9.....	9	48	33	6	15	45	37
Other cooperatives.....	10	40	43	21	14	31	16
Average.....	10	45	36	11	15	40	30

¹Respondents frequently gave 2 or more reasons. Therefore, percentages add to more than 100 percent.

²Insufficient data.

Table 6—Dairy farmers' reasons for quitting cooperative memberships, 1976-80

Farmer category	Reasons ¹						
	Milk prices too low	Special assessments	Price reblands or deductions too high	Excessive hauling costs	Inadequate on-farm services	Personal	Other
<i>Percent</i>							
By farm size:							
50 or more cows	9	68	21	16	1	20	33
Fewer than 50 cows	8	67	35	22	0	32	52
By farm location:							
Conn.-Vt.	10	34	10	10	12	35	44
N.Y.	6	71	17	15	0	13	48
Pa.	11	71	43	25	0	39	33
Md.-Va. ²	—	—	—	—	—	—	—
By former co-op membership:							
Big 9	11	74	31	24	1	22	38
Other cooperatives	0	43	16	0	0	42	58
Average	8	68	28	19	1	25	42

¹ Respondents frequently gave 2 or more answers. Therefore, percentages add to more than 100 percent.

² Insufficient data.

Among those who quit cooperatives, farmers milking fewer than 50 cows were more likely than those milking 50 cows or more to quit cooperatives because of price reblends or excessively high deductions and hauling costs. These two reasons were also mentioned by Pennsylvania dairy farmers more often than those in other areas as reasons for giving up cooperative membership. In Connecticut-Vermont and Maryland-Virginia, few dairy farmers gave up their membership. Those who gave up their membership in the Connecticut-Vermont area did so largely because of special assessments.

Other reasons mentioned by dairy farmers who cancelled memberships included financial instability of the cooperative, (6 percent), distrust (6 percent), and incorrect butterfat testing (5 percent).

Nonmembers

About 8,500 or 22 percent of northeastern dairy farmers have either never marketed their milk cooperatively or have not marketed it cooperatively any time in the past 5 years.

Table 7—Reasons given for northeastern dairy farmers who did not market milk cooperatively during 1976-80 for selling through a non-cooperative firm

Farmer category	Reasons ¹			
	Better price	Convenience	Always did	Other
	<i>Percent</i>			
By farm size:				
50 or more cows.....	45	22	39	60
Fewer than 50 cows	30	20	47	50
By farm location:				
Conn.-Vt.....	36	21	45	48
N.Y.	35	9	35	63
Pa.	40	38	51	44
Md.-Va.	16	7	49	56
All nonmembers	36	21	44	54

¹ Respondents frequently gave 2 or more reasons. Therefore, percentages add to more than 100 percent.

Asked why they marketed their milk through noncooperative dairy firms, nearly half (44 percent) said this was the way they had always done it (table 7). Thirty-six percent said they received a better price, while 21 percent mentioned convenience. Better price was mentioned more often by larger farm operators than smaller ones. Also, better price was mentioned by 35 to 40 percent of these dairy farmers in Connecticut-Vermont, New York, and Pennsylvania areas but by only 16 percent in Maryland-Virginia.

More than half the 8,500 dairy farmers who were not members of a dairy cooperative mentioned a variety of other reasons. Most important was freedom from assessments. This was particularly important among farmers in the Connecticut-Vermont and New York areas. The second most important reason was distrust of cooperatives, mentioned most frequently in Connecticut-Vermont, New York, and Pennsylvania areas and relatively infrequently in Maryland-Virginia. Religious belief was an occasional reason cited by Maryland-Virginia and Pennsylvania dairy farmers for not marketing their milk through cooperatives.

Cooperative Operations

To obtain some understanding of attitudes of current members, they were asked to evaluate the effectiveness of management of their cooperatives, how well their cooperatives were performing in several key areas, services now provided, and the need for new services.

Management

Member respondents were asked to evaluate their cooperatives by indicating degree of agreement or disagreement with seven statements concerning the board of directors, hired management, and size of their cooperative. Members generally evaluated their cooperative favorably (table 8).

Eighty-six percent of cooperative members agreed or strongly agreed that the present method of electing board members resulted in good leadership. Eighty-nine percent thought the board of directors considered needs and interests of all members in their decisionmaking, while 82 percent thought directors were responsive to members' suggestions in making policy. Nearly three-fourths (73 percent) thought the board did not involve itself in too many day-to-day operating decisions, but 20 percent of the respondents indicated they had no opinion on the day-to-day involvement in operating decisions of board members.

Table 8—Members' evaluation of management and size of northeastern dairy cooperatives

Evaluation statement	Responses				
	Strongly agree	Agree	Disagree	Strongly disagree	No opinion
	<i>Percent</i>				
The present method of electing board members results in good leadership.....	9	77	7	1	6
The board of directors generally considers needs and interests of all members in their decisionmaking.....	12	77	8	(1)	3
The board of directors is responsive to members' suggestions in developing policy.....	9	73	9	1	8
Board members involve themselves in too many day-to-day operating decisions.....	(1)	7	70	3	20
Hired management responds to members' suggestions for improving operations.....	5	63	14	2	16
Hired management overly involves itself in the board's policymaking function.....	(1)	11	58	2	29
The co-op is too large to accommodate my marketing needs.....	1	8	83	6	2

¹Fewer than 0.5 percent.

Hired management did not rate quite so high in this evaluation as boards of directors. Part of this is due to the belief of many members that they lacked sufficient information to make an evaluation. Only 68 percent thought hired management responded to members' suggestions for improving operations, but 16 percent said they had no opinion on this subject. Sixty percent of the members believed hired management did not overly involve itself in policymaking functions, but again nearly one in three (29 percent) stated they had no opinion on the subject.

Some of those concerned with the cooperative segment of the dairy industry have said some dairy cooperatives are too large to properly serve their dairy farmer-members. To determine if this opinion was widely held by northeastern dairy farmers, they were asked to evaluate a statement that their cooperative was too large to accommodate their marketing needs. Eighty-nine percent disagreed with the statement.

When responses to the seven evaluation statements were analyzed by farm size, farm location, and type of cooperative in which the dairy farmer held membership, farmers milking 50 or more cows, those located in the Maryland-Virginia area, and those holding memberships in cooperatives other than the Big 9 expressed a small but generally greater approval (table 9).

Some cooperative leaders believe actively involved members would generally rate their cooperative higher than would less active members. To determine if this difference exists, responses to the seven evaluation statements by members who engaged in three or more of the five activities used to measure member participation (listed in table 2) were compared with those of members engaged in two or fewer activities (table 9). This analysis demonstrated a much higher level of favorable responses by the more active members in all evaluation statements except that dealing with hired management involving itself too greatly in board policymaking function. In this statement, both groups gave almost equal ratings in their evaluation.

In addition to different levels of approval of evaluation statements among more active members as compared with the less active, there were also differences in the frequency with which the respondents gave a "no opinion" answer. On the average, about 1 in 10 of more active members answered "no opinion" to any one of the evaluation statements, while twice as many, 1 in 5, of the less active members gave a "no opinion" response.

Table 9 — Members' agreement or strong agreement with statements evaluating management and size of their cooperatives, by member category

Member category	Evaluation Statement						The co-op is too large to accommodate my marketing needs
	The present method of electing board members results in good leadership	The board of directors generally consider the needs and interest of all members in their decisionmaking	The board of directors is responsive to members' suggestions in developing policy	Board members involve themselves in many day-to-day decisions	Hired management responds to members' suggestions for improving operations	Hired management involves itself in the board policy-making function	
<i>Percent</i>							
By farm size:							
50 or more cows.....	85	92	84	7	74	12	7
Fewer than 50 cows.....	86	86	80	7	65	10	11
By farm location:							
Conn.-Vt.....	84	84	75	6	63	3	8
N.Y.	82	87	80	6	63	9	13
Pa.	89	90	84	8	73	16	7
Md.-Va.....	89	95	88	5	83	13	3
By co-op membership:							
Big 9.....	85	87	81	9	68	12	11
Other cooperatives.....	88	92	84	2	72	7	2
By participation level ¹ :							
Active	91	94	87	4	72	11	6
Less active	70	75	67	14	59	12	17
Average	86	89	82	7	69	11	9

¹ Active participants are those who reported that during the last 3 years they had engaged in three or more of the following: (1) attended one or more co-op meetings, (2) voted in election of delegates or directors, (3) read the cooperative's magazine, (4) maintained close contact with cooperative officials, and (5) served on a cooperative committee. Less active members are those who engaged in 2 or fewer of these activities in the past 3 years.

Performance

Members were asked to evaluate performance of their cooperative by indicating degree of agreement or disagreement with five opinion statements designed to provide information on three important aspects of cooperative operations.

The first two statements dealt with members' judgment of the cooperative's success in obtaining better prices for milk and providing better overall services than would be available from other sources (table 10). Eighty percent or more of the members agreed or strongly agreed with these statements.

Some 12 to 15 percent of the members, however, thought they could get better prices and services elsewhere but still retained cooperative membership. Perhaps other reasons, such as the cooperative providing an assured market for these farmers' milk, was an overriding consideration in their retaining cooperative membership.

Dairy cooperative members were asked to respond to a statement that their cooperative kept them informed on probable changes in cooperative operations, financial condition, and potential marketing problems for members' milk. More than 90 percent agreed or strongly agreed that their cooperative was keeping them informed. Practically no one strongly believed the cooperative did not properly inform.

The final two statements dealt with members' opinions on benefits of cooperative membership. Nearly 9 in 10 agreed or strongly agreed with the statement that cooperatives benefit members uniformly, regardless of size of herd or distance from milk plant. The 10 percent who disagreed with this statement might be reflecting either an opinion that their cooperative actually treated members differently but should not do so regardless of herd size or distance from milk plant or possibly that milk prices and hauling charges were uniform for all members but should more properly reflect the true cost of assembling, processing, and marketing each member's milk.

The final statement dealing with benefits of cooperative membership sought members' opinions on whether cooperatives benefited nonmembers more than members. Again, a large proportion (86 percent) believed cooperatives did not benefit nonmembers more than members.

In all five opinion statements, farmers exhibit a high level of uniformity—80 to 90 percent either agreeing or disagreeing with each

Table 10—Members' opinions of northeastern dairy cooperative performance

Evaluation statement	Responses				
	Strongly agree	Agree	Disagree	Strongly disagree	No opinion
	<i>Percent</i>				
Co-op gets better price for my milk than I would get from another firm	13	69	14	1	3
Co-op provides better overall services than I could get from another firm	10	70	12	(1) ¹	8
Co-op keeps me informed on probable changes in its operations, financial conditions, and potential marketing problems	11	80	7	(1) ¹	2
Co-op benefits members uniformly regardless of size of cow herd or distance from milk plant	9	79	9	1	2
Co-op benefits nonmembers more than its members	1	6	78	8	7

¹Fewer than 0.5 percent.

statement. Also, there was a low level of "no opinion" reports, indicating dairy cooperative members have formulated firm views in areas of concern reflected by the statements.

Levels of agreement or disagreements with five opinion statements did not vary significantly between operators of large and those of small dairy farms (table 11). On the other hand, dairy farmers in Maryland-Virginia exhibited a much higher level of concurrence with these five opinion statements than those in New York and Connecticut-Vermont. Also, members of cooperatives other than the Big 9 held a higher level of concurrence with these opinion statements than Big 9 members.

Active members were more likely to agree or strongly agree with the evaluation statements than were less active members except for the statement on nonmember benefits. In this situation, a much larger percentage of less active members thought the cooperative benefited nonmembers more than members.

Services

Members of dairy cooperatives were asked to rate quality of selected services performed by northeastern dairy cooperatives and to indicate their desires for other services not provided.

Most cooperative members (85 percent) rated milk hauling (operating routes or making hauling arrangements) and providing field services (assisting in production and milk quality problems) as good to excellent (table 12).

Checking milk weights and tests did not rate as high (68 percent), with only 15 percent of members giving an excellent rating. Another 13 percent rated this service as fair to poor. This range of ratings indicates dairy farmers' concern for the accuracy with which this service is performed. This concern is further supported by the response given when dairy farmers were asked why they had given up their cooperative membership. Some 5 percent said because of incorrect butterfat testing.

One of the primary benefits claimed for dairy cooperatives is that they provide an assured market for members' milk. Members rated their cooperatives high in providing this benefit, giving them a 92 percent good to excellent rating. A few members thought their cooperatives were doing a fair-to-average job, but practically none challenged the claim of providing an assured market.

Table 11 — Members' agreement or strong agreement with statements on performance of northeastern dairy cooperatives, by member category

Member category	Evaluation statements					Co-op benefits nonmembers more than members
	Co-op gets better price for my milk than I would get from another firm	Co-op provides better overall services than I could get from another firm	Co-ops keeps me informed on probable changes in operations, financial condition, and potential marketing problems	Co-op benefits members uniformly regardless of herd size or distance from milk plant	Co-op benefits members more than members	
	<i>Percent</i>					
By farm size:						
50 or more cows.....	82	83	91	86	9	
Fewer than 50 cows	81	78	91	89	6	
By farm locations:						
Conn.-Vt.....	81	72	91	82	7	
N.Y.....	77	79	89	81	7	
Pa.....	84	82	93	95	8	
Md.-Va.	91	89	94	94	6	
By co-op membership:						
Big 9.....	79	79	91	86	7	
Other cooperatives	89	84	93	92	6	
By participation level¹:						
Active	86	83	93	89	6	
Less active.....	70	72	85	85	10	
Average	82	80	91	88	7	

¹See footnote 1, table 9.

Table 12—Members' rating of specified services provided

Service	Rating					
	Excellent	Good	Average	Fair	Poor	Not applicable
	<i>Percent</i>					
Milk hauling (operating routes or makes arrangements)	40	45	5	2	2	6
Performing field services (assisting in production and milk quality problems).....	26	59	7	4	1	3
Checking on milk weights and tests	15	53	14	9	4	5
Providing an assured market	35	57	5	2	(1)	(1)
Selling milking supplies and equipment.....	7	27	9	8	6	43
Providing milk market information	17	67	9	3	2	2
Providing production cost information (feed, equipment, herd replacement, etc.)	2	20	10	8	9	51

¹Fewer than 0.5 percent.

Selling milking supplies and equipment and providing production cost information received an average to good rating (36 and 30 percent respectively). But, it appears, cooperatives serving nearly half the cooperative members in the Northeast did not provide these services or their members were unaware of them.

Providing milk marketing information by the cooperative was rated good to excellent by 84 percent of the members. The high rating given this service by cooperative members probably reflects the professional quality of the dairy cooperative magazines read by most members of northeastern dairy cooperatives as well as managements' concern that field personnel communicate accurate and up-to-date market information to members.

Operators of larger dairy farms rated each of the seven cooperative services in about the same way as did operators of smaller dairy farms—at least in assigning good to excellent ratings (table 13). Providing an assured market for milk was rated uniformly high in all areas.

Selling milking supplies and equipment was rated high in Maryland-Virginia but low in other areas. The low rating in areas other than Maryland-Virginia can be attributed, in large part, to this service not being offered by many cooperatives in those areas. While 43 percent of respondents in the four areas reported “not applicable” to this statement about milking supplies and equipment, in Maryland-Virginia, this response accounted for only 10 percent of all response. In the other three areas, it accounted for 47 percent.

Little difference existed between members of the Big 9 and other cooperatives in the portion of members who gave good to excellent ratings to current services.

Good to excellent ratings were given by a greater proportion of active than less active members for most of the services listed. Only for milk hauling did more of less active members rate the service good to excellent than did the active members.

Cooperative members were asked what additional services they would like their cooperative to provide. Seven services were listed (table 14), with provision for the responding dairy farmer to list other services. Nearly two out of three (62 percent) respondents reported they did not want their dairy cooperative to provide any additional services. Their answers were frequently reinforced with such comments as,

Table 13—Members' rating of specified services provided by their cooperative as good to excellent, by member category

Member category	Services							
	Milk hauling	Providing field services	Checking milk weights and test	Providing an assured market	Selling milking supplies and equipment	Providing milk marketing information	Providing production cost information	
								<i>Percent</i>
By farm size:								
50 or more cows.....	84	84	69	93	35	82	20	
Fewer than 50 cows	85	85	66	91	34	85	24	
By farm location:								
Conn.-Vt.....	86	83	66	95	36	89	33	
N.Y.	86	84	65	92	36	81	21	
Pa.....	85	83	68	91	20	85	19	
Md.-Va.	75	94	74	94	70	86	29	
By co-op membership:								
Big 9.....	85	84	65	92	35	86	21	
Other cooperatives.....	82	87	73	93	34	80	27	
By participation level ¹ :								
Active.....	84	86	70	94	37	86	21	
Less active.....	86	81	61	87	28	78	28	
Average	85	85	67	92	34	84	33	

¹See footnote 1, table 9.

²Forty-three percent of respondents reported this service was not provided. Excluding these, 60 percent of remaining respondents rated this service good to excellent.

³Fifty-one percent of respondents reported this service was not provided. Excluding these, 46 percent of remaining respondents rated this service good to excellent.

Table 14—Cooperative members' desire for additional cooperative services

Member category	Service						
	Record keeping	Manufacturing and delivering feed	Short-term feeding and milking	Cull cow marketing	Financial assistance	Insurance (life, health, disaster, etc.)	Assisting in developing optimum feeding program
<i>Percent</i>							
By farm size:							
50 or more cows.....	5	4	14	9	11	16	7
Fewer than 50 cows	4	3	11	6	14	14	7
By farm location::							
Conn.-Vt.....	7	3	12	8	11	15	8
N.Y.	4	2	11	9	12	17	4
Pa.....	3	2	11	3	13	9	9
Md.-Va.	8	8	20	15	17	24	12
By co-op membership:							
Big 9.....	4	3	12	7	12	13	6
Other cooperatives	5	3	14	10	15	20	10
By participation level ¹ :							
Active.....	4	3	12	8	13	14	6
Less active.....	5	2	14	6	12	16	10
Average	4	3	12	7	13	15	7

¹See footnote 1, table 9.

“Concentrate on marketing milk” and “Do a good job of marketing milk and stay out of related businesses.”

The remaining 38 percent of respondents generally limited their responses to just one additional service and most (15 percent) were for insurance (life, health, disaster, etc.), 13 percent for financial assistance, and 12 percent for short-term feeding and milking service (during vacation, illness, etc.). Many dairy farmers who indicated they would like their cooperative to offer insurance (life, health, disaster, etc.) were members of a dairy cooperative that offered health insurance programs. This indicates some portion of dairy cooperative members feel a need for their cooperative to offer additional insurance such as disaster or accident programs or were unaware of insurance programs already offered.

Some dairy farmers who indicated they would like their dairy cooperative to provide short-term feeding and milking services also voiced some reservation that such a program could be operated satisfactorily. Perhaps this is one service that, if properly designed and operated, could be of great value to dairy farmers during periods of elected or enforced absence from the dairy farming operation.

Future Operations And Structure

Financial problems of some northeastern dairy cooperatives have probably caused many cooperative members in the area to think about structural and operating changes that may be necessary for successful future operation. To obtain some insights into members' thinking, they were asked to indicate their degree of agreement or disagreement with four broadly expressed opinion statements relating to dairy cooperatives in the future.

One statement relates to a perceived need for management to accurately predict the volume of milk the cooperative will receive in the future. Such information is considered necessary by some managers as a tool in effective merchandising and capital management. Responses to the statement, “To have stronger co-ops, it will be necessary to have milk marketing agreements of at least one years' duration plus automatic annual renewals,” showed three-fourths of northeastern dairy cooperative members agreed such marketing agreements were necessary (table 15). While a significant number (15 percent) disagreed with the statement, few dairy farmers (2 percent) expressed strong disagreement.

The three remaining statements dealt with the structure of the cooperative segment of the industry. Members were first asked to respond

Table 15—Members' evaluation of statements of future structure and operations of northeastern dairy cooperatives

Evaluation statement	Response				
	Strongly agree	Agree	Disagree	Strongly disagree	No opinion
	<i>Percent</i>				
To have stronger co-ops, it will be necessary to have milk marketing agreements of at least 1 year's duration plus automatic annual renewals.....	4	72	15	2	7
Co-ops will need to handle and process more of their members' milk for efficient marketing	7	66	20	1	6
Co-ops must seriously consider merging with other dairy cooperatives.....	5	29	55	6	5
Producers must provide substantially more equity capital to build additional facilities for more efficient marketing.....	2	29	60	5	4

to the statement, "Co-ops will need to handle and process more of their members' milk for efficient marketing." Nearly three-fourths of cooperative members agreed this was necessary, and about one-fifth disagreed. Next, they were asked to respond to two statements that might point the way to how these cooperatives could handle and process more of their members' milk. Responding to the statement, "Co-ops must seriously consider merging with other dairy cooperatives," 61 percent of the members disagreed or strongly disagreed with the statement, and only one-third indicated agreement. Responding to the statement, "Producers must provide substantially more equity capital to build additional facilities for more efficient marketing," 65 percent of the members disagreed with this solution, and only 31 percent agreed.

When these responses were analyzed by farm size, farm location, cooperative membership, and member participation level some differences were found. On the statement relating to the need for milk marketing agreements, significant differences exist geographically and by level of member participation (table 16). In New York, 84 percent of the members agreed such marketing agreements were necessary, but only 68 percent of members in Maryland-Virginia thought they were necessary. Seventy-nine percent of the active members thought such agreements were necessary compared with 70 percent of the less active.

On the statement expressing the need to handle and process more of their members' milk for efficient marketing, a greater portion of large dairy farm operators agreed than did operators of smaller dairy farms. Also, members in Pennsylvania indicated more agreement than members in other areas. Level of member participation in cooperative affairs had no effect on the proportion of members that reported the need to handle and process more of members' milk.

On how to achieve this objective, that is, merge with other dairy cooperatives and provide more equity capital to build additional facilities, a greater proportion of the large dairy farm operators agreed than small ones, but far short of half the respondents agreed with either solution. Dairy farmers in Pennsylvania and New York were least favorable to either solution, while those in Maryland-Virginia were most favorable. Members of the Big 9 as well as those in other cooperatives generally disagreed with both possible solutions. Members identified as active were more favorably inclined to both solutions than the less active members, but both groups rejected both solutions.

Table 16—Members' agreement or strong agreement with statements on future structure and operations of northeastern dairy cooperatives, by member category

Member	Evaluation statement				Producers must provide substantially more equity capital to build additional facilities for more efficient marketing
	To have strong co-ops, it will be necessary to have milk marketing agreements of at least 1 year's duration plus automatic annual renewal	Co-ops will need to handle and process more members' milk for efficient marketing	Co-ops must seriously consider merging with other dairy cooperatives	Producers must seriously consider merging with other dairy cooperatives	
	<i>Percent</i>				
By farm size:					
50 or more cows.....	78	78	40	36	
Fewer than 50 cows.....	76	70	29	27	
By farm location:					
Conn.-Vt.	72	73	28	42	
N.Y.	84	76	39	23	
Pa.	75	84	28	30	
Md.-Va.	68	77	44	42	
By co-op membership:					
Big 9	77	74	35	28	
Other cooperatives	75	71	30	37	
By participation level¹:					
Active	79	73	36	31	
Less active	70	73	28	28	
Average	77	73	34	30	

¹See footnote 1, table 9.

Attitudes of cooperative members, to the extent they are reflected in their responses to these statements on the future structure of northeastern dairy cooperatives, pose a difficult question to dairy cooperative leaders. How can dairy cooperatives handle and process more of members' milk for greater efficiency, when members do not think it desirable and presumably will not support efforts to merge dairy cooperatives or provide substantially more equity capital for additional facilities?

This study suggests the need for greater effort by cooperative leadership to inform members of the need and benefits for making significant changes in cooperative structure and operations.

Appendix

Survey Description

This report is based on a special enumerative survey conducted for Agricultural Cooperative Service by Statistical Reporting Service (formerly the Statistics Unit of ESS). Approximately 800 dairy farmers of the estimated 38,000 milking 20 or more cows were personally interviewed in November 1980 for the information summarized here. Enumerators were trained before making personal interviews, so they could better understand the precise information requested.

As not all dairy farm operators were interviewed, survey estimates are subject to sampling variability. Coefficients of variation (C.V.) provide a means of evaluating survey results. If the C.V. of an item were 5 percent, chances are 67 out of 100 that the population value would be within 5 percent of the survey value and 95 out of 100 that it would be within 10 percent. The estimated C.V. for percentage of dairy farm operators reporting dairy cooperative membership by farm size and geographic area follow:

Category	Dairy farmers reporting membership	Coefficient of variation
	<i>Percent</i>	
Farm size:		
50 or more cows	69	3.9
Fewer than 50 cows	70	4.0
Farm location:		
Conn.-Vt.	89	2.5
N.Y.	65	5.4
Pa.	66	5.3
Md.-Va.	80	3.6
Average	70	2.8

Sampling variability for some of the survey items describing smaller segments of the population is somewhat higher.

As in all information collected by interview, nonsampling errors can occur, resulting from omissions, incorrect answers, and other errors in the data. The errors cannot be measured directly but are minimized through rigid quality controls in data collection and through consistency checks prior to summarization.

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Agricultural Cooperative Service 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 obtain supplies and services at lower costs 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.

The agency publishes research and educational materials, and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.