Reviews

The Cooperative Story, a five-cassette video series produced by the American Institute of Cooperation and the Agricultural Cooperative Service, U.S. Department of Agriculture, 1989.

Leaders in the cooperative community often complain about the lack of effective education concerning cooperatives. This cassette series is one way AIC and ACS are attempting to address the problem.

The series includes:

"The Cooperative Story: History" (12 min.) is a straightforward account of major historical developments. Though it starts with cooperation required by civilization, it moves rapidly to events contributing to the development of modern cooperatives. The Industrial Revolution and conditions that led to the development of major U.S. legal benchmarks, the ebb and flow of public policy, and the major role of the farm organizations are included.

Basic cooperative principles are outlined in "Cooperatives: Working for All of Us" (10 1/2 min.). The link between free enterprise and cooperatives and their role in the economy is established.

"Cooperative Business: Structure" (10 1/2 min.) is a straightforward description of various classifications of cooperatives. Those addressed are geographic, type of membership (centralized and federated), service performed (marketing, supply, and service), organizational structure (e.g., subsidiaries and joint ventures), and variety of industries in which cooperatives operate.

The fourth video "Why Cooperatives?: Economics" (12 1/2 min.) briefly describes and gives examples of economic justification for cooperatives under the umbrella of market failure. Factors associated with market failure are: access to information, the capture of profits of the other levels, economies of size, the provision of missing services, the assurance of access to markets and supplies, the gains from the effective use of coordination, spreading risk, and market power. It closes with the competitive yardstick role and justification for positive public policy.

"Cooperatives Today: The Inside Story" (11 min.), the fifth video, covers the scope of cooperative activity. Dimensions covered are range of industries (child care to fertilizer), numbers of cooperatives, and numbers of members.

This video series has the appearance of being professionally done. The narrative and images are interesting and move at a crisp pace. Probably 10 to 20 percent of the images are repeated someplace among the five segments at least once.

The videos dealing with economic justification and organizational structure (third and fourth segments) are by far the best. They are accurate and lucid and provide excellent examples. The history section is also well done.

I was disappointed with the first third of "Cooperatives: Working for All of Us." A first-rate opportunity to present the definition and the revised principles as first given by ACS (U.S. Department of Agriculture) was lost. This is regrettable. The first part of this tape should be redone to incorporate these concepts. The reformulated principles are logical and pedagogically powerful. The reformulated principles are user ownership, user control, and user benefits. Answering the question "How are these principles applied?" makes them a great

teaching tool. For example, user ownership is achieved by direct investment, retained patronage refunds, and per-unit capital retains. User control is achieved democratically (one-member/one-vote) or by voting proportionally to use. User benefits are achieved by returning benefits according to use by patronage refunds or by favorable prices.

Principles given in the video are: (1) service at cost, (2) benefits based on use, (3) limited return on investment, (4) democratic control, (5) continuing education, and (6) cooperation among cooperatives. The first and second items are really part of the same principle (user benefits) and should not be listed separately. The narrative implies as much. Limited return on investment is a business practice, not a principle, incorporated into legal statutes intended to help maintain user control. Democratic control is only one way to maintain user control.

The narrative on principles is a demonstration of the reason why the ACS reformulated principles need to be adopted. To me this reformulation is the greatest advance in cooperative principles since the Rochdale practices were first recorded. Educational efforts will be considerably more effective and efficient if the ACS reformulation is adopted.

The last part of "Cooperatives: Working for All of Us" has some valuable content by Glenn Webb on the link of cooperatives to the free enterprise system. This link could have been strengthened by emphasizing voluntary membership and that net worth can be traced to individuals.

The scope of the last segment, "Cooperatives Today," could have been enhanced by incorporating some cooperative market share statistics.

Three themes are repeated in most tapes. They are "recognize these brand names?" range of industries in which cooperatives are active, and dependence of society upon cooperatives. This repetition is acceptable as long as the segments are not shown in tandem.

On balance AIC and ACS have made an important thrust in their educational effort. *The Cooperative Story* should be used as the beginning of an education effort, particularly if the producers redo the principles section.

All segments can be viewed in an hour, though I do not recommend showing them in tandem. Individual segments would be effective at annual meetings because of their content, interesting style, and rapid pace. Educators could use individual segments as a launching pad for discussion.

Reference

U.S. Department of Agriculture. *Positioning Farmer Cooperatives for the Future: A Report to Congress.* Washington, D.C.: ACS, Oct. 1987.

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AGRIBIZ/ FINPLAN, CoopSim, and COST_AL.

This review looks at three recent additions to the cooperative financial analysis software tools. Two of these, CoopSim and COST_AL, are compatible with *Lotus 123*.[1] The other, AGRIBIZ/FINPLAN, runs under *Encore!*[2] a less well known but more powerful system. User access to *Lotus 123*, rather than the specific features of the three systems, may well determine which modeling system is selected. Even then, there is a choice.

Lotus 123 Compatible Systems

COST_AL[3] is the most basic of the three modeling systems. The authors state that COST_AL is "a template. . . to do what if" analyses of common cost allocations easily and quickly. This Lotus template can calculate departmental income statements from the firm's consolidated income statement. The user can select allocation bases for each income and expense item on the consolidated income statement and then produce departmental reports.

The imputs are the consolidated income statement, direct income and expense items, and an allocation base. Up to 10 departments and 14 allocation bases can be accommodated for each accounting period. The output is the departmentalized income statement as computed from the consolidated income statement. COST_AL comes on a single disk with an extensive user's guide and is priced at $20 for the first copy and $15 for each additional copy.

CoopSim[4] is a less basic analytical modeling tool billed as "A Decision Support System for Cooperatives." The authors state that the primary objectives of the system are "to assist managers in developing financial forecasts and examining financial performance. The program assists users in: 1. examining a variety of financial statements in tabular and graphical formats; 2. developing financial forecasts based on historical patterns; and 3. exploring alternative cooperative strategies regarding reorganization, merger, acquisition, and/or liquidation."

CoopSim can be customized to meet the individual needs of users. An extensive manual leads the user through a tutorial and then through examples of data entry, consolidation, and alternative application development. Appendices contain additional modeling detail as well as a primer on financial analysis and forecasting. The instruction manual is designed as a stand-alone reference for cooperative financial planners. CoopSim comes on two disks—one program disk and one applications disk. There are also sleeves in the manual for storing two user data disks and plenty of binder room to add more sleeves.

It should be obvious that CoopSim goes well beyond COST_AL in design and versatility for financial analysis. The output is dependent upon the data input into the model and understanding the nature of the manipulations to which the data have been subjected. The prerelease version did not give the price, but that information can be obtained from the author at Oklahoma State University.

Encore! Compatible System

The modeling system used to develop AGRIBIZ/FINPLAN[5] is the *Encore!* system from Ferox Corporation. Although this modeling system has been on the market for several years, it is certainly not a household name like *Lotus 123*. *Encore!* is an extremely well thought-out and highly developed professional modeling language. *Encore!* draws many of its concepts and design criteria from

early modeling systems like *DYNAMO*[6] at MIT and clones of that era combined with the spreadsheet features of *VisiCalc*[7] and its later clones. The nearest competitor is a modeling system called *Javelin*.[8] Except for *VisiCalc*, none of these systems are very well known outside the professional corporate modeling circles.

The use of *Encore!* as a modeling system raises the cost of using FINPLAN because of the time required to master the rudiments of this system. However, to accomplish the goals set forth for FINPLAN, a higher level modeling language or system had to be used. *Encore!* is as good a choice as any for the purpose.

The authors have tried to reduce the problems created by the modeling language by providing two versions of FINPLAN. The first is a run-time model that does not require much knowledge of *Encore!* The other is an advanced version that gives the user full access to the *Encore!* system. The introduction to the user manual states that additional modules, such as budgeting, may be added to AGRIBIZ.

FINPLAN, designed for both cooperative businesses and investor-owned businesses, has a special cooperative equity section. The authors state, "FIN-PLAN represents the activities that have a major financial impact on the business such as product sales and margins, asset purchases and sales, net income distribution and adjustments in equity and debt. You can use FINPLAN to determine the effects of alternative projections or decisions concerning these activities." Data must be input into the system and can cover up to five years of history. Projections can be made over the next 25 years. The program permits the user to change the projected data to represent different business "what if" scenarios the business might face. The output of the model is operating statements and balance sheets for the projected data over the projection period.

Because FINPLAN uses a more sophisticated modeling system, data base changes are made more readily and the data base is much easier to handle as changes are made. The data base enables ease in handling dollar and unit based accounting and multiple levels within the organization. Up to four decisions, eight departments, and six product lines per department may be analyzed. Equity management for cooperatives permits analysis by patron birth year, by age of equity, and by the nature of the equity, either qualified or unqualified.

FINPLAN comes packaged in a standard notebook with an extensive user's manual. The tutorial and the sample output in the appendix provide excellent guidance for initial learning. A three-volume set of *Encore!* operating manuals is included in the advanced package. With study, the operating system can be mastered. The run-time package is priced at $595, and the advanced package, which includes *Encore!*, is priced at $995. Additional copies of FINPLAN are priced at $395. Note that when you purchase the advanced package you get the capability of *Encore!* at a very reasonable price, and you will not be required to purchase *Encore!* for additional modules of AGRIBIZ. An educational discount is available.

Summary

Users must make a choice between desired results and operating system sophistication. If users want and need the features in FINPLAN, they will have

to make the investment in learning the *Encore!* system. This will probably make the most sense for fairly sophisticated business users, especially those who have difficult equity redemption decisions in addition to their financial planning needs. If users already know *Lotus 123* and have used models developed under the Lotus system, the learning experience on *Encore!* will be much easier and less time consuming.

Users who have never used a modeling system or are not really very sure about what they want to do in the way of planning will find the investment of time and the lack of complexity of the two Lotus 123-based systems appealing. These users have another choice between the level of complexity of the two Lotus-based systems. COST_AL does what it says, it allocates costs based on selected criteria. CoopSim is more complex and handles an increased level of decision complexity.

No matter which modeling choice you make, try to see a demonstration of the system or at least review the instruction manual before buying the product. A small investment early in the decision process will pay big dividends. As is true for most decisions, a telephone or personal conversation with a firm now using the system is probably your best decision aid.

Notes

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