



# Young Farmer Attitudes Toward Cooperatives

*A Report from the University of Missouri-Columbia  
College of Agriculture*

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## Introduction

Agriculture in the United States has changed drastically over the past 15 years and is still in transition. The seventies tended to be a period of prosperity but the eighties have dealt farmers harsh financial blows. Particularly hard hit are the young "aggressive" farmers who built large farms and large debts in the previous decade.

The aggressive, growth-oriented young farmers of the 1970's were often referred to as the "young tigers." They appeared willing to accept more risk and greater management responsibilities than the preceding generation of farmers. Some of the young tigers were elected to boards of directors of elevators; financial institutions and input suppliers. However, we have limited knowledge of the overall attitudes and commitment of these young farmers to various institutions, including cooperatives. What are their perceptions of cooperatives? What leadership roles do they expect to assume? Will they be economic leaders in the changed economic environment of the 1980's? Will they also be social leaders?

Some have hypothesized that the social and economic behavior of the young tigers will significantly impact the future of farmer cooperatives. If they buy and sell through cooperatives, the cooperatives may have a brighter economic future. If they participate in leadership roles they may influence the attitudes of other farmers; non-participation will also influence attitudes.

## Purpose and Objectives

The purpose of this study was to identify some characteristics and perceptions of young farmers (labeled young tigers) currently involved in large-scale operations who started into farming in the late 1960s or early 1970s. Particular attention was given to their perception of cooperatives and their purchasing and marketing behaviors in relation to cooperatives.

The specific objectives of this study were to:

1. summarize the current organizational and financial structure of a sample of large-scale young farmers and contrast that with their organization and financial structure when they began farming.
2. determine some reasons why young farmers chose the firm at which they purchase farm inputs and what their criteria are for choosing their current marketing firm.
3. ascertain farmer knowledge of basic cooperative principles.
4. identify factors or characteristics that influence whether the farmer purchases and markets through a cooperative.

Farmers from 20 Missouri counties participated in this survey, which was conducted in the summer of 1983. Counties were chosen on the basis of the value of agricultural sales according to the 1978 Census of Agriculture. The counties are representative of Missouri north of the Missouri River. The list of

farmers contacted was developed from suggestions from Area Extension Farm Management Specialists, the Farm Bureau Staff heading its young farmer program and Vocational Agriculture Leaders working with young farmer clubs. All these groups submitted names of persons who met their definition of "young tigers".

A mail survey and follow-up calls were used to obtain information about farmers and their attitude toward cooperatives. The follow-up questionnaire consisted of general attitude questions concerning their purchasing and marketing behavior. Non-respondents were sent a follow-up letter and questionnaire. One hundred eight farmers provided complete information upon which this analysis is based.

## **Profile of Respondents**

### *Age*

The average age of the respondents was 36.8 years with 9 percent younger than 30 years and 7 percent older than 45 years. The standard deviation was 7.1.

### *Education*

None of those interviewed had less than a high school education. Thirty-one percent had a high school education, 22.7 percent had some college training and 45.3 percent had a college degree. This sample group has more formal education than does the general farm population.

### *Years Farming Experience*

The average number of years of farming experience for the respondents was 14.7 years as of 1983. This would mean the average year for starting was in 1969. There was a definite negative correlation between level of education and years of farming experience. Some farmers substituted education for some farm experience. Also the younger respondents to the survey tended to have more education.

### *Enterprises*

Most of the respondents' gross income came from the crop sector of their business. Percent of income averaged 57 percent from crops and 43 percent from livestock. Twenty percent of the respondents were strictly crop farmers. In Missouri, the cash farm receipts for crops in 1982 was 44 percent of total agricultural receipts.<sup>1</sup> Thus, the farmers surveyed received a higher proportion of their income from the crop sector than did Missouri farmers in general.

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<sup>1</sup>1983 *Missouri Farm Facts*, Missouri Department of Agriculture, Missouri Crop and Livestock Reporting Service, April 1983, p. 47.

### Size in Acres

Farm size was large by Missouri standards averaging 1,047 acres owned and rented. The respondents rented approximately as much land as they owned. Land owned averaged 541 acres while land rented averaged 506 acres. Table 1 displays the average starting size and current acres owned and rented.

TABLE 1  
Average Farm Size in Acres When Respondents  
Started Farming, Average in 1982, Amount of Change  
and Percentage Increase

	Owned	Rented	Total
Starting	154	294	448
Current	541	605	1,047
Change	+387	+212	+599
Percent Increase	+351%	+172%	+234%

### Gross Sales

As would be expected, gross sales expanded as acres increased. Listed below are the averages in gross sales.

gross sales in first years of farming	57,000 dollars
gross sales in 1982	251,000 dollars
change	194,000 dollars
percent change	340 percent

As beginning farmers, respondents averaged approximately 57,000 dollars from the sale of agricultural goods. Their reported sales in 1982 averaged approximately 251,000 dollars—an increase of 194,000 dollars or 340 percent. Fifty percent of the respondents sold between 150,000 and 350,000 dollars. Ten percent reported gross sales exceeding 500,000 dollars and 40 percent sold less than 150,000 dollars. Inflation has been partly responsible for the increase in dollar volume of sales, but the farmers also had to be aggressive in order to secure the sales reported.

### Equity

Only 56 of the respondents provided their equity position. The equity positions of those responding to this question averaged about 62.5 percent. That is an increase of 36.5 percent from the 26 percent owned when they started. Thirty-nine percent had equity positions of more than 70 percent of liability plus net worth. Eleven percent had equity of lower than 30 percent.

### *Further Plans in Terms of Size*

Respondents were asked to indicate their plans for five years from now in terms of the size of their business. Even though the respondents landholdings were quite large, most of them still wanted to expand. The responses are shown below.

<b>Future Plan For Size of Business</b>	
<i>Response</i>	<i>Percent</i>
increase size	56
hold constant	39
decrease size	5
quit farming	1

Fifty-six percent of the farmers would like to expand their business. More farmers with gross sales over 500,000 dollars wanted to expand than did farmers with sales between 150,000-350,000 dollars. The respondents with less than 150,000 dollars in gross sales were also dissatisfied with their current position and are planning to expand. In the gross sales range between 150,000 to 500,000 dollars the responses were about equally split between expanding and staying constant. Very few of the respondents were planning to decrease the size of their holdings. In general these young farmers are expansionists, which could reflect their aggressiveness. Despite the current depressed economic situation the respondents are still positive about agriculture.

### *Knowledge of Cooperative Principles and Cooperative Involvement*

Respondents seemed well acquainted with cooperative principles when asked, "Of the following, which do you consider as an essential feature of a cooperative?" They were to respond yes/no to each of four basic cooperative principles listed. A yes answer suggests that the principle could be identified; but a positive answer gives no indication of how well the principle is either understood or supported. The responses are shown in Table 2.

The principle most frequently identified was that of democratic control by members. Ninety-six percent of the respondents indicated this was essential for a cooperative. Slightly fewer respondents (94 percent) identified that a cooperative is owned by members. About 80 percent said that a cooperative should operate at cost after the patronage refund.

The principle least recognized was that of limited return on equity capital. Yet 71 percent realized that this was a principle. Overall, all except 2 respondents identified at least one principle. Sixty-one percent identified two.

TABLE 2

The Respondent's Identification of Cooperative Principles  
in 1983

Principle	Response			
	Yes		No	
	Number	Percent	Number	Percent
1. Owned by member	100	94.3	5	5.7
2. Democratically controlled by members	102	96.2	4	3.8
3. Limited return on equity	71	70.3	30	29.7
4. Operate at cost after the patronage refund	85	80.1	21	19.8

It is possible that the number who understand the meaning and significance of the principles is much lower than the number recognizing the principles. This may explain some apparent inconsistencies in the study.

Level of formal education did not seem to have much impact on responses to the cooperative principles question. Individuals with a college education identified a higher percent of the basic principles of cooperatives than did those with only a high school education. However, the chi-square test did not support a relationship between education and acquaintance with cooperative principles. Other factors which may have influenced identification of cooperative principles were level of involvement, years a member, size in sales, percentage of credit obtained from a cooperative, and percentage of supplies obtained from a cooperative. None of the relationships were statistically significant.

### *Cooperative Membership*

Sixty-six percent of the sample were members of the Missouri Farmers Association and 51 percent were members of a Farmland affiliated cooperative. Memberships were also reported in Production Credit Association (PCA), Federal Land Bank Association (FLBA), Mid-American Dairymen, Rural Electric cooperatives, and a small localized buying cooperative called Lu-Mar. Table 3 contains the membership in each cooperative. The average number of memberships per respondent is 2.1.

### *Involvement*

Listing the cooperative activities in which the member is involved is a common method of measuring involvement. In this study, several cooperative connected activities were selected for determining involvement. (Table 4.)

TABLE 3

Percentage of Respondents Reporting Membership in  
Six Major Cooperatives in Missouri and the  
Average Number of Years a Member in 1983

Cooperative	Percentage of Respondents as Members	Average Years a Member
MFA	66	12.9
Farmland	51	12.7
PCA	26	8.5
FLB	39	8.6
Rural Electric	21	17.4
Mid-Am Dairy	4	10.8
None	5	--

TABLE 4

Respondent's Involvement in Selected  
Cooperative Activities in 1983

Activity	Percent Responding	
	Yes	No
1. Read cooperative publication	71.7	28.3
2. Vote in the last board of directors election	35.9	64.1
3. Go to the last cooperative annual meeting	39.6	60.4
4. Are or have been on the board of directors	20.8	79.2
5. Know all of the board members	41.5	58.5
6. Wife involved in cooperatives	9.4	90.6



Respondents were asked if they were involved in any of these activities in any cooperative to which they belonged. The level of involvement is the sum of the number of activities to which the individual responded positively. This measure is referred to as involvement and the parameters are zero to six.

A high percentage of respondents read cooperative publications and 41.5 percent knew the board members. These two items, however, are the ones in which require the least amount of effort. When responding to the questions concerning meeting attendance or voting, the number of positive responses drops into the 30 percent range. The number that have been or are currently on the board of directors (21%) is surprisingly high considering the age range of the respondents in this survey.

## **Attitude Toward Cooperatives**

Participants were asked to indicate their level of agreement or disagreement with 13 statements about cooperatives. They were to answer strongly agree, agree, neutral, disagree, or strongly disagree. (Table 5.) Answers were then scaled from one to five with one indicating the most positive attitude, three indicating a neutral response, and five indicating the most negative attitude toward cooperatives. For example, in statement one Table 5, strongly agree was assigned a one, agree was two and so on up to five being strongly disagree. The five point scale had to be reversed for statements 1, 3, 5, 6, 8, 9, 11, and 13 so that all statements can be interpreted as positive attitudes. Mean responses are listed in Table 5.

Mean response values are useful in picturing general attitude. A score above three, the midpoint of the five point scale, indicates that on average the respondents had a favorable attitude toward the statement about cooperatives. A score below three is interpreted as an unfavorable attitude toward cooperatives. All scores were tested for statistical significance from the mid or neutral point on the scale at the 5 percent probability level. The statistical test used was the t-test. If the null hypothesis that score equals three is rejected then there is very likely a difference from a neutral attitude.

With the exception of question 3, respondents were supportive of questions relating to cooperative practices (questions 4, 5, 6, 7, 8, and 11). They tended to come from families that were supportive of cooperatives (question 12), but they did not perceive patron-members as controlling their cooperatives (question 9).

The respondents in this survey believed cooperatives should act like any other business. They also believed that the goal of cooperatives is to make a profit. All types of business were perceived by respondents to be profit oriented. Respondents were neutral on whether cooperatives have business goals that are different from those of a proprietary business (question 10). Percent of agreement with this statement was 47.7 percent (Table 6). Only 5.7 percent strongly agreed. In comparison, 68 percent agreed on question 3 that cooperatives are out to make a profit. However, respondents also felt the cooperative objective should be to help its members.

TABLE 5  
 Mean Scores for Responses on Questions About Cooperatives  
 in 1983

Statement	Mean Response Score
1. Cooperatives should act like any other business.	2.409
2. Farmers have an obligation to support their cooperative by patronizing and financing them.*	2.875**
3. Cooperatives are out to make a profit, just like any other business.	2.409
4. The objective of a cooperative is to help its members.*	4.068
5. Cooperative management is not professional. They have poor business practices.*	3.477
6. I see no benefit in doing business with a cooperative.*	3.477
7. Cooperatives are beneficial in helping the farmer gain market power.*	3.523
8. They are anti-competitive in that they try to price out other established businesses.*	3.761
9. Cooperative members do not seem to control the operation of their cooperative.*	2.648
10. Cooperatives have business goals that are different than a regular business.*	3.148**
11. Cooperatives seem to offer poor service.*	3.580
12. Your father is(was) supportive of cooperatives.	3.490
13. I prefer to obtain my credit from a commercial bank rather than a PCA.	2.466

\* Include in attitude scale.

\*\* No statistically significant difference from 3.00 at  $\alpha = .05$ .

The survey indicated little perceived difference between cooperatives and regular businesses or proprietary firms. This was supported by the fact that 76 percent agreed (or strongly agreed) that the cooperative should act like any other business.

The actual performance of cooperatives is perceived rather favorably. Respondents disagreed that cooperatives seem to offer poor service, have poor business practices or try to drive out other businesses (Table 6).

Other studies have indicated that farmers have complaints against cooperatives such as low quality management, little incentive for management and poor service. A survey of professional farm managers noted that these are the main concerns of the farm managers.<sup>2</sup> A study by Boynton and Babb comparing cooperative and proprietary businesses found that the survey respondents perceived that the proprietary firms had better management.<sup>3</sup> In the interviewing process several respondents voiced similar complaints. Hence questions relating to these topics were included in the survey.

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<sup>2</sup>Hanrahan, p. 9.

<sup>3</sup>Boynton and Babb, p. 8.

Sixty-three percent of the respondents disagreed with statement five which stated that cooperative management is not professional. Sixty-five percent disagreed with the statement that cooperatives seem to offer poor service. Only 25 percent agreed that cooperatives have poor business practices and an even lesser number (17 percent) agreed that cooperatives offer poor service. In the area of pricing aggression only 12 percent of the respondents considered cooperatives to be trying to drive out other businesses and 74 percent disagreed. The respondents in this survey perceive management and service quite favorably. In fact the majority seem to be reasonably well satisfied with cooperatives.

An interesting result of the survey is the apparent opinion that cooperatives are helping farmers gain market power. Fifty-nine percent agreed to the statement "cooperatives are beneficial in helping the farmer gain market power." Only 15 percent disagreed. Fifty-eight percent disagreed that there was no benefit in doing business with a cooperative. Included in the 58 percent were 18.2 percent who strongly disagreed.

Participants did perceive a role for cooperatives which is reflected in statement 4, "The objective of a cooperative is to help its members." Eighty-eight percent of the respondents agreed to this statement which also had the highest mean response value (4.068). Therefore respondents perceived the role or objective of the cooperative as one of helping the members.

However, there was also agreement with the question "I see no benefit in doing business with a cooperative" (mean = 3.48 for question 6). This indicates that farmers see cooperatives as helping them in theory, but view their actual performance as not beneficial.

TABLE 6

## 1983 Responses to Questions Concerning Cooperatives Expressed as Percentages

Statement	Percent				
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Cooperatives should act like any other business.	12.5	63.6	0	18.2	5.7
2. Farmers have an obligation to support their cooperative by patronizing and financing them.	3.4	29.5	25.0	35.2	6.8
3. Cooperatives are out to make a profit, just like any other business.	9.1	59.1	15.9	13.6	2.3
4. The objective of a cooperative is to help its members.	33.0	50.0	8.0	10.0	0
5. Cooperative management is not professional. They have poor business practices.	4.5	20.5	11.4	50.0	13.6
6. I see no benefit in doing business with a cooperative.	6.8	14.8	20.5	39.8	18.2
7. Cooperatives are beneficial in helping the farmer gain market power.	9.1	50.0	26.1	13.6	1.1
8. They are anti-competitive in that they try to price out other established businesses.	0	12.5	12.5	61.4	13.6
9. Cooperative members do not seem to control the operation of their cooperative.	8.0	48.9	15.9	25.0	2.3

TABLE 6 (continued)

1983 Responses to Questions Concerning Cooperatives Expressed as Percentages

Statement	Percent				Strongly Disagree
	Strongly Agree	Agree	Neutral	Disagree	
10. Cooperatives have business goals that are different than a regular business.	5.7	42.0	18.2	29.5	4.5
11. Cooperatives seem to offer poor service.	1.1	15.9	18.1	53.4	11.4
12. Your father is(was) supportive of cooperatives.	8.0	46.6	35.2	6.8	3.4
13. I prefer to obtain my credit from a commercial bank rather than a PCA.	18.2	42.0	19.3	15.9	4.5

As previously discussed, respondents thought that a cooperative should be democratically controlled by its members. In statement nine of the survey, however, respondents indicated that they have little control of their cooperative. A mere 27 percent believed members have control while 58 percent agreed to the statement that members do not seem to control the operation of the cooperative.

### **Cooperative Effect on a Purchasing and Marketing Decision**

Respondents were asked, "In choosing a supplier or market outlet would you say the fact the business is a cooperative has a positive effect, negative effect or no effect on your decision?" This question is perhaps the single most important one in reflecting attitudes. The responses are displayed below.

The fact that the business is a cooperative has a:	<i>Percent</i>
positive effect on decision	29.3
negative effect on decision	4.7
no effect on decision	66.0

The majority of the participants in this survey give no preferential treatment to cooperatives. The conclusion that most respondents are neutral is supported by the observation that the mean value of the average of all 13 attitude statements was 3.25, which is slightly above neutral.

The survey shows that the general attitude of the young tigers toward cooperatives reflects the perception that cooperatives have little or no competitive advantage because of their cooperative business organization.

TABLE 7

Rank of Factors Which Influence Purchasing Decisions  
for All Inputs as Determined by the Mean of the Ranks in 1983

Rank	Attribute	Mean
1	Price	1.99
2	Quality	2.36
3	Dependable Service	2.82
4	Local Availability	3.78
5	Volume Discount	4.70
6	Support The Business	5.29

Kendall's coefficient of concordance = 0.445

## Factors Affecting Business Decisions

Factors that influence the selection of agribusiness firms patronized by young farmers were also investigated.

To gain further insight into factors influencing purchase decisions of input supplies, the young Missouri farmers were asked to rank order selected factors investigated previously by other researchers (Table 7). The smaller the mean rank, the greater its importance is to the purchase decision. The top three factors were price, quality and service. These rankings are consistent with what other researchers have found from more general surveys of the population. The category which reflects the type of business (cooperative or private firm) is the least important.

These findings are consistent with the previous statement that type of business was not important as a variable influencing decisions of young tigers.

### *Criteria in Choosing Market Outlet*

Respondents were asked to give the main reason for choosing their preferred marketing firm. Later they were asked to rank a list of six criteria from one to six in order of importance for influencing a marketing decision. Table 8 shows the response frequency to the various factors influencing these market outlets. Perhaps price and distance factors should be combined in that distance influences the net price received by farmers. These two categories contributed about 80 percent of the factors influencing their decision.

TABLE 8

Frequency of Response and Percent of Total Response for  
the Reason in Choosing a Preferred Marketing Outlet in 1983

Response	Livestock		Grain	
	Number	Percent	Number	Percent
Best Price	43	55.8	63	63.0
Close to Farm	17	22.1	18	18.0
Support the Business	4	5.2	10	10.0
Best Service	6	7.8	7	7.0
Dependable and Secure Market	<u>7</u>	<u>9.1</u>	<u>2</u>	<u>2.0</u>
	77	100.0	100	100.0

Table 9 lists the six criteria that were included in the rank question and their mean rank. The attribute which was almost consistently ranked as the most important criterion in a marketing decision was price. Seventy-seven percent of the respondents ranked it first. For this factor, both the mean rank question (Table 9) and the frequency responses (Table 8) agree. The mean rank of price was significantly lower on a marketing decision than on a purchasing decision. The data support a conclusion that price is the primary influence when marketing farm products. Furthermore, it is a more vital consideration when marketing than when purchasing.

TABLE 9  
Rank of Attributes Which Influence Marketing  
Decisions as Determined by Mean Rank in 1983

Rank	Attribute	Mean
1	Price Paid	1.47
2	Dependable Outlet	2.66
3	Customer Service	3.34
4	Relationship with Buyer	4.22
5	Ability to Hedge/ Forward Contract	4.33
6	Support The Business	4.96

Kendall's coefficient of concordance = .449

The study by Baker and Lang also concluded price was the most important factor in a grain marketing decision. They concluded that location was also extremely important since elevator location and hence transportation costs relate directly to the effective price that farmers receive.

The rank analysis in the Missouri survey excluded location in the list of attributes, yet in reasons given for choosing an outlet (Table 7), location was second in both livestock and grain marketing. If location had been included in the list of items to be ranked, it may have ranked second.

A dependable market was ranked as the second most important attribute influencing marketing decisions. Customer service was third. The remaining items show little difference in the mean ranks and seem to have little influence on marketing decisions.



There is quite a discrepancy in the comparative ranking of “a dependable market” as it influences a market decisions. Dependable market was rarely mentioned when the respondents were asked why they market at their current outlet, yet they ranked this second in importance. Boynton and Babb, in their research, found service to be ranked third and a dependable market as fourth. Baker and Lang reported grading practices to be ranked third and service quality to be fourth in their list.

The concept of supporting the business was ranked last. Supporting the business would tend to imply loyalty, especially among cooperative members. Factors such as type of firm and patronage refund, which also could imply cooperative loyalty, were ranked last in the other studies. Farmers do not seem to display much loyalty to cooperatives when marketing in this study or any of the studies referenced.

## **Summary and Conclusions**

Over 90 percent of the young farmers surveyed belong to one or more cooperatives. Most respondents were able to identify all of the cooperative principles.

The general attitude toward cooperatives is favorable. The respondents in this study seemed to be quite satisfied with the performance of supply cooperatives. They considered the management and service that cooperatives offer to be satisfactory. When comparing cooperatives and proprietary firms, most considered the two as performing equally well. Proprietary firms are considered more aggressive in trying to gain the respondent’s business. Few respondents thought members had significant control over their cooperative.

These young, large-scale farmers perceive little difference between cooperatives and proprietary firms. They view the goals of each as essentially the same and indicate that both are out to make a profit. These farmers perceive less distinction between cooperative and proprietary firms than did older Missouri farmers with smaller land-holdings surveyed by Breimyer. They are also less willing to support cooperatives. Despite their lower level of dedication and support, respondents did indicate that cooperatives should have a responsibility to serve its members. Respondent’s attitude toward cooperatives can be summed up as mostly indifferent. The majority stated that the type of business—cooperative or proprietary—has no effect on their purchasing or marketing decisions.

A possible explanation for the respondents lack of commitment to cooperatives is that they may never have taken an active role in forming a cooperative; thus they treat cooperatives no differently than proprietary businesses. Finally, cooperative management cannot rely on cooperative advantages such as equal representation, ownership by local farmers, patronage refunds, etc., to obtain the business of large-scale farmers. Instead cooperatives must offer clear economic incentives such as lower price or better service.

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