

# CONTROL BY COOPERATIVES

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In a cooperative agriculture, farmers maintain control by cooperative ownership of those resources most directly threatened by integration. It is a system where all producers are members of cooperatives—sharing in the obligations to provide needed capital, participating as members and elected officers in control, and sharing in savings distributed in the form of cash and stock.

## FEATURES OF A COOPERATIVE SYSTEM

### **Markets**

Retention of control of markets is an essential aspect of the cooperative system. This involves cooperative management of markets in a way which insures producers: (1) market access, (2) equitable and reasonable returns, and (3) consistent with the above, as much managerial independence as possible.

Two alternative strategies have been suggested for cooperatives—bargaining and marketing. A *bargaining cooperative* is defined as a cooperative that neither physically handles nor takes title to the farmer's production. It merely serves as the farmer's representative in business negotiations.

Bargaining as defined has been applied in two situations. First, it has been applied in an open market where producers withhold their products and demand higher prices. Such efforts have been unsatisfactory because neither the producer nor the buyer is locked into a marketing arrangement.

Second, when contracting sets in between corporations and producers, cooperative bargaining is essential—but much of the control has already been relinquished by the producer, and we are already in a corporate agriculture.

A *marketing cooperative* is defined as a cooperative that takes title to the products and owns facilities needed to move products through the market channel. Production is geared for a market with two goals: (1) maintaining control and (2) yielding a reasonable and equitable return on investment.

### **Landholding**

The landholding pattern envisioned in the cooperative system

is dispersed producer ownership. In some instances joint ownership of large beef feedlots or land to utilize large-scale equipment may be necessary.

### **Capital Acquisition and Control**

Capital is required in the cooperative system to support both the needs of the producer and the cooperative. The capital problems are large but probably not insurmountable. Cooperatives can be built on cooperatives, reducing the overall capital burden. Joint ventures and nonmember investment stock offer additional opportunities. But unless cooperatives are able to supply producers with the same level of capital assistance as the corporation, they cannot retain control.

### **Labor**

Labor will be supplied primarily by the producer. It will become a proportionately more important part of the producer's farm input as cooperative contracts become more prevalent. Cooperatives can be expected to play a greater role in the acquisition of hired farm labor.

### **Management**

Producers' management decisions will become directed more toward influencing the cooperative and complementing its needs. Production must be for a market. The cooperative cannot be satisfied with just any quantity or quality of product delivered at any time. Thus, contracts will be required.

How restrictive these contracts will be depends upon the price goal of the cooperative. If it involves substantial enhancement, production controls will be required. It is doubtful that production can be controlled without government assistance. Equally important, production controls run the risk of substitutes and processor involvement in production.

### **Technical Information**

A greater proportion of technical information will be supplied by the cooperatives. Rollbacks in facilitating marketing programs such as grading, standards, and market news may be possible. A larger proportion of research and extension activities could be undertaken by cooperatives.

## **CONSEQUENCES OF THE COOPERATIVE SYSTEM**

### **For Farmers and Ranchers**

The cooperative system is more restrictive than the open market but less restrictive than the corporation. All producers will

be cooperative members, commodities will be produced to meet market needs and marketed through cooperatives. Eventually most marketing will of necessity be under cooperative contract. The advantage over the corporate system is that producers control the cooperative that imposes restrictions on them.

#### **For Agribusiness**

Traditional markets have no role in the cooperative system as producers take leadership in pricing and market management. Agribusiness can benefit from greater efficiency in assembly, regularized quantity, improved quality, timing and placement of production. A wider latitude of choice in the purchase of inputs can be expected than under the corporate system. The effects of forward integration depend upon the degree to which cooperatives become competitive with the corporation or complementary because of acquisitions or joint ventures.

#### **For the General Public**

Cooperatives offer potential for longer-term reductions in the tax bill for commercial agriculture if price enhancement is not sought as a major goal. But such reductions may be offset by higher public expenditures needed to support cooperative activity.

Greater efficiency anticipated from better coordination of production with market needs and more direct movement of products through the market channel has potential for reducing consumer prices. But, in the absence of a competitive environment, potential gains in efficiency may be captured by producers or lost through longer-term complacency.

#### **For the Rural Community**

The cooperative system would tend to preserve the rural community more than the corporate system. While the total work force devoted to agriculture would likely decline, local ownership means greater community concern and involvement. Less ties between inputs and outputs open the way for competition in the sale of inputs.

#### **Social Pressures**

Group action inherently involves adjustment of individual behavior and decision making to the wishes of the majority. Group decisions will be imposed, and market choice will be reduced. Movement out of agriculture will be voluntary, but movement will be restricted.

### ACTION NEEDED TO IMPLEMENT SYSTEM

How do we get from the relatively loose cooperative structure of today to that of a cooperative agriculture? A major consolidation of activity will be required among presently independent cooperatives. At the same time, rapid expansion will be required to encompass all production. Such expansion is most critical in commodities where integration threatens or exists.

If such a system is going to be effective, twenty-five or fewer multiproduct cooperatives handling nearly all agricultural production will be required. Commercial producers must be willing to commit large resources to the cooperative function. Government capital may be required as it was in setting up the Farm Credit Administration. High quality management, research, planning, and marketing talent will be required to compete with and forestall corporate incentives for integration.

But more may be required. Some producers will likely see economic advantage in not being a cooperative member—particularly in the formative stages. This situation may require legislation to allow a cooperative to market products for all producers if a majority favor its establishment. This must be accompanied by a relaxation of the antitrust laws. But closer public supervision of cooperatives may be a necessary trade-off.