

# **The Important and Changing Role of Cooperatives and Producer Associations in the Southwest**

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The Southwest Cooperative Research Project for America's Southwest (Cooperative Research Project) has been studying the changing definition, financial and economic adaptations, and role of cooperatives and producer associations in the Southwest. The Southwest Cooperative study has identified almost 600 organizations including Native American and Hispanic organizations that work in agribusiness in the Southwest. The Cooperatives Research Project has been a three-year study.

The Cooperatives Research Project is a collaborative program of the Rural Mediation and Finance Training Unit (RMFTLJ) and several of the cooperatives of the southwest. As the recent bankruptcy filing of a major West Coast cooperative shows, the financial and economic environment is putting severe strain on many organizations, including Southwest cooperatives and producer associations. The Project attempts to assist rural cooperatives in successful adjustment to the current economic conditions by providing training and consulting to cooperative members and management.

This Cooperatives Research Project consists of four phases:

- (1) Initiate a Southwest Cooperatives and Producer Unit action plan to help the culturally diverse and changing organizations of the Southwest. This is part of the Rural Mediation and Finance Training Unit efforts at ASU. Unfortunately, as of today it has not received the necessary major outside funding, except for professor support at ASU;
- (2) The South-west Cooperatives and Producer unit hosted a regional

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conference focusing on cooperatives in rural areas to assess the key needs and changing conditions of the cooperatives in the region.

- (3) The Southwest Cooperatives and Producer unit has provided necessary training for the key leaders of small businesses. Native American Tribes, Women's organizations, and Hispanic agribusiness groups. The focus has been on cooperatives, producer associations, and their basic structure, operation and usefulness in rural areas.
- (4) Research findings are published on the World Wide Web and incorporated into ASU-East's Virtual Library for easy access and information dissemination. One area of great interest has been the necessary changes required to compete in a globally competitive world. Cooperatives and producer associations must compete against firms from other regions and market segments. This has created a need for many changes.

This Cooperatives Research Project has contributed research, resources and rural outreach to the culturally diverse rural population of the American Southwest - providing technical assistance, disseminating useful information, and promoting understanding of cooperatives. It is estimated that over 600 cooperatives and producer organizations are operating in the Southwest. Included in these are Native American, Hispanic and more traditional commodity-focused cooperatives such as dairy, citrus, cotton, fish and herbs. Research is to be conducted to provide a knowledge base necessary to support cooperatives dealing with changing markets and business trends. The program's emphasis is to enhance the quality of life for all rural Americans in the Southwest by providing leadership in building competitive businesses and cooperatives that can compete in the global trading marketplace.

The project has identified a number of needs that should be addressed in order to help cooperatives to compete globally. These needs include the following:

- Contractual / Legal Assistance
- Advice on Quality Assurance
- Technology Transfer
- Issues related to marketing (e.g. branding issues, collective marketing, identifying proper marketing research resources)
- Financial Assistance: training and information on financing options and sources
- Management issues: including education for current and prospective board of directors on cooperatives, legal and fiduciary liability, assistance with strategic planning, and organization "templates"
- Business planning assistance
- Product expansion (e.g. industrial (non-food) use opportunities for food and fiber products, biomass use)
- Specialized assistance to minority groups

The project is highly relevant to meet several of the major challenges facing cooperatives. It will incorporate ideas, improve cooperative development, and will be cost effective. Its sound cooperative research work plan will allow highly qualified researchers to provide concepts and methods to be used by other rural cooperatives in other regions of the U.S. in an eighteen-month time frame.

The Cooperatives Research Project for America's Southwest provides a resource center and rural outreach for cooperatives in the culturally diverse rural areas of America's Southwest. There are twenty-one Native American Tribes, over 2.3 million Hispanic residents, and over 100,000 women-owned businesses in Arizona. Many of these are in the most rural and remote areas of Arizona. The surrounding areas of Southern California, New Mexico, the states of Baja Norte, Sonora, and other Mexican states have large numbers of small "cooperatives" and community operated "cooperatives" which need a point of convergence. This program will provide a focus for these diverse backgrounds and assist in cooperative development in the Southwest by offering the necessary research and resources for them to succeed. Research is designed to analyze

the industry structure and the management and operational practices of cooperatives in the area. Coupled with the research, technical assistance will be provided to cope with shifting marketing and production practices in this ever-changing market place. Existing cooperatives would benefit from these studies by making the necessary changes needed to sustain themselves in the long run. Cooperatives established with a comprehensive understanding of cooperative business would help the rural people in the Southwest to increase their farm income, reduce marketing risk associated with small producers, help them gain access to value-added markets, and at the same time gain a consistent market outlet. Moreover, there is an additional value added in the increase in jobs when these new processing facilities are located in rural communities.

The project will be focused and directed in several areas. First, the research is being directed and carried out by a "Board." This will highlight the major challenges of the cooperatives in the rural areas in the southwestern region, which includes the development of international and global markets, and "sourcing" as a result of the changes in NAFTA, WTO, "Freedom to Farm" legislation, and GATT developments. These agreements have helped restructure the traditional markets and operations for Southwest cooperatives. Also, cooperatives in Arizona and Southern California are increasingly working with cooperatives and other organizations in Northern Mexico. Cooperation between cooperatives will be encouraged and supported by the Cooperatives Project at RMFTU.

Second, this project will be innovative in developing the use of the Internet and other new educational, research and marketing technologies. This is an area where most Southwest Cooperatives have lagged behind other business organizations. There is a great need to have major improvement in this area in light of economic pressure and financial changes. For example, Dr. Linda Blessing testifying before the Subcommittee on Human Resources, House Committee on Ways and Means, June 12, 1998 said, "just as the different tribes (21 in Arizona) have diverse cultures and populations, the methods they must use to overcome obstacles to self-sufficiency need to be equally varied." In

later discussions. Dr. Blessing highlighted the positive impact of cooperatives in these remote rural areas.

The activities in three of the phases of this project will be innovative in helping to solve or reduce negative impacts for Southwest cooperatives, their boards of directors, and businesses that work with cooperatives. This project will demonstrate a potential to contribute to innovative ideas and solutions to current problems and challenges of the Southwest cooperatives. Cooperatives in Arizona and parts of the Southwest are facing major new competition from Mexico at the same time that sales to Asia, due to the financial difficulties in that region, are causing major swings in their markets both domestically and internationally.

The project directors will work to make this project meet its important objectives by developing a successful marketing plan that will incorporate media promotion. Internet communications, and other methods as appropriate to improve the economic conditions of rural based cooperatives.

The Project has also worked with a number of other cooperative institutions internationally that have dealt with some of the same challenges. For example, in the restructuring of Europe cooperatives and producer associations have played a major role. The Social Economy Unit was established within DG Enterprise (ex-DGXXIII) in 1989 in recognition of the need to take account of cooperatives, mutual societies and associations in the internal market. The focus of the Unit was further defined at the European Social Economy conferences held under various EU presidencies (Paris 1990, Rome 1991, Lisbon 1993, Brussels 1994, Seville 1995 and Birmingham 1998) and through dialogue with the informal consultative committee created in 1994 (and its formal successor), and continuous dialogue with key actors. From an early stage the aims of DG Enterprise in respect of the Social Economy were to:

1. *Take initiatives to strengthen the cooperatives, mutual societies, and associations and foundations sector*

2. *Prepare a European legislation for cooperatives, mutual societies and associations*
3. *Analyze the sector and organizations of cooperatives and organizations*
4. *Ensure the coherence of UE policy as it affects the sector*
5. *Liaise with those representative federations, which exist*
6. *Establish relations with those parts of the sector, which are unorganized*
7. *Raise awareness of the cooperatives, mutual societies, and associations and foundations sector among decision-makers*
8. *Assess the problems the sector faces both within a country. intra-Europe and Globally*
9. *Represent the Commission on relevant matters to the other EU institutions*

These aims were translated into a multi-annual Program (1994-96) adopted by the Commission in 1994 that sought to bring into dialogue key actors. Although the Program was not ultimately adopted by the Council (it was withdrawn by the Commission in 1997), a number of projects were pursued within its framework during the period 1994-1996, some of which reached their conclusion in 1998. These projects have helped shape the major actions in respect of the Social Economy up to the present time, notably:

- a) *The preparation of the proposed Regulations for European Statutes for cooperatives, mutuals and associations, and supplementary directives*
- b) *The Communication on "Promoting the Role of Voluntary Organizations and Foundations in Europe", and c) The proposed White Paper on "Entrepreneurship and cooperatives in Europe 2000"*
- d) *The proposed White Paper on Mutual societies*
- e) The work has adapted to the changing priorities of the Community. The earliest aim, that of helping the Social Economy to meet the challenges of the internal market, has expanded to incorporate an approach which reflects the Community's concerns with competitiveness, job creation and the demands of the next enlargement of the Union. This change in emphasis also reflects the new priorities the Social Economy itself has identified. The formal establishment by the Commission of the

Consultative Committee can attest DG Enterprise's contribution to the heightening of awareness of the sector for Cooperatives, Mutual Societies, Associations and Foundations.

The plan of work and appropriate methodology for the diverse cooperative base in the Southwest is a sound plan that can be carried out in 18 months. The project will adequately document its successes and contributions to America's cooperative leadership in the rural areas. This project will be cost-effective with both the Rural Mediation Unit and the Cooperatives Research Project providing cost sharing to assist the project. The project personnel have a demonstrated ability to work with rural cooperatives around the world. This includes recent projects with Sunkist, Blue Diamond, Arizona Wheat Growers, Cal cot, and others.