

Minutes for NCR-194 Research on Cooperatives

Friday, November 4, 1998

Bloomington, Minnesota

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Chair:
Dr. Joan Fulton
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Dr. Kimberly Zeuli
Department of Ag Econ
University of Kentucky
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Secretary:
Dr. Jeffrey Royer
Department of Ag Econ
University of Nebraska
Lincoln, NE 68583

Members in Attendance:

David Barton, Kansas State University
Michael Boland, Kansas State University
Fabio Chaddad, University of Missouri-Columbia
Paul Christ, Land O'Lakes, Inc.
Michael Cook, University of Missouri-Columbia
Robert Cropp, University of Wisconsin Center for Co-ops
Kenneth Duft, Washington State University
Joan Fulton, Purdue University
Roger Ginder, Iowa State University
James Haskell, USDA Rural Business – Cooperative Services
Beill Heffernan, University of Missouri
Brian Henehan, Cornell University
Susan Hine, Colorado State University
David Holder, USDA-CSREES
William Hughes, University of Wisconsin Center for Co-ops
Constantine Iliopoulos, University of Missouri-Columbia
Robert King, University of Minnesota
Mahlon Lang, University of California – Davis Center for Cooperatives
Thomas Little, National Council of Farmer Cooperatives
William C. Nelson, North Dakota State University
William J. Nelson, Cooperative Foundation
Chris Peterson, Michigan State University
Dick Poorbaugh, Pennsylvania State University
Anne Reynolds, University of Wisconsin Center for Co-ops
Jeffrey Royer, University of Nebraska

Thomas Sporleder, The Ohio State University
Thomas Stafford, USDA Rural Business – Cooperative Services
David Swanson, Doherty Rumble & Butler
William Thomas, University of Georgia
Mike Thomsen, University of Arkansas
Randall Torgerson, USDA Rural Business – Cooperative Services
David Trechter, University of Wisconsin, River Falls
Wallace Tyner, Purdue University
Evert Van der Sluis, South Dakota State University
Lionel Williamson, University of Kentucky
Kimberly Zeuli, University of Kentucky

Members Absent:

Bruce Anderson, Cornell University
Juan Batista, Mississippi State University
Patrick Byrne, University of Florida
Joe Coffey, Souther States Cooperative
Dennis Conley, University of Nebraska
Ron Cotterill, University of Connecticut
Glen Glover, Gold Kist Inc.
Gary Goreham, North Dakota State University
David Hahn, The Ohio State University
Milton Halbert, Pennsylvania State University
Wes Harrison, Louisiana State University
Greg Lawless, University of Wisconsin Center for Co-ops
Claudia Parliament, University of Minnesota
Burton Pflueger, South Dakota State University
Timothy Richards, Arizona State University
Richard Rogers, University of Massachusetts
Richard Sexton, University of California – Davis
Edward Smith, Texas A&M University
John Staatz, Michigan State University
Mike Turner, University of Nebraska
Dixie Watts Reeves, Virginia Tech.
Timothy Woods, University of Kentucky

Business Meeting:

Agenda:

Committee's Objectives and Procedures
Organization of Committee

Identifying Future Directions

Committee's Objectives and Procedures

The objectives of NCR - 194 are:

- (1) to promote and coordinate research and educational activities focusing on cooperatively owned business organizations and their role in marketing agricultural products, supplying agricultural inputs, coordinating farm production and marketing activities, performing value-added processing, and providing rural services and
- (2) to provide a forum for the interaction of decision-makers and analysts from industry, government, and universities and for the distribution and discussion of research results and their implications for cooperatives, their producer-members, the food production and distribution system, the environment, and rural communities.

The procedures of NCR - 194 are:

- (1) to provide an annual forum for interaction between academics, cooperative management, cooperative boards of directors, and government researchers by:
 - (a) conducting an annual two-day forum involving participation from academics, upper and middle management personnel from cooperatives, directors from cooperatives, and researchers in government that will focus on ongoing research on cooperatives, identifying research issues, and organizing research teams among the participants;
 - (b) by adopting an interdisciplinary approach to research by involving agricultural economists, rural sociologists, and faculty from business schools and
 - (c) by developing and maintaining a web page and an electronic list serve to promote active communication and coordination among participants and
- (2) to link with other national research projects and complimentary groups, such as WCC - 72, NE - 165, the National Institute on Cooperative Education, and Cooperative Economists and Planners.

Organization of the Committee

The committee decided to create an executive committee composed of a chair, vice chair and secretary. Nominations were taken from the floor and Joan Fulton was nominated as chair, Kimberly Zeuli was nominated for vice chair, and Jeffrey Royer was nominated as secretary. A unanimous ballot was cast for this slate of candidates. Four at-large members were also elected to the board: Bob Cropp, Rob Weaver, Evert van der Sluis, and Tom Sporleder.

The board was urged to:

- link the NCR 194 meeting with other cooperative meetings (NICE, Farmer Co-ops 2000, etc.)
- consider international locations

- seek assistance for the cost of travel for some participants
- try to get junior faculty involved in the committee
- submit poster and organized symposia proposals to the AAEA
- make liberal use of electronic communications (list serve and web page)
- identify central themes for meetings

Future Directions

Nine key issue areas were identified by the committee:

- 1) Monitoring/Assessing the strategic environment for cooperatives (globalization, alliances, the role of cooperatives in the food system, novel uses of cooperatives, nonagricultural cooperatives)
- 2) Financial issues (investment, valuation, financing, legal structures)
- 3) Marketing issues (regionals linking capacity, scale, scope, vertical coordination, risk management, value-added)
- 4) Production and operations (tactical planning and implementation, new product development)
- 5) Governance (optimal organizational structure, board training, size of board, membership, case studies)
- 6) Role of co-ops in rural development
- 7) Cooperative theory (economics, finance, sociology, education)
- 8) Developing case studies
- 9) Policy

Fulton adjourned the meeting.

Respectfully submitted,

Jeffrey Royer,
Secretary

Appendix A

Summary of Presentations at the 1998 NCR 194 Meeting

Industry Session: “Legal Aspects of Start-Up and Successful Value Added Cooperatives”	Presenter: Steven E Noack Attorney, Gunhus, Grinnell, Klinger Swenson and Guy Ltd.
<p>After working with 20 value-added cooperatives, a key lesson learned is that if there is not a direct connection between investment and production a co-op is not the proper organizational form. A variety of short agribusiness case studies (some co-op and some non-co-op) were reviewed. Key to the future in this area is finding suitable partners (rural electric). Partners helpful in terms of dealing with competition, expanding market opportunities, providing capital, gaining access to new technology, achieving economies of scale, and/or surviving. Strength of co-ops lie in control over raw product, ability to achieve identity preservation, and ability to share rewards of discovery with producers. Weaknesses of co-ops include: capital formation difficulty, lack of liquidity for investors, hiring/retaining good management, and member education.</p>	

Selected Paper Session	
“Integrating Research, Teaching and Extension”	Wallace Tyner, Purdue University
<p>We must integrate research, teaching and extension because the Morrill Act demands it, accountability measures stress integration, and it is a more efficient use of funds and talent. How we make integration happen depends upon: departmental culture, the reward system, how we assign jobs over the course of a career, physical location (office space), definition of extension (should be broad to include applied research and constituent service), and definition of teaching (to include non-classroom settings and new technologies).</p>	

Future Directions for Cooperative Research	Randy Torgerson (Rural Business-Co-op Services, USDA)
<p>Changes in the ag sector are also driving changes in cooperatives that demand the attention of researchers. Historically, public sector has been heavily involved in cooperative development (county agents provided organizational assistance, university people provided applied research and federal partners provided money and technical assistance). Funding for research in the co-op area has for the first time in several years seen an increase. Priority research areas include the role of the board in developing policies, the implications of converting co-ops to investor-oriented firms, risk management practices in cooperatives, and the oversight roles of the board, auditor and lender.</p>	

Suggested Topics for the Co-ops 2000 conference for 1999.	Bob Cropp, University of Wisconsin Center for Cooperatives
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The group brainstormed potential topics to provide a theme for the Farmers Co-op 2000 meeting. Among the ideas generated were: **capitalization issues** (equity redemption, the role of external sources of equity, up-front capital, member demands on co-op investments, and conversions to IOFs), **vertical coordination issues** (value chains, contractual relationships, plow-to-plate integration), and **governance issues** (quality of directors, representation and voting rules, board size, organization of the board, member relations, board education, selection of board, etc.).