

Agricultural Marketing Cooperatives
An Annotated Bibliography

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Research funded by
Center for Cooperatives
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1995

ISBN: 1-885641-12-5

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This report was financed by the Center for Cooperatives
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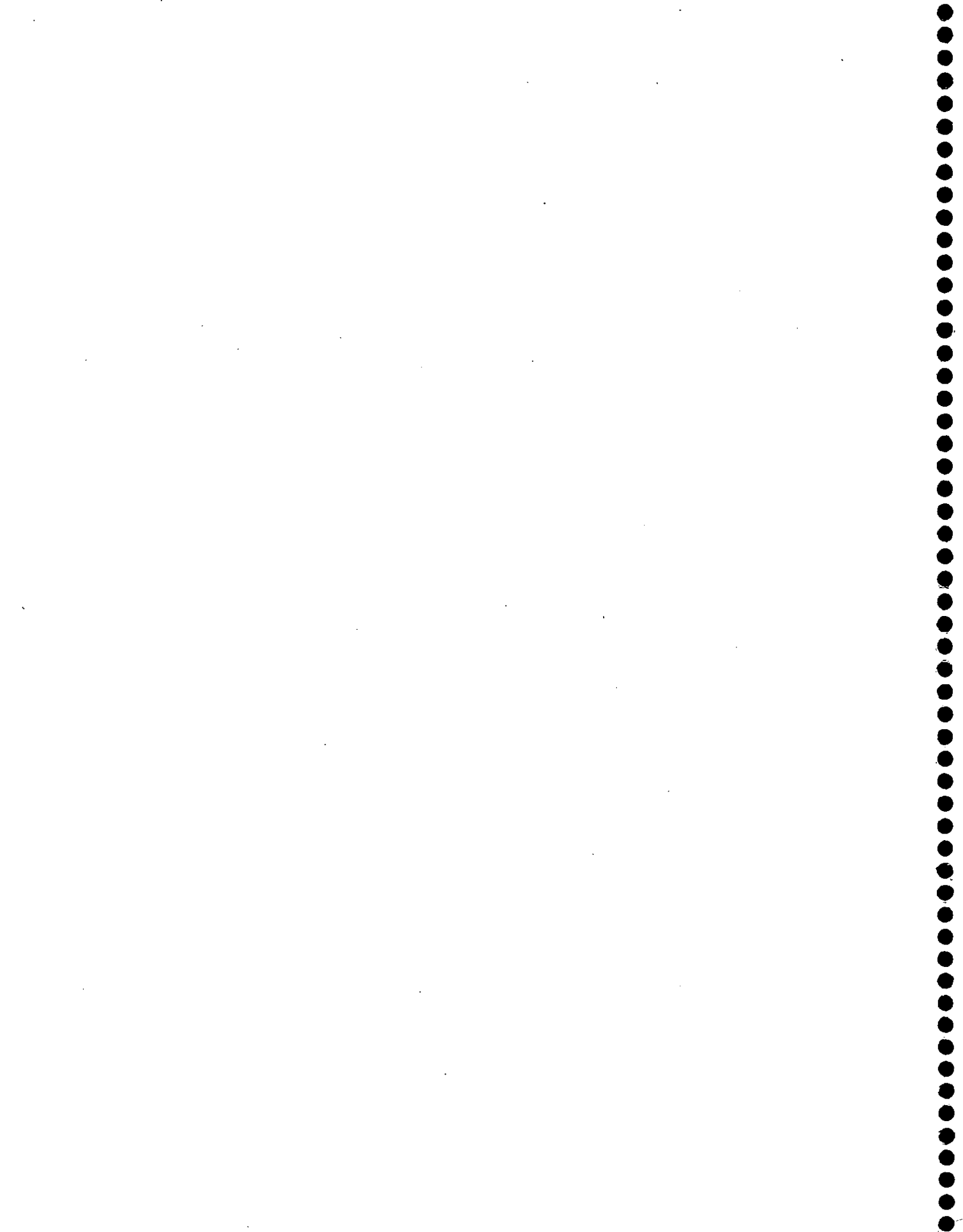
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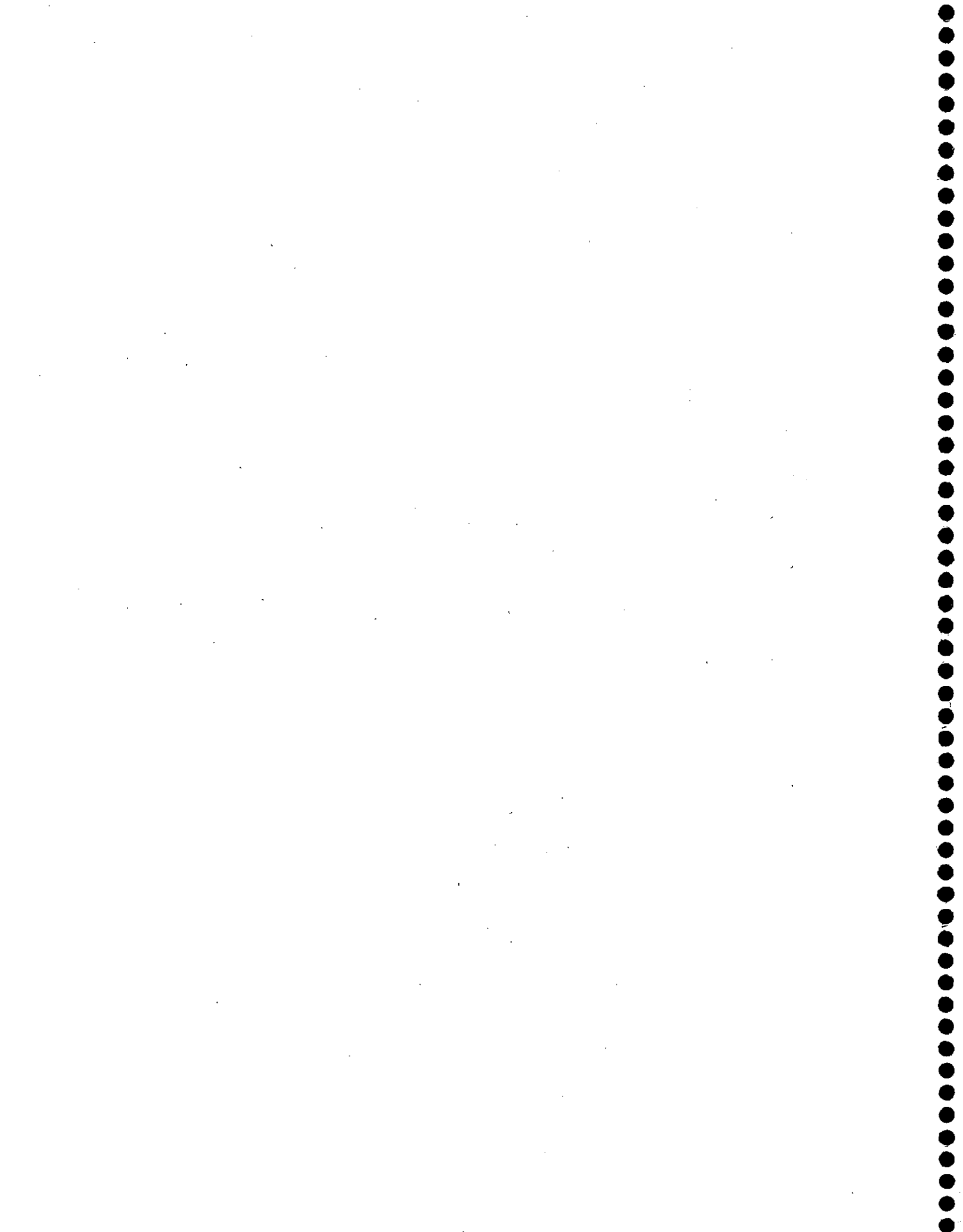


INTRODUCTION

Developed at the request of the Center for Cooperatives, University of California, Davis, this annotated bibliography on agricultural marketing cooperatives contains 350 entries. Although extensive, including items such as E.G. Nourse's seminal 1922 article, "The Economic Philosophy of Cooperation," through articles appearing in the 1995 *Journal of Cooperatives*, this bibliography is not exhaustive. For writings pertaining mainly to agricultural cooperatives in the Canadian setting, the Canadian Co-operative Association maintains a listing (unpublished) of over 200 items. For studies on agricultural cooperatives in Third World countries, Gyllstrom, Holman, and Johansson developed a bibliography that was published by the University of Lund, Sweden. These and other bibliographies are listed in the Subject Index under "Directories/Bibliographies."

The organization of this bibliography is in two parts: by subject and by author. Entries are often referenced more than once in the subject index. For example, a study that deals with dairy cooperatives and member control issues will appear both under the "Dairy" subject heading and under "Member Aspects—Control." The author index is alphabetical and contains the complete reference and annotation. A word about the annotations—they come mainly from three sources: original review of the document, the various authors' abstracts of their own articles, or from sources such as the USDA's *Cooperative Publication Catalog*, the most recent revision of which was published in September, 1995.

As for errors and omissions, I accept responsibility for them, and hopefully they are few in number. My thanks to the Center for Cooperatives, University of California, Davis, for their financial support of the project, and to my wife, Paula, who provided the word processing and editing expertise in a task that seemed for a while not to have an end-point.



Agricultural Marketing Cooperatives

An Annotated Bibliography

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Comparative analysis of state incorporation statutes governing the organization and operation of farmer cooperatives, including: policy, purpose, powers, articles of incorporation, bylaws, membership, control, directors, officers, patronage relationships, finance, mergers, and dissolution.

Babb, Emerson, M. *Farmers' Buying and Selling Patterns: Implications for Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 73. Washington,

D. C.: U.S. Department of Agriculture, October, 1988.

This research analyzes farm characteristics and other factors that affect the buying and selling behavior of farmers. Information for 1986 was obtained from 2,537 farmers in the Midwest and Southeast. The major finding is that behavior of farmers does not vary greatly by size and type of farm. However, some differences provide the basis for better service and increased patronage.

Bager, Torben. *Marketing Cooperatives and Peasants in Kenya.* Uppsala, Sweden: Scandinavian Institute of African Studies, 1980.

This study focuses on the problems of marketing cooperatives in relation to their basis, that is, peasants and agricultural production. Stated in another way by the author, "Can marketing cooperatives in a developing country like Kenya be a means to defend the interests of peasants against transnational corporations, government interference, and dominance by rich peasants, when most members are ill-educated, traditional social structures still play a crucial role, and marketing cooperatives depend on technology, credit, etc. from the developed countries?" The study reaches rather positive conclusions as to marketing cooperatives' role in development. In the area studied, cooperatives were not turned into instruments in the hands of a clearly segregated rural elite, and the author hypothesizes that the main explanation for this is that marketing cooperatives are built upon a homogeneous and egalitarian basis in that area of Kenya.

Bakken, Henry H., and Marvin A. Schaars. *The Economics of Cooperative Marketing.* New York: McGraw-Hill, 1937.

The preface of this classic textbook in agricultural cooperation sets the tone for the contents, "Economic security has become the quest of millions who suffered untold hardships during the recent lean and uncertain years. The old patterns of economic and social institutions are being

critically appraised to avert, if possible, a recurrence of the debacle that began in the autumn of 1929." And so Bakken and Schaars devote about one-half of the book to cooperative history, the setting of cooperation in an economic society, and the economic philosophy of cooperation—going back to Adam Smith, Physiocracy, and other schools of economic philosophy. Other day-to-day issues in cooperative management are discussed, such as membership contracts, financing, and pooling. The book was designed as a college text and not, in the authors' words, "for the sole purpose of arousing intellectual curiosity."

Barton, David G. "Alternatives for Handling Losses in Cooperatives." *Journal of Agricultural Cooperation* 4 (1989a): 54-67.

Cooperatives can handle a loss in several ways. This paper evaluates two primary alternatives: retain in the cooperative or allocate to patrons. The cooperative's and patrons' preferences are based on choosing either a tax reduction or redemption reduction. Present value of cash flow is used as the criterion for evaluating choices. The cooperative's and patrons' preferences may be in harmony or conflict depending on the marginal income tax rates and pattern of equity redemption. A simple procedure is presented to determine a cooperative or patron preference.

Barton, David G., and Royce L. Schmidt. "An Evaluation of Equity Redemption Alternatives in Centralized Cooperatives." *Journal of Agricultural Cooperation* 3 (1988): 39-58.

This study evaluates five basic equity redemption alternatives using three primary criteria and the patron-cooperative relationships found in both regional and local centralized cooperatives. The five alternatives are: (1) the estate settlement, (2) age-of-patron, (3) revolving fund, (4) percentage pool, and (5) base capital plans. Performance is measured using three criteria: flexibility, proportionality, and cash flow. Results vary significantly among alternatives.

Bateman, D. I., J. R. Edwards, and Clare LeVay. "Agricultural Cooperatives and the Theory of the Firm." *Oxford Agrarian Studies* 8 (1979): 63-81.

Cooperatives can easily be subjected to formal microeconomic analysis, employing models similar to those conventionally used, to determine the prices and outputs of the non-cooperative firm. One modification needs to be made—that profit maximization must be seen as less plausible and objective for the cooperative than for the ordinary firm. The authors suggest a number of objectives appropriate to cooperatives in the British context.

Beierlein, James G., and Lee F. Schrader. "Patron Valuation of a Farmer Cooperative under Alternative Finance Policies." *American Journal of Agricultural Economics* 60 (1978): 636-41.

This paper analyzes the effect that changes in capital structure have on the financial value of a cooperative to its member patrons. While this analysis introduces no additions to the theory of cooperative finance, it does contribute to the understanding of the nature and importance of the unique relationships that exist between an owner-patron and his cooperative, as contrasted to the relationship found between a corporation and its owners. Three policy options are analyzed: (1) payment of a required return on all forms of member-contributed capital; (b) changes in the minimum cash proportion of the patronage refund; and, (c) limited length of revolving fund cycle. It is demonstrated that two policies which are commonly considered favorable to patrons (required returns on all patron equity and increased minimum cash patronage refund) result in lower patron benefits under the conditions analyzed.

Bell, James, and Tammy Kazmierczak. *Niche Guide for Lamb Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 142. Washington, D. C.: U.S. Department of Agriculture, 1995.

Low market prices have many lamb producers looking for alternative market

outlets. The two types of niche markets targeted by lamb marketing cooperatives are described. This guide was developed from interviews with four marketing cooperatives and one producer group that were actively marketing lambs. Also interviewed were five producer groups planning to market lamb in the future. Information was collected on products sold, market outlets, and marketing programs used to target those outlets.

Biggs, Gilbert W. *Cooperatives in the Apple Industry*. Agr. Coop. Serv. Res. Rpt. no. 64. Washington, D. C.: U.S. Department of Agriculture, October, 1987.

Sixty-four apple marketing, processing, contracting, and bargaining cooperatives were studied. Discussion includes organization and operation, payments to growers, selling arrangements, grading and inspection, brand and pricing policies, equity capital, problem areas, and future role. Important concerns of apple cooperatives reviewed include overproduction, increasing imports of apple juice concentrates, decreasing exports of fresh apples, quality control, and rising costs.

Biggs, Gilbert W. *Cooperatives' Position in the Fresh Vegetable Industry*. Agr. Coop. Serv. Res. Rpt. no. 82. Washington, D. C.: U.S. Department of Agriculture, October, 1989.

Seventy-three fresh vegetable cooperatives marketed 57 different fresh vegetable commodities in 1986, valued at \$218 million. This report discusses services, facilities, and costs. Fresh vegetable marketing associations in the U.S. in 1986 handled 57 different fresh vegetable commodities and served nearly 8,000 members and 3,100 nonmembers. Commodity value exceeded \$218 million. Managers of 19 fresh vegetable marketing cooperatives were interviewed.

Biggs, Gilbert W. *Cooperatives' Role in the Potato Industry*. Agr. Coop. Serv. Res. Rpt. no. 39. Washington, D. C.: U.S. Department of Agriculture, October, 1984.

Describes the structure and role of cooperatives in the potato industry, identifies the problems and concerns of both bargaining and fresh marketing cooperatives, and provides suggestions for improving their role in the future. Most associations increase their strength in the potato industry through increased membership. Greater grower commitment is needed to strengthen these associations in dealing with processors.

Biser, Lloyd C., and John R. Dunn. *Local and Regional Cooperative Relationships in Two Federated Systems.* Agr. Coop. Serv. Res. Rpt. no. 69. Washington, D. C.: U.S. Department of Agriculture, October, 1988.

Eighteen member locals and two Midwest regional cooperatives were analyzed to determine their operational relationships. Information covers structure, operations and finance, management, competition, and service to farmers. The focus is on identifying ways to improve the system.

Biser, Lloyd C., and John R. Dunn. *Local-Regional Cooperative Relationships in the Midsouth.* Agr. Coop. Serv. Res. Rpt. no. 59. Washington, D. C.: U.S. Department of Agriculture, October, 1987.

Relationships are studied between local and regional cooperatives in federated systems in two Midsouth states. These relationships provide the foundation for a federation system to be competitive in achieving cooperatives' purpose of enhancing the economic well-being of their farmer members. Information on sales, finances, services, management practices, and management opinions were collected from 18 local cooperatives and two regional cooperatives.

Biser, Lloyd C., and Lyden O'Day. *Growth and Trends in Cooperative Operations, 1951-81.* Agr. Coop. Serv. Res. Rpt. no. 37. Washington, D. C.: U.S. Department of Agriculture, October, 1984.

Offers basic information on cooperative marketings and supply sales at national, regional, and state levels. Total cooperative

marketing and supply sales are compared with total farm marketings and total production expenditures in state and region to determine a cooperative's performance. Cooperative activities in states and regions are presented in more detail for 1951 and 1981.

Black, William E. "Understanding the Cooperative Member." *Farmer Cooperatives for the Future.* ed. L. F. Schrader and W. D. Dobson, pp. 143-51. West Lafayette, Indiana: Purdue University, 1985.

Black looks at cooperative members in Texas to ascertain the following: characteristics (demographics) of members as of 1984, their attitudes and opinions, member needs, and cooperative leadership. The members' demographic profile is compared to that of board chairmen. Black feels that cooperative leadership and power is not with the board of directors, but rather centers on the chief executive officer.

Blank, Steven C., and Robert Thompson. *California Agricultural Cooperatives: Managers' Strategies and Attitudes Towards Finances and Risk.* Davis: University of California, Center for Cooperatives, 1994.

In agriculture's changing risk environment, the authors study the practices the authors study the practices of cooperatives in borrowing, lending, and financial services.

Also see: Thompson, Robert, and Steven Blank. "Finance and Risk Characteristics of California Agricultural Cooperatives." *The Cooperative Accountant* 2(Summer 1994): 65-70.

Borst, Alan. *Guide for Prospective Agricultural Cooperative Exporters.* Agr. Coop. Res. Rpt. No. 93. Washington, D.C.: U.S. Department of Agriculture, 1990.

The different aspects of exporting that a U.S. agricultural cooperative must consider to develop a successful export program are discussed. Major topics include factors in making the decision to export, sources of assistance, developing an export marketing strategy, sales considerations, and

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completing the transaction. Helps cooperative management, personnel, and members gain added understanding of the export process and provides a basic reference tool for experienced and novice exporters.

Borst, Alan. *The State of U.S. Organic Producer Marketing Cooperatives in 1991.* Agr. Coop. Serv. Staff Paper 91-S7. Washington, D.C.: U.S. Department of Agriculture, August, 1991.

This report describes the current situation of producer marketing cooperatives in the U.S. organic foods industry. Seventeen organic producer marketing cooperatives (OPMCs) were identified as operating in the United States in 1991. These OPMCs had a total of 719 members; however, 335 of these members belonged to two cooperatives which provided limited marketing services, such as publishing a directory of growers or certifying member-growers. These OPMCs were first handlers of 3.3 percent of fresh certified produce sold in the United States in 1989. Several of these OPMCs faced one of more the following three problems: lack of producer-member commitment, lack of a basic double-entry accounting system and a sound business plan, and the inability to market sufficiently large volumes of consistently high quality organically grown food products to satisfy potential demand.

Borst, Alan, and Bruce Reynolds. *Cooperative Exporters. and Foreign Technical Standards.* Agr. Coop. Res. Rpt.. No. 113. Washington, D.C.: U.S. Department of Agriculture, 1993.

Technical standards of the foreign markets to which cooperatives export or plan to enter are outlined. The roles of Federal and State Governments and international government organizations regarding these standards are described. The objective of the study is to help agricultural cooperative exporters more effectively manage the costs of dealing with the technical standards and regulations of foreign countries to which they export.

Bottomley, Trevor. *Farmer-Centered Enterprise for Agricultural Development.* Oxford, UK: Plunkett Foundation, 1989.

Bottomley argues that it is the farmer-centered organization which leads to sound rural development and that cooperatives remain the most suitable agencies for providing essential services to small producers. The author describes the small farmer's operations and provides a detailed examination of credit, supply, and marketing. Finally, the author analyzes the problems of development—both ideological and organizational problems.

Boynton, Robert, and Howard T. Elitzak. *Member Control of Farmer Cooperatives.* Agr. Coop. Serv. Rpt. no. 7. Washington, D. C.: U.S. Department of Agriculture, October, 1982.

As cooperatives increase in size, both in terms of membership and assets, important public policy issues arise concerning whether farmer-members are actually in control of their organizations. The concept of democratic control was developed and evaluation made of control levels in cooperatives of differing sizes and commodity types. Factors related to level of perceived member control were also identified. For the cooperatives studied, generally all members perceived a high degree of control over their cooperatives. Factors found to be significantly related to level of control included possible avenues for influencing a cooperative decision, usefulness of information sources about the cooperative, ease of access to cooperative officials, and participation levels in cooperative activities.

Bravo-Ureta, Boris E., and Tsoung-Chao Lee. "Socioeconomic and Technical Characteristics of New England Dairy Cooperative Members and Nonmembers." *Journal of Agricultural Cooperation* 3 (1988): 12-27.

A comparison of the socioeconomic and technical characteristics of dairy cooperative members and nonmembers based on a sample of New England dairy herd improvement association participants.

Descriptive statistics indicate there is little difference between the two groups. A high proportion of members stated cooperatives were helpful primarily because they provide a safe or guaranteed market. Estimates of a Cobb-Douglas production function suggest membership in one specific cooperative was positively and significantly associated with average farm efficiency. Results of a logit analysis indicate the probability of being a cooperative member was positively related to extension contacts and negatively related to output per cow and per farm.

Brooks, Eldon E., and Robert J. Byrne. *Cooperative Transportation and Distribution.* Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 12. Washington, D. C.: U.S. Department of Agriculture, 1978.

Evaluates the importance of total physical distribution in a farm marketing or supply cooperative. This involves the managing of products or materials to or from cooperatives. Included are transportation, warehousing or storage, order processing, inventory management, materials handling, packaging, as well as finished products.

Buccola, Steven T., James C. Cornelius, and Ron R. Meyersick. "Pool Payment Equity in Agricultural Marketing Cooperatives." *Journal of Agricultural Cooperation* 4 (1989): 29-40.

Allocating net returns according to patronage is a fundamental element of cooperative organization. At the same time, a member's receipts from a pool depend upon the method the cooperative uses for valuing raw product patronage. Alternative patronage valuation methods are examined with regard to their effect on the distribution of pool income. Principles of distributive equity are discussed and conditions shown under which a valuation rule would be equitable—as defined. In the example of a pool with snap beans and sweet corn, it is shown that valuation rules differ in the mean and in subsidies that occur across products.

Buccola, Steven T., and Abdelbagi Subaei. "Optimal Market Pools for Agricultural

Cooperatives." *American Journal of Agricultural Economics* 67, No. 1 (Feb. 1985): 70-79.

Most agricultural marketing cooperatives distribute members' net revenues on a pool basis. Various pool options are outlined and a framework for identifying privately and collectively optimal pooling rules is suggested. Individual members' pool choices are found to vary according to farm enterprise and risk aversion level. A collectively optimal rule depends generally on risk aversion and on the method used to aggregate individuals' expressed preferences.

Bunker, Arvin R., and M. Cook. "Farmer Cooperatives in International Grain and Oilseed Markets." *American Journal of Agricultural Economics* 62 (1980): 899-903.

An examination of the changing role of farmer cooperatives in the complex arena of grain and oilseed trade. Four phenomena are explored: 1) farmer cooperative location in the world soybean, coarse grain, and wheat market structure; 2) market share trends of U.S. cooperatives at the local, regional, and export levels; 3) the increasing importance of foreign cooperatives in the international grain trade; and 4) factors that might constrain or enhance the growth of cooperatives in the world grain trade.

Bunker, Arvin R., and James R. Jones. "U.S. Cooperatives and the Potential for Grain Exports to Eastern Europe." *Journal of Agricultural Cooperation* 1 (1986): 38-51.

Cooperatives are major participants in grain production and marketing in the U.S. and in Soviet Bloc countries. U.S. cooperatives, for example, receive more than 40 percent of off-farm grain sales, while cooperatives in most Soviet Bloc countries account for more than two-thirds of grain production. Despite this heavy involvement, trade between cooperatives in these regions is nil. U.S. cooperative exports to Soviet Bloc import organizations are also limited. Import decision making in Soviet Bloc countries is described and buyers' concerns are evaluated against export services offered by

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U.S. cooperatives. Exports to Soviet Bloc countries by U.S. cooperatives will remain limited unless cooperatives offer delivered sales, bids on large tenders, and improved services.

Bunker, Arvin R., and Tracey L. Kennedy. *Using Export Companies to Expand Cooperatives' Foreign Sales.* Agr. Coop. Serv. Res. Rpt. no. 52. Washington, D. C.: U.S. Department of Agriculture, October, 1985.

Many agricultural cooperatives can expand foreign sales by using export management companies (EMCs). Small cooperatives may find them particularly useful. Discussion of EMCs covers: services and products handled; market coverage, fees, margins, and costs; ownership and financial structure; advantages and disadvantages and guidelines for selecting an EMC and Export Trading Companies.

Butler, Gillian. *Designing Membership Structures for Large Agricultural Cooperatives.* Agr. Coop. Serv. Res. Rpt. no. 75. Washington, D. C.: U.S. Department of Agriculture, Aug. 1988.

Strategies are developed that large cooperatives can use to improve their membership structures. Eight case studies illustrate the membership structures of diverse types of agricultural cooperatives. It is concluded that cooperatives that have implemented strategies consistent with organizational design principles provide effective mechanisms for member control.

Cain, Jarvis L., Ulrich C. Toensmeyer, and Stewart Ramsey. "Cooperative and Proprietary Firm Performance as Viewed by Their Customers." *Journal of Agricultural Cooperation* 4 (1989): 81-88.

Farmers' assessment of the effectiveness of cooperatives is compared with proprietary firms in providing goods and services. The areas of consideration are marketing, market share, business functions, service, stability, and public involvement. Farmers indicated that cooperatives' greatest advantages are in the areas of service and public involvement. Respondents indicated that cooperatives are

more willing to provide low profit products and services, establish programs that best meet needs, and provide a more dependable source of supplies and services. They also provide a greater enhancement of welfare and in general reduce the risks facing farmers.

Canadian Co-operative Association. *Annotated Bibliography.* Unpublished. Ottawa, Ontario, 1995.

This bibliography with over 200 entries emphasizes the literature in Canadian and developing country cooperatives. A number of entries address the history, development, and social aspects of the Canadian grain cooperative marketing system. Unpublished, the bibliography is available from:

Canadian Co-operative Association
275 Bank Street, Suite 400
Ottawa, Ontario K2P 2L6
Tel: (613) 238-6711
FAX: (613) 567-0658

Carson, R. "A Theory of Co-operatives." *Canadian Journal of Economics* 10 (Nov. 1977): 565-89.

This article seeks to derive basic pricing, production, and resource allocation rules for consumer and producer cooperatives. In order to do this, a somewhat general model of a firm is developed, capable of comprising cooperatives, as well as the conventional owner-controlled firm of economic theory. The results obtained generally conflict with existing theories of cooperatives. Subsequently, the model is extended to get a theory of labor unions and to cover immigration and emigration and the growth of cities.

Caswell, Julie A. "The Cooperative-Corporate Interface: Interfirm Contact Through Membership on Boards of Directors." *Journal of Agricultural Cooperation* 4 (1989): 20-28.

Interfirm contact through membership on boards of directors is a means of increasing the expertise and information available in

firm decision making. Data for a sample of 455 US firms in 1976 show that levels of such contact varied widely among 212 large agribusinesses. Corporate firms in the sector, except those that were privately held, maintained significantly higher levels of director and firm contact through board membership than did cooperatives. The absence of a range of outside directors on cooperative boards serves the principle of democratic control but may have adverse effects on the quality of board decision making.

Caves, Richard E., and Bruce C. Petersen. "Cooperatives' Tax 'Advantages': Growth, Retained Earnings, and Equity Rotation." *American Journal of Agricultural Economics* 68 (1986): 207-13.

Cooperatives are subject to full tax integration for the bulk of their income, while corporations' net income is subject to what is known as a classical form of taxation. This paper derives the condition under which full tax integration gives the cooperative a lower cost of equity capital and develops a model to examine the effect of taxation, together with equity rotation, on the growth path of cooperatives. An examination of some financial data of the largest 100 cooperatives supports the conclusion that cooperatives, under current financial practices, are capable of extremely high short-term growth rates, but they are not sustainable.

Caves, Richard E., and Bruce C. Peterson. "Cooperatives' Share in Farm Industries: Organizational and Policy Factors." *Agribusiness* 2 (1986): 1-19.

Factors are analyzed that determine the prevalence of cooperatives operating in various farm marketing and farm supply activities in competition with various investor-owned firms. Why does one institutional form "beat" another in a market where they compete freely? The authors first summarize the theory applicable to cooperative organizations—the property-rights theory of tied-equity firms—and test its predictions against evidence on the behavior of agricultural cooperatives.

Two areas of public policy that affect cooperatives' competitive standing, the rules governing their taxation and their status under the antitrust laws, are explored. It is shown that cooperatives' institutional characteristics as organizations strongly affect their ability to utilize the advantages provided them by public policy. The study concludes with a discussion of cooperative market share as related to factors such as: 1) where the production of the crop is concentrated in one or a few areas and its producers are highly specialized, 2) where structural conditions bestow monopoly power, 3) where efficient scales of plant exert an influence.

Centner, Terence J. "Cooperatives: A Search for Equitable Relief from the Equity Redemption Problem." *Journal of Agricultural Taxation and Law* 7 (1985a): 120-44.

The failure of cooperatives to provide for the timely and orderly return of funds invested by members and former members creates an inequity that may be addressed by the judiciary. The cooperative concept requires an investment by members in proportion to their use of the cooperative. When a member withdraws from the cooperative, this obligation ends. Although short-term investments by former members may be justified in order to provide for the financial well-being of the cooperative, the failure of the cooperative to return investments to former members within a reasonable time is inimical to the concept of cooperation. The possibility of former members initiating litigation for the return of their invested equities presents cooperatives with a choice: the cooperative either risks the chance of litigation or adopts some type of equity redemption program. The unfairness and ill will which accompanies the nonredemption of equities of former members suggest that most cooperatives should adopt an equity redemption program.

Centner, Terence J. "The Role of Cooperatives in Agriculture: Historic Remnant or Viable Membership Organization?" *Journal of Agricultural Cooperation* 3 (1988): 94-106.

Although cooperatives offer a viable organizational structure for many groups, economic theory suggests that the cooperative form of business should be preferred over a corporation only if special conditions are present. This paper identifies several conditions that may serve as justifications for cooperatives. Next, conditions limiting the performance of cooperatives are examined. Cooperative members are urged to examine their organization to discern whether its organizational structure provides the best vehicle for meeting group objectives.

Chen, K. S. "The Growth of Large Cooperative and Proprietary Firms in the U.S. Food Sector." Ph.D. diss., Purdue University, 1984.

During the period 1950 - 1980, the total sales of agricultural cooperatives increased but the total number of cooperatives declined. Therefore, many concerns about the sources of and the limitations to the growth of agricultural cooperatives have been expressed. This study has four objectives: 1) to develop a model for cooperative and proprietary firm growth; 2) to measure and compare the growth of large cooperative and proprietary firms; 3) to identify and measure the relationship between growth and growth-influencing factors; and 4) to compare strategies used to achieve growth among marketing cooperatives and proprietary firms. Both total sales and total assets were adopted as measures of firm size and growth.

Christy, Ralph D. "The Role of Farmer Cooperatives in a Changing Agricultural Economy." *Southern Journal of Agricultural Economics* 19 (1987): 21-28.

This paper focuses on: 1) the recent trends and status of farmer cooperatives, 2) the major factors associated with cooperative growth, in terms of conceptual empirical evidence, and 3) the role(s) for cooperatives in matured markets. The competitive yardstick school of thought is most relevant to problems associated with market failure. The supply management school views

vertical coordination as the primary problem with agricultural markets, and the social school advocates the application of cooperative business organization in solving social and human development problems in rural areas. The role(s) of farmer cooperatives, it was shown, has broader application than simply market failure considerations.

Clark, E. "Farmer Cooperatives and Economic Welfare." *Journal of Farm Economics* 34 (1952): 35-51.

There has been considerable controversy over the relative desirability of farmer cooperatives as compared with firms operating for private profit, especially in situations in which the two forms of enterprise compete directly. The question has been particularly acute in connection with special tax treatment for farmer cooperatives under the federal corporation income tax. The usual arguments in favor of cooperative action by farmers, such as increased efficiency in marketing, increased income for low income farmers, and anti-monopoly action are not subject to any generalized proof or disproof and are usually argued in terms of the individual's preconceptions.

It is possible, however, to make an objective comparison of the results of the two forms of enterprise in at least one significant area, the probable allocation of resources in relation to economic welfare. This is done by establishing certain distinctive features of the two forms of business organization and then analyzing the operating results in terms of technical welfare analysis to see whether the cooperative form of organization leads to better distribution of resources from the social point of view.

Cobia, David, ed. *Cooperatives in Agriculture*. Englewood Cliffs, NJ: Prentice-Hall, 1989.

A textbook focusing primarily on agricultural cooperatives. In it, fifteen leading experts provide a balanced, topical approach and apply cooperative principles and theory to practical marketing, finance, and management options and strategies.

Cobia, David W., Jeffrey S. Royer, Roger A. Wissman, Dennis P. Smith, Donald R. Davidson, Stephen D. Lurya, J. Warren Mather, Phillip F. Brown, and Kenneth P. Krueger. *Equity Redemption: Issues and Alternatives for Farmer Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 23. Washington, D. C.: U.S. Department of Agriculture, Reprinted 1984.

Provides information cooperatives can use to improve their equity redemption performance and decision making. Discusses issues concerning equity redemption and alternative plans and methods that can be used to improve or facilitate equity redemption.

Collins, Robert. *Analysis of Economic Motives for Cooperative Conversions to Corporations*. Davis: University of California, Center for Cooperatives, 1992.

Describes the three primary motives for corporate conversion: equity access, liquidity, and asset acquisition. Contains case studies and analysis.

Combs, Robert P., and Bruce W. Marion. *Food Manufacturing Activities of 100 Large Agricultural Marketing Cooperatives*. Working Paper #73. Madison, WI: North Central Project 117, April 1984.

The 1977 food manufacturing activities of the 100 largest agricultural marketing cooperatives account for a relatively small part of the total U.S. food manufacturing industry, about 6 percent of value of shipments. Only two cooperatives ranked among the 100 largest food manufacturing firms. Product classes that cooperatives were most active in were characterized by low levels of value added, product differentiation, and concentration. Cooperatives were low users of advertising, an important means of differentiating products, as only nine cooperatives ranked among the largest 200 advertisers of food and tobacco products. These results have both public policy and cooperative strategy implications. From a public policy point of view, cooperative market power in food

manufacturing appears to be very limited. In the area of strategic planning the results show that cooperatives tend to be involved in areas of food manufacturing with relatively low returns on investment. Why?, the authors provide several plausible reasons.

Condon, Andrew M. "The Methodology and Requirements of a Theory of Modern Cooperative Enterprise." In *Cooperative Theory: New Approaches*. ed. J. S. Royer, pp. 1-32. Agr. Coop. Serv. Res. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, July, 1987.

The first objective of this paper is to justify, from a methodological viewpoint, the impact of property rights assumptions on the predictive and explanatory power of economic theories of business organization, particularly on a theory of cooperative enterprise. Once having established the foundation for the incorporation of property rights assumptions into a theory of cooperative organization, Condon addresses the potential affects of member, director, and management incentives on firm performance and the influence of cooperative property rights on organizational structure and performance.

Condon, Andrew M., Ronald W. Cotterill, V. James Rhodes, James D. Shaffer, and John M. Staatz. *Cooperative Theory: New Approaches*. Agr. Coop. Serv. Service Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, July, 1987.

Contains nine papers on cooperative theory relating to operations, market behavior, decisionmaking, finance, and other aspects of farmer cooperatives. These papers represent the latest "wave" of probings into the evolving economic theory of cooperation. These "waves" represent new directions or formulate refinements. These papers are intended to stimulate research and thinking on cooperative theory.

Cook, Michael L. "The Role of Management Behavior in Agricultural Cooperatives." *Journal of Agricultural Cooperation* 9 (1994): 42-58.

Mintzberg's managerial working role model is used to explore the ways roles and behavior of the general manager of a user-oriented firm differ from those of the manager of an investor-owned firm (IOF). It is argued that, in the roles of conflict resolution, resource allocation, information spokesperson, and leadership, the challenges of a user-oriented manager are not only significantly different but often more difficult. It is concluded that managers comfortable with complexity, technical-operation, people-oriented resource allocation, multi-stakeholder communication, and with strong coalition-building skills are most successful in user-oriented organizations.

Cook, Michael L., Thomas L. Sporleder, and Wilmer A. Dahl. "Public Policy Issues in Financing Cooperatives' Growth." *Agricultural Finance Review* 39 (1979): 91-100.

The growth of cooperatives is a function of capital acquisition from internal or external sources. This process is influenced by the following five institutional factors that are examined and evaluated: (1) equity capital redemption, (2) security registration laws, (3) cooperative taxes, (4) Banks for Cooperatives' lending limits, and (5) mergers. Of the five, mandatory equity capital redemption would have the most direct and potentially disruptive impact on long-term viability for cooperative associations.

Cooperative Education: Resource Guide and Directory. Washington, D. C.: U.S. Department of Agriculture, 1989.

This 67-page guide, partially funded by USDA's Rural Business and Cooperative Development Service (RBCDS), and developed by the American Institute of Cooperation, is divided into five sections: (1) collegiate courses; (2) training programs; (3) printed materials; (4) audio visual materials; (5) miscellaneous. It also contains addresses and telephone numbers of major national cooperative organizations and the state cooperative councils.

Cooperative Publications. Compiled by Patrick Duffey and Patricia Burns. Agr. Coop. Serv. Coop. Info. Rpt. no. 4. Washington, D. C.: U.S. Department of Agriculture, revised 1995.

This catalog lists publications and videos available from the Cooperative Services program of USDA's Rural Business and Cooperative Development Service (RBCDS). It lists reports by numerical series and subject matter on various aspects of organization and operation of agricultural cooperatives. Reports on how to apply the cooperative form of business operation to other aspects of rural economic development are also discussed. Each publication and video is briefly described.

Cooperatives and Rural Development: A Report to Congress. Washington, D. C.: U.S. Department of Agriculture, 1989.

This report examines the needs of rural America, and the way cooperatives have helped meet these needs. It also explores the way cooperatives might further help in rural development. The major conclusion is that the cooperative is an extremely valid model with numerous applications to rural development efforts.

Copeland, John D. "Expulsion of Members by Agricultural Cooperatives." *Journal of Agricultural Cooperation* 1 (1986): 76-92.

The relationship between farmer members and their cooperatives is unique, a combination of contract, business, and membership interests. Cooperatives may have occasion to terminate the relationship by expelling a member. This article explores the legal authority of cooperatives to expel members, conditions under which expulsion is an acceptable action by cooperatives, and legal consequences to the cooperative when expulsion occurs. Adverse consequences of improper expulsion are described, and procedures are suggested to protect member and cooperative interests when expulsion is necessary.

Copp, James H. "Perceptual Influences on Loyalty in a Farmer Cooperative." *Rural Sociology* 29 (June 1964): 168-80.

Changes in the organization of farmer cooperatives and in the structure of the economy render the traditional membership relations' emphasis on knowledge, participation, and attitudes less useful than formerly. Data are presented showing that perceptions of experience and beliefs are much more important than participation or knowledge in influencing the loyalty of members. It is concluded that the most productive emphasis in contemporary membership relations work would be that of influencing or providing the standards which are used by members in evaluating the performance of their cooperatives.

Cotterill, R. W. "Agricultural Cooperatives: A Unified Theory of Pricing, Finance, and Investment." In *Cooperative Theory: New Approaches*. Ed. Jeffrey S. Royer, pp. 171-258. Agr. Coop. Serv. Res. Rpt. No.18. Washington, D. C.: U.S. Department of Agriculture, July, 1987.

In developing a unified theory of agricultural cooperatives, this paper presents a theory of cooperative price, investment, and finance decisions under conditions of risk as well as certainty. It also examines two areas of cooperative action that since 1945 have usually been studied separately. These two areas are: 1) the theory of the cooperative firm, and, 2) The impact of a cooperative on market performance. Among the many questions that this unified theory addresses are: Exactly how does a cooperative improve the efficiency of the economy? What rate of return do cooperative members require on their equity? How can the benefit stream for a projected cooperative investment be measured?

Crooks, Anthony C., and David E. Cummins. *First-Handler Grain Cooperative Elasticities*. Agr. Coop. Serv. Res. Rpt. no. 128. Washington, D. C.: U.S. Department of Agriculture, 1994.

Based on balance sheet and operating statement data compiled from USDA's annual survey of grain marketing cooperatives. An economic model is constructed to measure grain cooperatives' output supply response, changes in factor demands, and substitution rates among production factors used by grain cooperatives in four major U.S. producing areas. Report estimates were obtained from local cooperatives with \$5 million or more in total sales in four categories: corn-soybean, wheat-sorghum, wheat-barley-oats, and wheat-barley.

Cummins, David E. *Corn Belt Grain Co-ops Adjust to Challenges of 1980s*. Agr. Coop. Serv. Res. Rpt. no. 117. Washington, D. C.: U.S. Department of Agriculture, 1993.

Presents information for 1983 through 1991 on the physical and financial structure adjustments made by local first-handlers-of-grain in the Corn Belt. Annual sales of these cooperative were at least \$5 million, more than half in grain. Most also handled farm supplies and all provided related services. Local cooperative grain handlers were faced with abrupt changes in export markets for grains and oilseeds, shifts in government policy, and occasional drought, accompanied by wide swings in grain prices.

Cummins, David E. *Wheat Grain Cooperatives Adjust to Challenges of 1980s; Poised for 1990s*. Agr. Coop. Serv. Res. Rpt. no. 132. Washington, D. C.: U.S. Department of Agriculture, 1994.

This report examines physical and financial structure made during 1983 by local first-handlers-of-grain cooperatives in three major wheat areas: Northern Plains, Southern Plains, and Pacific Northwest. Annual sales were at least \$5 million and mostly in grain. These cooperatives adjusted to drought conditions, changing export markets, and Government policy shifts with better financial management, particularly in long-term debt and operating capital.

Cummins, David E., Charles L. Hunley, Michael D. Kane, and Francis P. Yager. *Cooperative*

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- Involvement, Adjustments, and Opportunities in Grain Marketing.* Agr. Coop. Serv. Res. Rpt. no. 38. Washington, D. C.: U.S. Department of Agriculture, October, 1984.
- Describes the structure and role of cooperatives in grain marketing, identifies and evaluates the principal problems and concerns of grain marketing cooperatives, and provides suggestions and guidelines for strengthening cooperative grain marketing.
- Cummins, David E., and Francis Yager. *Changes in Financial Profile of Cooperatives Handling Grain: First-Handlers, with \$5 Million or More in Sales in 1983 and 1985.* Agr. Coop. Serv. Res. Rpt. no. 76. Washington, D. C.: U.S. Department of Agriculture, 1988.
- Financial information by size and type of local cooperative associations that are first-handlers of grain is compared for 1983 and 1985. Cooperatives included had to have annual sales of at least \$5 million, with grain sales representing more than half of total value of sales.
- Cummins, David E., and Francis Yager. *Comparative Financial Profile of Cooperatives Handling Grain: First-Handlers, with \$1 Million or More in Sales.* Agr. Coop. Serv. Res. Rpt. no. 63. Washington, D. C.: U.S. Department of Agriculture, 1987.
- Comparative financial information is presented on local cooperative associations that are first-handlers of grain. Associations are grouped according to annual sales: large—\$15 million or more; medium—\$5 million to \$14.9 million; and small—\$1 million to \$4.9 million. Four commodity groups are analyzed: corn-soybean, wheat-barley-oats, wheat-sorghum, and wheat-barley.
- Cummins, David E., and Francis Yager. *Financial Profile of Cooperatives Handling Grain: First-Handlers, \$5 Million to \$14.9 Million in Sales.* Agr. Coop. Serv. Res. Rpt. no. 55. Washington, D. C.: U.S. Department of Agriculture, 1986.
- This report is based largely on balance sheet and operating statement data collected as part of a survey of 2,275 grain marketing cooperatives. Cooperatives handling grain in this size category are discussed in terms of storage capacity, grain volume and total sales, and accessibility of railroads.
- Dagher, Magid A., Bruce J. Reynolds, and Lynn W. Robbins. *Grain Exporting Economies: Port Elevator Cost Simulations.* Agr. Coop. Serv. Res. Rpt. no. 56. Washington, D. C.: U.S. Department of Agriculture, 1986.
- Long term participation in grain exporting by cooperatives requires financial preparation and investment for surviving periodic economic down turns. A simulation model for port elevator costs provides a technique for estimating economies of size for an important component activity of the grain trade.
- Dahl, Reynold P. "Structural Change and Performance of Grain Marketing Cooperatives." *Journal of Agricultural Cooperation* 6 (1991): 66-81.
- The cooperative grain marketing system in 1990 is vastly different from that of a decade earlier, when U.S. grain exports peaked. There have been several failures, mergers, and restructurings of cooperatives with IOFs in the 1980s. The system had sizable losses in equity capital, and the share of grain marketed by farmer-owned cooperatives declined. It is the author's opinion that the structural change in the grain marketing system will continue in the 1990s with the number of local grain marketing cooperatives continuing to decline. Both local and regional cooperatives will place more emphasis on value-added operations, such as grain processing and contract feeding of livestock, that are less subject to the ups and downs of grain merchandising.
- Dalecki, Michael D., and Ernest B. Perry. *How to Capture What Farmers Think.* Agr. Coop. Serv. Service Rpt. no. 25. Washington, D. C.: U.S. Department of Agriculture, 1988.
- This guide helps cooperative leaders determine the needs of both members and nonmembers. Questionnaire construction is discussed along with other factors involved

in collecting data, such as confidentiality, nonresponse, missing data, and coding. A sample questionnaire and subsequent follow-up mailings are provided.

Deloitte & Touche. "Benchmarking for Success: Financial Performance Trends for Agricultural Cooperatives." San Francisco, CA, 1991.

Survey measures financial performance trends for marketing, dairy, and supply cooperatives, showing a five-year trend analysis representing over 50 companies and \$38 billion in sales. A two-page presentation on financial performance for each of the above three groups includes a one-page summary of the key drivers of return on equity: earnings on sales, asset turnover and financial leverage. The second page summarizes five years of financial ratios, grouped by solvency, efficiency, and profitability. For this report, or the most recent report, contact Deloitte & Touche at:

Director, Food Industry Consulting
Services
50 Fremont Street, Suite 2800
San Francisco, CA 94109

Or at: National Practice Director
Consumer Products
125 Summer Street
Boston, MA 02110

Doktorov, Mihail. *Cooperatives and Agrarian Transformations in Bulgaria.* Sofia, Bulgaria: Sofia Press, 1984.

International cooperative seminar on the role of Bulgarian cooperatives and their contribution to the implementation of the agrarian reform in the People's Republic of Bulgaria.

Don, Yehuda. "Economics of Marketing Cooperatives in Developing Countries." *Proceedings of International Conference on Marketing Systems.* Tel-Aviv University, January 6-10, 1974. New York: John Wiley, pp. 75-81.

Many farmers' cooperatives around the world have been set up for ideological

reasons, their aim being to bring about social reform. Frequently, this orientation has caused a lack of emphasis on practical problems of day-to-day management and as a result many such cooperatives went bankrupt. This paper highlights the importance of one substantial "comparative advantage" that makes the cooperative marketing organization a potentially effective tool for economic development: the ability to achieve economies of scale in assembly, processing, and sales of agricultural products from small farms.

Dunn, John R. "Basic Cooperative Principles and Their Relationship to Selected Practices." *Journal of Agricultural Cooperation* 3 (1988): 85.

A set of basic cooperative principles adopted in a recent Agricultural Cooperative Service study is described, and how these principles relate to various cooperative business practices and issues facing U.S. cooperative organizations. Three principles relating use of a cooperative to ownership, control, and distribution of benefits are outlined. The relationship of these principles to a number of topics, including cooperative membership and control, differential treatment programs, and cooperative finance, is examined.

Dunn, John R. *Cooperative Education Survey: Summary of Cooperative Responses.* Agr. Coop. Serv. Res. Rpt. no. 119. Washington, D. C.: U.S. Department of Agriculture, 1993.

Summarizes and analyzes responses by cooperative organizations to a survey concerning cooperative education issues. The survey was conducted jointly by USDA's Agricultural Cooperative Service and the National Council of Farmer Cooperatives. It was one component of a multi-faceted examination of the needs and priorities for contemporary cooperative education.

Dunn, John R., Stanley K. Thurston, and William S. Farris. *Some Answers to Questions about Commodity Market Pools.* Agr. Coop. Serv. Washington, D. C.: U.S. Department of Agriculture, 1980.

Market pools provide options producers may want to consider in marketing agricultural commodities. A question and answer format is used to cover the various aspects of market pools, including an explanation of pooling and how it works, contents of the marketing agreement, and some examples of existing cooperative market pools in operation. Types of pools are reviewed along with advantages and disadvantages of seasonal pools.

Dunn, John R., et al. *Cooperative Education Task Force: Final Report*. Agr. Coop. Serv. Service Rpt. no. 35. Washington, D. C.: U.S. Department of Agriculture, 1993.

This the final report of the Cooperative Education Task Force assembled by Agricultural Cooperative Service and National Council of Farmer Cooperatives to examine existing and proposed needs to reinvigorate cooperative education across the nation. . The three-front plan for strengthening cooperative education is proposed.

Dutrow, Ralph W., Philip F. Brown, and Raymond Williams. *Financial Profile of 15 New Agricultural Marketing Cooperatives*. Agr. Coop. Serv. Rpt. no. 2. Washington, D. C.: U.S. Department of Agriculture, May, 1981.

An examination of 15 new cooperatives during their first 5 to 10 years of operation. These cooperatives more than doubled their membership during the period studied, about 1968 to 1978, and increased their gross sales almost 300 percent. In examining these cooperatives' financial ratios it was found that liquidity ratios exceeded 1.0 in every year, and that on average the cooperatives were not threatened with bankruptcy. The cooperatives' ability to acquire debt was also investigated. They had borrowed \$23.7 million, and of that amount the Banks for Cooperatives loaned \$21.4 million, or more than 90 percent. Most of this volume was for seasonal and operating purposes—the Banks for Cooperatives were much less involved in providing venture capital to these new cooperatives.

Emelianoff, Ivan V. *Economic Theory of Cooperation: Economic Structure of Cooperative Organizations*. Washington D.C.: Ivan V. Emelianoff, 1948. Reprinted by Center for Cooperatives, University of California, Davis, 1995.

This classic and often quoted work gives the Russian immigrant's early 20th century view of cooperatives in America. It still offers fresh insights for cooperative thinkers of today.

Eversull, Eldon, and David Chesnick. *Analysis of Balance Sheets of Supply, Marketing Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 138. Washington, D. C.: U.S. Department of Agriculture, 1995.

Balance Sheet data from 1983 to 1990 for 1,337 farm supply and marketing cooperatives is examined. Trends of major balance sheet classifications and financial ratios are presented for four cooperative sizes and types. The information is intended to give managers and directors a basis for comparing their cooperative with the historical performance of others with representative cooperative data.

Farmer Cooperative Statistics, 1992. Agr. Coop. Serv. Rpt. no. 39. Washington, D. C.: U.S. Department of Agriculture, 1993.

The annual compilation of statistics about agricultural cooperatives for 1992 shows growing memberships, net business volume, total assets, and net worth. Both gross value of farm products marketed and farm supplies handled were also up. Trends in memberships, merger, consolidation, and acquisition are discussed along with a review of portions of the Farm Credit System.

Farmer Cooperatives. Agr. Coop. Serv. Published monthly. Washington, D. C.: U.S. Department of Agriculture.

Monthly magazine directed to cooperatives' hired professional management and its selected leadership. Significant actions by cooperatives, activities of ACS, and

perspectives of leaders on problems, issues, and challenges facing farmers and their cooperatives are reported.

Fee, Douglas, Allen C. Hoberg, and Linda Grim McCormick. *Director Liability in Agricultural Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 34. Washington, D. C.: U.S. Department of Agriculture, 1984.

Sources of liability faced by cooperative directors are discussed and suggestions are given concerning practices and behavior that may help reduce liability risk. Areas covered are common law, criminal law, securities regulation, records and finances, antitrust regulation, and indemnification and insurance.

Fowke, Vernon C. *The National Policy and the Wheat Economy*. Toronto, Ontario: University of Ontario Press, 1957.

Traces the development of the national policy as it affected the growth of the Canadian trade and discusses the grain marketing problems of western Canada, with detailed attention to legislation and moves by various growers' groups in an attempt to meet these problems. Fowke discusses grain marketing problems during the 1900-1920 period and examines the history of the open market system, as well as the history and policies of the Canadian wheat pools.

Foxall, Gordon R. *Cooperative Marketing in European Agriculture*. Aldershot, Hampshire, UK: Gower Publishing Co., 1982.

Presents a critical examination of the relationship between cooperative market share in member countries of the European Economic Community and the level and strength of organizations in these countries.

Frederick, Donald A. *Cooperative Involvement in Public Policy*. Agr. Coop. Serv. Coop. Info. Rpt. no. 42. Washington, D. C.: U.S. Department of Agriculture, 1993.

Cooperatives are more effective in securing favorable government decisions when they

have an active, structured public policy program. Members play important roles in shaping and implementing that program. This report discusses the role cooperatives can play in influencing policy making and the various avenues and methods that can be used.

Frederick, Donald A. *Keeping Cooperative Membership Roles Current*. Agr. Coop. Serv. Coop. Info. Rpt. no. 37. Washington, D. C.: U.S. Department of Agriculture, 1988.

Inactive members pose problems for the cooperative character, legal status, and management efficiency of an agricultural cooperative. This report provides policy and bylaw examples to correct or avoid these problems. The report concludes with a cooperative success story.

Frederick, Donald A. *Managing Cooperative Antitrust Risk*. Agr. Coop. Serv. Coop. Info. Rpt. no. 38. Washington, D. C.: U.S. Department of Agriculture, 1989.

Essentials of antitrust law are discussed. Explains why limited antitrust protection granted in the Capper-Volstead Act is critical to cooperative marketing by agricultural producers. It outlines who is covered by Capper-Volstead, how a cooperative must be organized to qualify for limited antitrust protection, and what types of activity by the cooperative are protected.

Frederick, Donald A. *Sample Legal Documents for Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 40. Washington, D. C.: U.S. Department of Agriculture, 1990.

This is the blueprint for an organizers and their legal counsel to use in developing or updating the articles and bylaws for a cooperative. It explains the rationale for the primary legal documents required to establish and operate a cooperative. Options are offered for organizers and leaders to consider in drafting and reviewing the documents. Also covered are the documents that help in the organizing process and guides for successful operation.

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Frederick, Donald A. *Successful Joint Ventures Among Farmer Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 62. Washington, D. C.: U.S. Department of Agriculture, October, 1987.

Development, purposes, operations, and challenges are discussed for four successful ventures among dairy cooperatives. Guidelines are provided for deciding whether to enter into a joint venture and how to structure it to maximize chances of achieving its objectives. Dairy cooperatives were selected for study because they are more advanced than other cooperatives in structural consolidation.

Frederick, Donald A. *Tax Treatment of Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 23. Washington, D. C.: U.S. Department of Agriculture, October, revised 1995.

Dispels a myth about cooperatives—they do pay taxes, including real and personal property taxes, sales and employment taxes, fuel taxes, utility excise taxes, and motor vehicle registration and license fees. Cooperatives and their owners also pay a single income tax on margins, usually at the owner level. Also discussed are Subchapter T of the Internal Revenue Code, taxes, “qualified or nonqualified” written notices of allocation, per-unit retains, and tax planning alternatives.

Frederick, Donald A., and Gene Ingalsbe. *What Are Patronage Refunds?* Agr. Coop. Serv. Coop. Info. Rpt. no. 9. Washington, D. C.: U.S. Department of Agriculture, 1984.

This pamphlet describes cooperatives and outlines the basic principles under which they operate. It also defines and discusses the patronage refund feature of cooperative businesses. One section provides a key to frequently used terms that describe the unique features of cooperatives, aiding understanding of finance and tax aspects of cooperatives, types of cooperatives, equity redemption, net margin, per-unit retain, pooling, and others. Related publications available from Cooperative Services are also listed.

Frederick, Donald A., and John Reilly. *Income Tax Treatment of Cooperatives, Part I*. Agr. Coop. Serv. Cir. no. 44. Washington, D. C.: U.S. Department of Agriculture, 1993.

Cooperatives have been granted a degree of flexibility in their financial planning and should exercise their options effectively to maximize benefits for members. This report provides important background on current income tax treatment of cooperatives. The role of legislation, administrative rulings, and judicial decisions establishing cooperative tax policy are also reviewed.

Frederick, Donald A., and John Reilly. *Income Tax Treatment of Cooperatives, Part II*. Agr. Coop. Serv. Cir. no. 44. Washington, D. C.: U.S. Department of Agriculture, 1993.

Covers patronage refunds—which help distinguish cooperatives from other forms of business. By permitting cooperatives to retain part of the margins designated as patronage refunds, members provide needed equity to the association. This report discusses how to differentiate between patronage and nonpatronage business. Other topics cover per-unit retains, refund distributions, redemptions of patronage equity, and taxation of patrons.

Frederick, Donald A., and John Reilly. *Income Tax Treatment of Cooperatives, Part III*. Agr. Coop. Serv. Cir. no. 44. Washington, D. C.: U.S. Department of Agriculture, 1995.

Examines tax treatment of cooperatives as related to distributions and redemptions. Treatment of patronage refunds, the linchpin of cooperative accumulation, is also examined, along with per-unit retains used by cooperatives.

Fulton, Joan R., and Wiktor L. Adamowicz. “Factors That Influence the Commitment of Members to Their Cooperative Organization.” *Journal of Agricultural Cooperation* 8 (1993): 39-53.

An exploration of the factors that influence the commitment of members to their cooperative organization. Cooperative members’ decisions regarding patronage are

then described in terms of a random utility model. Logit analysis, with data from member surveys of a large grain marketing cooperative, indicates that the factors that influence member patronage are: the ability to share in profits through dividends, the ability to purchase chemicals and fertilizers at the grain elevator, and the percentage of the total farm income obtained from grain operations. There is some evidence that farmers' patronage is positively associated with competitive grain pricing and negatively associated with the firm being active in the community. Other analysis reveals that the age of the farmer significantly affects the importance the member places on the ability to share in profits through dividends.

Fulton, Joan R., and Robert P. King. "Relationships among Information Expenditure, Economic Performance, and Size in Local Grain Marketing Cooperatives in the Upper Midwest." *Agribusiness* 9, No. 2 (1993): 143-57.

An examination of possible factors which have led to increased concentration in the cooperative grain marketing sector. The effect on this industry of changes in transportation and communication is described. Empirical analysis was performed with data from local grain marketing cooperatives in the upper Midwest. While the results identify economies of size in information acquisition for these businesses, there is little evidence that the trend toward increased size, in itself, leads to improved elevator performance. Elevators with unit train facilities are found to perform worse than those without unit train facilities while elevators with multiple sites perform better than those operating single sites.

Fulton, Murray. *Cooperative Theory and Average Revenue Pricing: The Right Answer for All the Wrong Reasons*. Saskatoon, Saskatchewan: Centre for the Study of Cooperatives, 1987.

Examines the theoretical arguments underlying the average revenue pricing rule developed for two types of firms—the marketing cooperatives and the labor-

managed firms. It also discusses other pricing rules, thus providing a brief history of cooperative economic thought and an overview of cooperative economic theory.

Fulton, Murray, and Lou Hammond Ketilson. "The Role of Cooperatives in Communities: Examples from Saskatchewan." *Journal of Agricultural Cooperation* 7 (1992): 15-42.

An examination of the role of cooperatives in the economic and social development of communities in Saskatchewan, a prairie province of Canada. Based on a comprehensive study of cooperatives in that province, it provides statistical evidence of the economic importance of cooperatives and anecdotal evidence from interviews that demonstrates the value of cooperatives in contributing to the social well-being of residents and in maintaining a sense of community. It also posits a number of theoretical models that can be used to explain the role of cooperatives in communities. A major finding is that cooperatives play a critical role in ensuring the continued social and economic existence of many communities, particularly smaller communities facing rural decline.

Fulton, Murray, and James Vercammen. "The Distributional Impacts of Non-Uniform Pricing Schemes for Cooperatives." *Journal of Cooperatives* 10 (1995): 18-32.

The traditional pricing mechanism examined in the economic literature on cooperatives is uniform (or linear) pricing. The conclusion of the literature is that uniform pricing mechanisms will often give rise to economic inefficiencies. These inefficiencies emerge when the cooperative is operating in a region of either increasing average cost or decreasing average cost. The reason for these inefficiencies is that uniform pricing schemes cannot allocate the profits or losses of a cooperative among its members without distorting the decisions members make. This paper explores the role of non-uniform pricing in generating efficient outcomes and examines the distributional effects of simple non-uniform pricing schemes. Although the focus of this paper is specifically on cooperatives, the

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results are applicable in other situations in which average cost pricing is used.

Garkovich, Lorraine, and Janet Bokemeier, with Connie Hardesty, Andrea Allen, and Ella Carl. *Farm Women and Agricultural Cooperatives in Kentucky*. Agr. Coop. Serv. Res. Rpt. no. 65. Washington, D. C.: U.S. Department of Agriculture, October, 1987.

This report assesses the level and nature of participation by women in agricultural input supply and marketing cooperatives. It identifies organization and personal factors that influence women's participation in agricultural cooperatives.

Garland, William R., and Phillip F. Brown. *Fishery Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 44. Washington, D. C.: U.S. Department of Agriculture, October, 1985.

This study describes the organizational and financial structure and operational activities of U.S. fishery cooperatives and will help fishers form new cooperatives or plan changes in existing ones. Information on 70 fishery cooperatives of all types, sizes, and locations is summarized by region and state. Data cover organizational structures; type and volume of fishery products, supplies, and services; operating revenues; balance sheet data; sources of debt financing; and equity redemption practices.

Garoyan, Leon. *Marketing Fundamentals: Consumers, Coordination, Commitment, and Cooperatives*. Working Paper No. 4. Cork, Ireland: Bank of Ireland Centre for Cooperative Studies, 1984.

Garoyan argues that four factors—consumers, coordination, commitment, and cooperatives—are essential in the development of an effective marketing system. He states: "The greater the commitment and coordination, the more apt is the cooperative to serve the continually changing needs of customers (buyers) and members." The focus of this book is on marketing of agricultural commodities.

Garoyan, Leon, and Paul O. Mohn, eds. *Cooperative Growth: Potentials and Strategies*

for Dairy and Meat Cooperatives. Cork, Ireland: Bank for Ireland Centre for Cooperative Studies, 1984.

Proceedings of a conference held in Ireland in 1984, which brought together the leadership of Ireland's dairy and beef cooperatives to assess their present status and to discuss potentials for growth and development. These proceedings include the papers and the taped discussions that prevailed.

Gray, Thomas W. "Member Control Mechanisms from Western Europe." *Journal of Agricultural Cooperation* 1 (1986): 56-75.

An application of concepts of member sovereignty (capability of people to create and effect decisions on how a system should operate and change) and equality (even distribution of articulation possibilities among members) to large agricultural cooperatives. Equality is reconceptualized to refer to elected member representatives in large cooperatives. An elite interviewing technique was used to gather descriptions of control structures and mechanisms in five Western European countries. Interviews were conducted with decision makers in apex cooperative education organizations. Hierarchical membership structures are described, weaknesses are pointed out, and options to improve member sovereignty and elected member representativeness are discussed.

Gray, Thomas W. *Membership: An Organizational View*. Agr. Coop. Serv. Res. Rpt. no. 96. Washington, D. C.: U.S. Department of Agriculture, October, 1990.

The membership structure of a large centralized cooperative is discussed from an organizational workability perspective. Organizational components include delegations of authority, departmentalization, job specialization, and standardization and ad hoc communications. The organizational view is discussed from the perspective of the dairy farm, membership, and managerial environments.

Gray, Thomas W. *Structuring for Member Control in a Large Cooperatives: A Case Study in Dairy*. Agr. Coop. Ser. Res. Rpt. no. 72. Washington, D.C.: U.S. Department of Agriculture, July 1988.

A contribution to the formulation of structural guidelines for enhancing member influence and equality/representativeness in large cooperatives. Results suggest that member control can be structured with a system of elected and appointed positions based in geographic districts and divisions. The purpose of the study was to improve the democratic character of cooperatives.

Gray, Thomas W., and Gillian Butler. "Charting from within a Grounded Concept of Member Control." *Journal of Agricultural Cooperation* 6 (1991): 82-94.

It is suggested in this paper that organizational charts of member structures can be useful tools for understanding and contributing to member control of agricultural cooperatives. To be useful, however, member charts must accurately reflect a concept of member control that is grounded in context and theory. The purpose of this paper is to clarify the term "member control" by examining its context within cooperative principles, controversy around the term, and its roots in democratic theory. From this perspective, members control their organization when, through a democratic process of decision making, they are able to keep the cooperative a cooperative, a condition Gray and Butler call "containment." With this concept, a containment method of member control charting is developed and illustrative examples given.

Gray, Thomas W., and Gillian Butler. "Toward an Organizational Theory of Membership Structural Design." *Journal of Agricultural Cooperation* 9 (1994): 27-41.

Various events have led to the development of highly complex cooperative operations and to concepts for understanding operations. However, development of membership structures and concepts for understanding these structures has lagged.

This paper imports organizational design and contingency theory into member control literature. Membership structure is understood as organization-like, producing a service (i.e., member control). Member control structure is understood as having three aspects (representation, policy making, and oversight) and two environments (the members themselves, and management and operations). Building from cooperative principles and following the development of cooperatives from simple to complex organizations. A series of axiomatic propositions for understanding and designing membership structure is developed.

Gray, Thomas W., Roger A. Wissman, Charles A. Kraenzle, Beverly L. Rotan, and Celestine C. Adams. *Dairy Farmers' Participation in Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 86. Washington, D. C.: U.S. Department of Agriculture, October, 1990.

The extent of dairy farmers' economic participation in cooperatives is explored. The report found that nearly 90 percent of all dairy farmers had some affiliation with cooperatives in 1986. In general, percent of participation increased with farm size. Areas for continued growth are identified.

Gupta, V. K., and V. R. Gaikwad. *Guide to Management of Small Farmers' Cooperatives*. Rome: Food and Agricultural Organization, 1981.

A guide for managers of small farmers' cooperatives in developing countries prepared by the Indian Institute of Management at the request of the FAO. Having visited farmers' cooperatives in various Asian countries, the authors recognized their needs and problems; their one main recommendation was for these cooperatives to adopt the integrated cooperative system rather than use the mercantile approach.

Gyllstrom, Bjorn, Hans Holmen, and Maria Johansson. *Bibliography on Agricultural Cooperatives in Third World Countries*. Lund, Sweden: University of Lund, 1988.

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Provides information about studies on agricultural cooperatives in Third World countries. It includes books, reports, papers, and articles and is based on retrieval of information from the libraries at FAO, ILO, and the ICA. Most material refers to the period 1970-1987.

Haas, John T., David L. Holder, and Clement E. Ward. *Livestock and Wool Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 14. Washington, D. C.: U.S. Department of Agriculture, 1979.

Gives a brief history of the livestock and wool cooperatives in the United States. Reports overall statistics for the present livestock and wool cooperatives in accounting for farmers' cash receipts. Future challenges and opportunities for livestock and wool cooperatives also are reviewed.

Haller, L. E. "Branded Product Marketing Strategies in the Cottage Cheese Market: Cooperative Versus Proprietary Firms." In *Competitive Strategy Analysis in the Food System*, ed. R. W. Cotterill. Boulder, CO: Westview Press, 1992.

Haller supports the premise that market power is being exercised in the cottage cheese market. Prices rise with an increase in market share. While there is weak evidence that prices rise as the retail-market level four firm grocery concentration ratio (CR₄) rises (that is that retailers may raise price in more concentrated markets), one of the strongest influences on the price of cottage cheese is the extent of market penetration of the brand. There is also strong evidence that cooperatives are not exercising market power or "unduly enhancing price." Cooperatives charge a lower price than their IOF competition under the same conditions and, unlike their IOF competition, cooperatives do not capitalize on higher share to raise price. Moreover, the presence of cooperatives in a market brings the price of competing brands down.

Hamlett, Cathy A., and Brian Roach. *Dairy Farmers' Valuation of Cooperative Market Security*. Agr. Coop. Serv. Res. Rpt. no. 101. Washington, D. C.: U.S. Department of Agriculture, October, 1991.

Presents a methodology for quantifying the value of market security to an individual farmer.

Hardesty, Shermain. *Agricultural Cooperatives as Effective Marketers of Value-Added Products*. Davis: University of California, Center for Cooperatives, 1992.

Topic areas include capital requirements and funding, strategic planning, reorientation of the corporate culture, and managerial requirements.

Hardesty, Shermain. *Cooperative Principles and Regulations: Aiding or Hampering Cooperative Efforts at Value-Added Marketing?* Davis: University of California, Center for Cooperatives, 1992.

Provides a penetrating analysis of the legal and institutional environment for the cooperative form of business.

Hardie, Ian W. "Shadow Prices as Member Returns for a Marketing Cooperative." *American Journal of Agricultural Economics* 51, No. 4 (Nov., 1969): 818-33.

Many marketing cooperatives handle several types or grades of member-supplied products. These cooperatives have to determine the returns to be allotted to each product. This article describes how returns can be simultaneously calculated for each member-supplied product handled by a multiple product marketing cooperative. A linear programming model is first introduced to compute the returns under a set of rather restrictive assumptions. When these assumptions are relaxed, another method of deriving the values is required. Such a method—called the "pooling constraint" method—is presented in the latter part of the article.

Haugen, Rolf E. "Financing Growth While Coping with Inflation—A Financial

Perspective." *Cooperative Accountant* (Winter 1981): 68-74.

Examines the financial situation facing cooperatives in the early 1980s: inflation and high interest rates, return on assets below their IOF counterparts, and much higher debt-equity ratios than those of IOFs. Haugen states that cooperatives must get back to the basics in improving earnings levels, eliminating unnecessary and unproductive assets, and shoring up their equity positions.

Helm, Franz C. *The Economics of Cooperative Enterprise*. London: University of London Press, 1968.

A comprehensive study of cooperative production, marketing, and consumption with special reference to the developing countries in Africa and Asia. The major part is devoted to agricultural cooperation in all its aspects. Another section is devoted to cooperatives among small producers and traders. It concludes with a discussion of cooperation and the national economy.

Helmberger, Peter G. "Cooperative Enterprise as a Structural Dimension of Farm Markets." *Journal of Farm Economics* 46 (1964): 603-17.

A theoretical analysis of cooperative marketing under alternative sets of assumptions regarding market structure. If the processing industry has an atomistic structure and no barriers to entry, cooperative marketing—where some processors are cooperatively organized by raw material producers—may cause departures from perfectly competitive equilibrium in the short run, but not in the long run. Where there is but one processor and blockaded entry, cooperative organization of that firm leads to smaller departures from competitive equilibrium than that associated with pure monopsony under many circumstances. Restricted membership cooperation, however, can give rise to market results that are undesirable from the viewpoint of all except the member producers. If the finished product is sold in perfect competition and scale diseconomies do not exist, cooperative marketing tends to

lead to competitive equilibrium regardless of other structural conditions that would support monopsony elements.

Helmberger, Peter G. "Future Roles for Agricultural Cooperatives." *Journal of Farm Economics* 48 (Dec., 1966): 1427-43.

Helmberger raises questions as to those characteristics inherent to cooperative organizations that may affect cooperative growth. For example, an entrepreneur has a new idea and combines with that capital—the profit reward is for the good judgment, and, in part, for invested capital. But how can an individual with an entrepreneurial flair be rewarded for his talents by the creation of a cooperative? Another factor, is that the cooperative, once created, is constrained in its growth pattern by the special-interest group that undertook its organization. Specifically, there may be markets which are closed to the cooperative firm but open to others (example: Kraft can move swiftly and surely into expanding margarine markets, while Land O'Lakes is stuck with butter). And where vertical integration is occurring, broilers and eggs, cooperatives are not playing a dominant role. Helmberger writes, "If traditional agriculture is in the process of eroding away, the whole conception of the farmer cooperative and its role in society will need to be reexamined. If I am not mistaken, a compelling theoretical rationale can be made for farmer cooperatives in an atomistic setting. Disappearance of atomism will cause that rationale to vanish with it."

Helmberger, Peter, and Sidney Hoos. "Cooperative Enterprise and Organization Theory." *Journal of Farm Economics* 44 (May 1962): 275-90.

Several students of cooperation—particularly Ivan Emelianoff and Richard Phillips—have evolved a theory in which the cooperative association is not viewed as a firm. In reply, another student, J. K. Savage, has called for a "broader interpretation of the definition of a firm in accord with actualities" which would encompass a cooperative association as a firm and as a "going concern." The authors'

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purpose is to show that organization theory provides a broader interpretation of the firm that is useful for empirical research on cooperative decision making. They also show that by making certain assumptions within an organizational framework, the marginal analysis can be used in deriving hypotheses about cooperative performance in much the same way as it has been used in traditional theory.

Hogeland, Julie A. *The Future Role of Livestock Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 61. Washington, D. C.: U.S. Department of Agriculture, October, 1987.

Major topics are industry structure, special problems of livestock marketing cooperatives, location strategy, marketing costs, advisory and information services, industry outlook, and other roles and adjustments. The base of information comes from 17 regional livestock marketing cooperatives. The study indicated cooperatives place less emphasis on providing convenient markets, more emphasis on competitive service charges, and supplement buy-sell operations with advisory services to help members manage risk.

Hogeland, Julie A. *Role of Local Co-ops in the Emerging Swine Industry*. Agr. Coop. Serv. Res. Rpt. no. 144. Washington, D. C.: U.S. Department of Agriculture, 1995.

Examines the future of regional and affiliated local cooperatives in a swine industry faced with massive structural upheaval. Five Midwest regionals participated in a USDA/Cooperative Services survey of 2,000 local cooperatives to determine their reaction to industry changes, how they are helping producers adjust, and services locals want from the regionals in this endeavor. Failure to respond to the changing market could seriously undermine the economic position of both producers and their cooperatives.

Hogeland, Julie A., and Phillip W. Sronce. *Cooperative Wool Marketing Pools and Warehouses: Industry Update, Issues, and Options*. Agr. Coop. Serv. Res. Rpt. no. 41.

Washington, D. C.: U.S. Department of Agriculture, October, 1984.

Provides an overview of the domestic wool marketing system, problems, and potential. Special attention is given to marketing practices of wool pools and wool warehouse cooperatives, given recent increased imports and a decrease in domestic processors. Information in this report will enable producers, pools, and cooperatives to evaluate their role in the industry to maximize their effectiveness in marketing domestic wool.

Hulse, Fred E., Gilbert W. Biggs, Donald M. Simon, and J. Warren Mather. *Special Crops Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 19. Washington, D. C.: U.S. Department of Agriculture, 1983.

Covers number, organization, operation, services, and benefits of cooperatives marketing tobacco, sugar and sweeteners, dry beans and peas, seed, forest products, fish, and other specialized farm products. Cooperatives marketing such crops as flowers and bulbs, hops, nursery stock, wild rice, turpentine, and coffee are also covered.

Hulse, Fred E., Gilbert W. Biggs, and Roger A. Wissman. *Small Fresh Fruit and Vegetable Cooperative Operations*. Agr. Coop. Serv. Coop. Info. Rpt. no. 27. Washington, D. C.: U.S. Department of Agriculture, 1980.

Shows the diversity as well as successful operations of 34 small fresh fruit and vegetable marketing cooperatives. Describes their sales methods, as well as additional services provided to farmer-members. The report also explores how they serve their members and how similar operations might provide other producers with marketing, supply, and other services. Most of the cooperatives surveyed had sales of less than \$1 million annually. Membership averaged 262.

Hunley, Charles L. *Cooperative Marketing of Pulses*. Agr. Coop. Serv. Res. Rpt. no. 110. Washington, D. C.: U.S. Department of Agriculture, 1992.

Farmer cooperatives can take advantage of the value-added benefits associated with retail marketing. They can counteract competition by pooling resources and developing marketing outlets in the domestic and export chain. Findings of this report indicate most of the cooperative volume is handled by full-line marketing cooperatives; pulses are predominately shipped by truck into market channels; pinto beans are the largest volume bean shipped by cooperatives; and only 2 percent of the beans cooperatives handled were packaged by them in retail-ready form.

Hunley, Charles L. *Marketing and Transportation of Grain by Local Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 70. Washington, D. C.: U.S. Department of Agriculture, 1988.

Information is provided on grain flow, elevator facilities, storage capacity, type of grain handled, and mode of transportation from local cooperatives. More than half the grain sold by cooperatives was moved by truck. The study addresses only cooperative first-handlers of grain. More than 25 cooperative managers participated.

Hunley, Charles L. *Role of Cooperatives in Tobacco Marketing*. Agr. Coop. Serv. Res. Rpt. no. 67. Washington, D. C.: U.S. Department of Agriculture, 1988.

Cooperatives' historical involvement in tobacco marketing is examined. Discussion covers history, industrial change, and federal support and control programs. Stabilization—cooperatives' role in tobacco marketing, is described, along with the characteristics and operational features of local warehouse associations. The report examines operational and organizational aspects of cooperatives related to grouping factors like membership numbers, organizational structures, employee makeup and number volumes handled, market share and use of facilities.

Hunley, Charles L., and David E. Cummins. *Marketing and Transportation of Grain by Local Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 115. Washington, D. C.: U.S. Department of Agriculture, 1993.

More than 1,700 first-handler local grain co-ops surveyed for this report marketed 5.1 billion bushels of grain in 1990-91. Corn and wheat were the primary commodities marketed. More than half the grain sold was moved by truck. Storage capacity, state and federal licensing, turnover rate, grain bank, and rail service also are examined.

Ingalsbe, Gene. *Cooperative Communications*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 11. Washington, D. C.: U.S. Department of Agriculture, 1988.

Opening with the scope and state of the art, this section then discusses early communications methods, audiences, types of communications, organization and staffing, professional advancement opportunities, and challenges ahead for communications professionals. Communicators touch many audiences in a cooperative, including members, patrons, directors, management employees, legislators, and the general public.

Ingalsbe, Gene. *Cooperative Facts*. Agr. Coop. Serv. Coop. Info. Rpt. no. 2. Washington, D. C.: U.S. Department of Agriculture, revised 1989.

A compilation of facts in brief paragraphs relating to the founding of cooperatives and important benchmarks. Contains a table of all kinds of cooperatives in terms of numbers and memberships. Provides current data on agricultural, utility, and credit cooperatives.

Ingalsbe, Gene. *Cooperatives in Agribusiness*. Agr. Coop. Serv. Coop. Info. Rpt. no. 5. Washington, D. C.: U.S. Department of Agriculture, revised 1991.

This is a basic description of cooperatives as applied to agribusiness, how they are organized, how they differ from other businesses, how they are financed, and their functions. This overview is especially useful for high school and junior college audiences. Also discussed are the roles of members, directors, managers, and employees. Functions of other cooperatives providing

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utilities to rural areas, insurance and health services, The Farm Credit System, and credit unions are also discussed, along with career opportunities and education requirements.

Ingalsbe, Gene. *Members Make Co-ops Work.* Agr. Coop. Serv. Coop. Info. Rpt. no. 12. Washington, D. C.: U.S. Department of Agriculture, 1993.

Part of a series designed to visually present basic information about cooperatives. Included are illustrations created for easy conversion to 35 mm slides or overhead transparencies. The report examines the role of members in cooperatives—who they are and their responsibilities as owners—with special emphasis on control, financing, and patronage, and legal requirements members need to meet in some cases. It discusses cooperatives as a distinct form of business in the American private enterprise system, member responsibilities in making cooperatives work, how to use co-ops for economic benefit, and the controls found in cooperative legal documents. It also covers members' legal responsibilities as owners, such as voting, expressing opinions, and serving on committees.

Ingalsbe, Gene. *What Co-op Directors Do.* Agr. Coop. Serv. Coop. Info. Rpt. no. 14. Washington, D. C.: U.S. Department of Agriculture, 1992.

Part of a series designed to visually present basic information about cooperatives. Included are illustrations created for easy conversion to 35 mm slides or overhead transparencies. This report focuses on the board of directors—the members' elected leadership group—which directs the cooperative's business affairs. The board picks officers, selects functioning committees, listens to members and management and serves as the liaison between management and members. Qualities such as good business judgment and ability to get along with others should be considered by members in selecting directors. Other topics include director selection methods as governed by the bylaws; recognizing the differing roles of management and directors; safeguarding

assets of the cooperative; hiring, directing, and appraising the manager; originating and approving policies; determining how income is distributed and reinvested; assessing the business climate and developing long range plans; and conducting an annual performance evaluation. Related publications and a videotape of the same name are available from Cooperative Services.

Ingalsbe, Gene. *What the Co-op Manager Does.* Agr. Coop. Serv. Coop. Info. Rpt. no. 16. Washington, D. C.: U.S. Department of Agriculture, 1993.

Part of an illustrated series, this section focuses on the role of the manager in a cooperative. Part of its discussion centers on the similarities and differences of managing a cooperative vs. other businesses. Managing a cooperative is different because the customers are the owners and seek to get a product or service that benefits them individually or contributes to the profitability of their business, such as a farm. The manager needs to satisfy member-owners but needs a lot more from them—information, participation, and decisionmaking help. The relationship with owners is much closer and more personal. Emphasis is placed on separation of management and ownership to avoid possible conflict of interest. The professional manager makes the cooperative work. Manager and director responsibilities are kept separate. Other publications valuable to managers are listed.

Ingalsbe, Gene, and James L. Goff. *How to Start a Cooperative.* Agr. Coop. Serv. Coop. Info. Rpt. no. 7. Washington, D. C.: U.S. Department of Agriculture, revised 1990.

This publication outlines the step-by-step approach to organizing and financing a cooperative and discusses some general rules for success. Although oriented to agriculture, its content can easily be applied to any type of business activity. It presents the most important elements to consider when forming a cooperative, listing what special expertise is necessary, where to look for help, and where more detailed

information is available to help in the organizing process and early months of operation. The report appendix includes sample documents used in the organizing process and references to some helpful publications available from the Cooperative Services Program of the Rural Business and Cooperative Development Service.

Issert, J. *The Legal Status of Agricultural Cooperatives in European Countries*. Oxford, UK: Plunkett Foundation for Cooperatives Studies, 1978.

There is a general uniformity in the cooperative law of European countries. This uniformity may be threatened by diverging reactions to the increased variations in size of agricultural holdings, the need for larger amounts of capital, and other constraints. An introductory chapter discusses European cooperative law in general, with reference to current trends and issues. The bulk of the book is a digest of cooperative laws in nine European countries.

Jacobs, James A. *Cooperatives in the U.S. Citrus Industry*. Agr. Coop. Serv. Res. Rpt. no. 137. Washington, D. C.: U.S. Department of Agriculture, 1995.

This is the first known detailed report that describes the position and functions of cooperatives in the U.S. citrus industry. Cooperatives play an important role in the handling and marketing of both fresh and processed citrus products. Cooperatives range from small, local fresh packinghouse associations to large cooperative federations with complete comprehensive marketing and sales programs in both fresh and processed markets. The report is intended as a reference guide for cooperative managers and members, professional advisors, and anyone involved in the professional activities or research in the citrus industry.

Jacobs, James A. *Fruit and Vegetable Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 13. Washington, D. C.: U.S. Department of Agriculture, 1990.

Tells of the important part cooperatives play in marketing these products. Describes the

two main functions these cooperatives perform: marketing products in fresh or processed form and bargaining for terms of trade. Cooperative marketing tools and strategies, marketing agreements and contracts, pooling, and marketing orders are discussed. Future issues facing these cooperatives are also examined.

Jacobson, Robert E. "Public Limited Companies and Cooperative Principles in Ireland's Dairy Sector." *Journal of Agricultural Cooperation* 7 (1992): 52-60.

In recent years, several large dairy cooperatives in Ireland have been restructured in various ways into investor-oriented corporations (public limited companies). A primary reason advanced by leadership of these cooperatives for going the PLC route was that additional capital was required, and members were unwilling to invest that additional capital. The attitude of members toward cooperative investment appeared to have eroded because the principle of current active member ownership appeared to have been ignored. Net income was not allocated, and equity redemption policies were not in place. The argument is advanced that member investment in cooperatives can be given new incentives by bringing some dynamics to the principle of current active patron-member ownership.

Jamison, John A. "Coordination and Vertical Expansion in Marketing Cooperatives." *Journal of Farm Economics* 42 (1960): 555-56.

The widespread use of the cooperative form of organization by farmers testifies to its successful performance in the past. However, the current trend in agriculture toward expanded use of the cooperative organization in numerous unfamiliar roles requires closer study of some aspects of this form of organization. For example, the adjustment of marketing cooperatives to today's changing conditions gives rise to two types of problems: internal adjustment problems, such as coordination of member practices with market requirements, decentralization versus centralization, and charges for services to members. Other

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issues are the problems that relate specifically to the vertical expansion of the cooperative. Jamison concludes with a quote from H.E. Erdman at the first session of the American Institute of Cooperation, in 1925, "Successful cooperation must be based on a definite, feasible purpose. Cooperation based on the abstract belief that everything should be done cooperatively is not on safe ground."

Jensen, Kim. "Factors Associated with the Selection of Cooperative vs. Proprietary Handlers of Milk in Tennessee." *Journal of Agricultural Cooperation* 5 (1990): 27-35.

Factors that influence the decision by dairy farmers to select cooperative milk handlers versus proprietary handlers are examined. In a 1989 survey, Tennessee dairy farmers were asked to indicate reasons that influenced their choice of milk handler, such as better price, an assured market, and better service. Characteristics of dairy farmers who selected a specific reason were then compared characteristics of those who did not. Better service and an assured market were the most cited reasons by cooperative members, and higher price and lower deductions were cited more often by nonmembers. Farmers who cited price as a reason tended to have larger dairy farms, be less diversified, and have more debt than those who did not cite price as a reason. Those who selected service as a reason had more dairying experience and were less indebted than those who did not select service.

Jesse, Edward V., and Aaron C. Johnson, Jr. "Defining and Identifying Undue Price Enhancement." *Antitrust Treatment of Agricultural Marketing Cooperatives*. North Central Regional Res. Pub. No. 286. Madison: Univ. of Wisconsin, Sept., 1983.

Focuses on the issue of Capper-Volstead Section 2 enforcement. An attempt is made to develop a standard or benchmark against which to measure output prices of marketing cooperatives for evidence of undue price enhancement. Jesse and Johnson argue that under other antitrust rulings, competition has been defined as the

absence of anticompetitive conduct, a definition consistent with that of the framers of Capper-Volstead. Following a review and appraisal of various price standards, the authors argue that an appropriate standard for undue price enhancement under Capper-Volstead Section 2 is that implicit in the Congressional debate: "...the price that would prevail absent the exercise of monopoly power." The authors also develop a definition of market power, which has a number of requirements, including the ability to prevent surplus production by members.

Also see: Johnson and Jesse, "Congress and the Capper-Volstead Act: Undue Price Enhancement," *The Agricultural Law Journal*, Summer, 1981, pp. 230-261.

Also see: Jesse, Edward V., and Aaron C. Johnson, Jr. *Marketing Cooperatives and Undue Price Enhancement: A Theoretical Perspective*. NC 117 Project Working Paper No. 46 (October), College of Agricultural and Life Science, University of Wisconsin, Madison, Wisconsin.

Junge, Katie A., and Roger G. Ginder. "Effects of Federal Taxes on Member Cash Flows from Patronage Refunds." *Journal of Agricultural Cooperation* 1 (1986): 22-37.

Scheduled changes in Federal Insurance Contributions Act (FICA) tax rates will affect member net cash flow when a patronage refund is received from a cooperative. Cash patronage refunds at the minimum 20 percent level generally required by law will create negative cash flows for patrons in very low tax brackets. Negative cash flows accumulated over the 10-year period 1981-90 may result in opportunity costs to patrons that exceed the value of the refunds. Boards will need to consider one or more of the following strategies to deal with this problem: (1) increased cash patronage refunds, (2) shorter revolving periods, and (3) use of nonqualified written notices of allocation.

Kane, Michael. *Executive Report of 1993 ACS Accomplishments*. Agr. Coop. Serv.

Washington, D. C.: U.S. Department of Agriculture, 1993.

Staff activities of USDA's Agricultural Cooperative Service (which merged and became Rural Development Administration-Cooperative Services) are reviewed for fiscal year 1993. The staff worked on 146 technical assistance projects for 156 cooperatives or group of producers in 38 states. Eighty-six involved new cooperatives. ACS staffers participated in 126 research projects. ACS responded to nearly 1,000 requests for information and distributed 60,000 publications through the mail, seminars, and displays. The agency's monthly *Farmer Cooperatives* magazine marketed its 60th year of publication.

Kane, Michael, and Donald R. Davidson. *Top 100 Cooperatives, 1986 Financial Profile*. Agr. Coop. Serv. Res. Rpt. no. 71. Washington, D. C.: U.S. Department of Agriculture, 1988.

Changes in the financial characteristics of the top 100 agricultural cooperatives are reported for total income, net margins or losses, cash flow, asset composition, borrowed capital, and members' equity. Other discussion covers pooling cooperatives, restructuring, and the overall financial position of these largest cooperatives. The cooperative with the smallest 1986 revenues in the Top 100 had assets of \$39.7 million while the largest had assets of \$1.4 billion.

Kazmierczak, Tamra K., and James B. Bell. *Niche Marketing Opportunities Through Lamb Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 111. Washington, D. C.: U.S. Department of Agriculture, 1992.

Niche marketing cooperatives represent a significant change in the role of marketing cooperatives in the sheep industry. This report describes types of market outlets, quality niches, and value-added products targeted by these groups.

Kennedy, Tracey L., and Arvin R. Bunker. *Agricultural Exports by Cooperatives, 1985*. Agr. Coop. Serv. Res. Rpt. no. 66.

Washington, D. C.: U.S. Department of Agriculture, 1987.

Cooperatives exporting agricultural products are described in terms of number, value of exports by commodity and destination, and share of U.S. agricultural exports.

Kimble, Helen. *Effective Membership of Agricultural Cooperatives: Report on Pilot Study in Oxfordshire*. Oxford, UK: Plunkett Foundation for Cooperative Studies, 1977.

Cooperatives could improve their decisions if they had fuller knowledge of "effective" membership, defined in terms of potential members and of existing members' trade. A questionnaire was designed and tested for members in Oxfordshire. Findings throw light on multiple memberships and on members' trade with their cooperatives. Both variables tend to increase with the size of farm holding.

King, Robert P., and Iain G. Shuker. "Information System Adoption and Use in Local Cooperatives." *Journal of Agricultural Cooperation* 6 (1991): 54-65.

The adoption and use of information systems by local farm supply and grain cooperatives is studied. It was found that farm supply cooperatives with computers are, on average, more efficient and more profitable. This fact serves as an economic explanation for the high rate of computer adoption among this group of sample cooperatives. With grain marketing cooperatives it was found that while larger operations are more efficient and more profitable there is no consistent relationship between computer ownership and the ratio of gross margin to operating expense. It was found that the larger grain cooperatives that switched from a service bureau system to in-house computer systems gained little. Perhaps this is due to lower transaction volumes, less complex inventory management problems, and smaller management staffs. It is felt that regional cooperatives should place particular emphasis on the development of services

that can strengthen their ties to local cooperatives.

See also: King, Robert P., and Iain G. Shuker. "Information System Adoption and Use in Local Cooperatives." *Agr. Coop. Serv. Res. Rpt. no. 98*. Washington, D. C.: U.S. Department of Agriculture, 1991.

Kirkman, C. H., Jr. *Cooperative Education and Training*. *Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 10*. Washington, D. C.: U.S. Department of Agriculture, 1983.

Cooperatives, members, directors, managers, and employees have a responsibility to understand the control, finance, and operation of a successful cooperative. Continual education and training are needed to accomplish this. Nonmembers, young farm couples, and rural youth especially need information about cooperative principles and practices if they are to become members and loyal patrons. Educational institutions, government agencies, and the public also need to understand cooperative basics to help improve local communities and the farm operations of member-owners.

Kirkman, C. H., Jr. *Cooperative Member Responsibilities and Control*. *Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 7*. Washington, D. C.: U.S. Department of Agriculture, reprinted 1983.

Members' responsibilities as owners of a cooperative business are discussed in terms of giving overall direction and participating in decisionmaking. The report focuses on member responsibilities for understanding the cooperative, selecting and evaluating directors, use and support of the cooperative, helping obtain new members, nominating and electing directors. It also examines treatment of small and large-sized farmer-members, capital programs, and equity retirement.

Kirkman, C. H., Jr. *Opportunities in Cooperatives—A Leader's Program for Youth*. *Agr. Coop. Serv. Coop. Info. Rpt. 25*. Washington, D. C.: U.S. Department of Agriculture, revised 1983.

This publication helps cooperative leaders teach youth organizations about cooperatives via a 9-month leadership program for youth organizations such as 4-H, Scout groups, and FFA. Suggestions are also included for awards and recognition. A quiz series is provided, including test questions and answers plus procedures for establishing a youth cooperative. The program can be adapted to fit individual cooperatives, communities, or teaching programs.

Kirkman, C. H., Jr., and John R. Dunn. *Strengthening State Cooperative Councils*. *Agr. Coop. Serv. Res. Rpt. no. 20*. Washington, D. C.: U.S. Department of Agriculture, October, 1982.

State cooperative councils have primary roles in cooperative education and legislation. This study examines and makes recommendations concerning membership dues structure, budget, member participation, legislation at state and national levels, and educational programs at local, state, and multi-state levels.

Knoeber, C. R., and D. L. Baumer. "Understanding Retained Patronage Refunds in Agricultural Cooperatives." *American Journal of Agricultural Economics* 65 (Feb. 1983): 30-37.

The share of patronage refunds by an agricultural cooperative is modeled as arising from the portfolio decision of its median member. The member is viewed as maximizing expected utility by allocating wealth between investments in farming assets and equity in the cooperative. Determinants of the share of patronage refunds retained are the expected rates of return on these two investments, their variances, their covariance, and the expected future share of patronage and its variance. Empirical examinations of aggregate cooperative data and cross-section analysis of seventeen regional supply cooperatives are found to be consistent with the model.

Knutson, Ronald D. "The Undue Price Enhancement Issue." *Antitrust Treatment of*

Agricultural Marketing Cooperatives. North Central Regional Res. Pub. No. 286. Madison: Univ. of Wisconsin, Sept., 1983.

Argues that industrialization and concentration in the cooperative sector has legitimized public concern with undue price enhancement and thus necessitates a well-defined USDA enforcement strategy for Capper-Volstead Section 2. Knutson proposes a monitoring strategy keyed to elements of market structure, conduct, and performance. Integrated cooperatives with a market share of more than 50 percent would be subjected to monitoring for conduct suggestive of "...intent or propensity to carry out an undue enhancement strategy." Knutson urges the USDA to shed its defensive position in investigating cooperative undue price enhancement and that responsibility for investigation and analysis be in a "reasonably pure" marketing regulatory agency within the Department.

Knutson, Ronald D. "Cooperatives and the Competitive Ideal." *Journal of Farm Economics* 48 (1966): 111-21.

The theory of cooperative activity presented in this paper suggests that the cooperative, acting in an imperfectly competitive structural situation, can bring about price, output, and efficiency dimensions comparable to those associated with pure competition. This theory of cooperation, if true to reality, provides a broad basis for cooperative activity and for policies favorable to cooperatives. The theory is however, based on certain assumptions which are crucial to its results. They are:

1. that the cooperative returns anything over and above cost to the patrons on the basis of patronage in the form of cash at the end of the year,
2. that the cooperative does not restrict membership, and
3. that the cooperative is as efficient as the other forms of business organization with which it competes.

If any of these assumptions are not true to reality, the conclusion that cooperative activity results in a purely competitive market may not be warranted.

Kraenzle, Charles A., and Celestine C. Adams. *Cooperative Historical Statistics*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, Sec. 26. Washington, D. C.: U.S. Department of Agriculture, revised 1992.

Provides time series data on marketing, farm supply, and related service cooperatives from 1963 to 1985. Statistics include memberships and number of cooperatives by type, business volume by commodity, and size of business. Information is carried on new organizations and discontinuances of cooperatives. Market share data for selected years are given.

See also: same title, revised 1987.

Kraenzle, Charles A., David W. Simpson, Roger A. Wissman, and Ralph Richardson. *Cooperative Education Needs*. Agr. Coop. Serv. Service Rpt. no. 16. Washington, D.C.:U.S. Department of Agriculture, 1986.

Carries survey results of the cooperative community to identify what types of education programs, activities, and materials are most needed, which audiences are highest priority, and which organization should be most responsible for implementation.

Kraenzle, Charles A., Roger A. Wissman, Thomas Gray, Beverly Rotan, and Celestine Adams. *Farmer Cooperatives: Commercial Farmers Members and Use*, Agr. Coop. Serv. Res. Rpt. no. 81. Washington, D.C.:U.S. Department of Agriculture, 1989.

This study describes some of the major characteristics of commercial farmer members of marketing and farm supply cooperatives in 1986 and changes since 1980. It provides information on numbers, percentage of use, multiple memberships, and nonmember use by region, farm type, farm size, and operator age.

Kraenzle, Charles A., Roger A. Wissman, Thomas Gray, Beverly L. Rotan, and Celestine Adams. *Farmer Cooperatives: Members and Use*, Agr. Coop. Serv. Res. Rpt.

no. 77. Washington, D.C.:U.S. Department of Agriculture, 1988.

Major characteristics of farmer members of marketing and supply cooperatives in 1986 and changes since 1980 are described. The focus is on member and nonmember use. Information is given by region, farm type, farm size, and operator age. While a majority of all farmers were involved with cooperatives, the number of members vs. nonmembers served declined. The percent of larger farmers being served grew from 1980 to 1986.

Kraenzle, Charles, et al. *Full-Time Employees, Sales, Assets of Selected Farmer Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 129. Washington, D. C.: U.S. Department of Agriculture, 1994.

The number of full-time employees, sales, and total assets of a select group of 509 farmer cooperatives in 1981, 1986, and 1991 are examined by asset group and type. Ratios studied varied by cooperative size over the years. This report shows trends and changes in employee numbers. It also provides information for managers and directors to use in comparing the number of full-time employees in their organizations with those of the same type and total asset category.

Lang, M. G., E. M. Babb, R. D. Boynton, and L. F. Schrader. *Performance Dimensions for Cooperatives and Proprietary Firms: Perceptions and Research Priorities*. Agr. Exp. Sta. Bul. 281, Purdue, IN: Purdue University, May, 1980.

A research study that first identified performance dimensions to be used to compare cooperatives with investor-owned firms (IOFs), and then conducted empirical studies that measured performance of several commodity marketing or agricultural supply cooperatives. The final list of 55 performance dimensions was used in a mail survey to persons having an interest in or knowledge of the issues surrounding policy toward cooperatives and to land grant university researchers known to have conducted research related

to cooperatives. The 55 dimensions fall into four areas: farm level, the processing and marketing level, consumer level, and the public level. The empirical research found that (1) cooperative members sense greater control over their own destinies than do farmers who are not cooperative members, (2) noncooperative firms generate more tax revenue, and (3) noncooperative firms earn higher returns on net worth than do cooperatives. All these findings were consistent with expectations. Findings that did not match expectations were: Cooperatives were found to have higher returns on total assets and lower unit costs of production.

Also see: Schrader, Lee F., E. M. Babb, R. D. Boynton, and M. G. Lang. *Cooperative and Proprietary Agribusinesses: Comparison of Performance*. Agr. Exp. Sta. Res. Bull. 982, Purdue University, April, 1985.

Lee, Tsoung-Chao, Brois E. Bravo-Ureta, and K. Charles Ling. *Dairy Production Efficiency: Co-op Members Versus Nonmembers*. Agr. Coop. Serv. Res. Rpt. no. 57. Washington, D. C.: U.S. Department of Agriculture, October, 1986.

This study was conducted in New England to see if members or nonmembers adapted more quickly to new technologies and structural industry changes and what implications this had for dairy cooperatives. The area had 11 dairy cooperatives at the time. The study compares the performance of cooperative dairy producers with others, using a new measuring concept called average efficiency production function.

Lerman, Zvi, and Claudia Parliament. "Capital Structure in Agricultural Cooperatives: U.S. and Israel." *Agricultural Cooperatives in Transition*. Ed. Csaba Csaki and Yoav Kislev. Boulder: Westview, 1993.

Theoretical considerations suggest that moral-hazard behavior in cooperatives and "equity starvation" induced by horizon problems and nonmarketability of cooperative stock will cause cooperatives to rely more heavily on debt than investor-owned firms (IOFs). Analysis of debt levels

and borrowing in regional agricultural cooperatives in Israel and U.S. during 1970s and 1980s has found that Israeli cooperatives indeed rely more heavily on debt than Israeli IOFs. The evidence for U.S. cooperatives, on the other hand, indicates that, contrary to theoretical expectations, they definitely do not borrow more than comparable IOFs. The differences in borrowing patterns are probably attributable to cultural-environmental factors. While both Israeli and U.S. cooperatives may be structurally prone to accept higher risks and suffer from horizon problems, these factors have had a much stronger impact in the Israeli economic culture than in the U.S.

Lerman, Zvi, and Claudia Parliament. "Comparative Performance of Cooperatives and Investor-Owned Firms in U.S. Food Industries." *Agribusiness* 6 (1990): 527-40.

The comparative financial performance of fruit and vegetable processing and dairy industry cooperatives and investor-owned firms (IOFs) are analyzed for the years 1976 through 1987. Cooperatives in both industries were found to perform as well as or better than the comparable IOFs by profitability, leverage, and interest coverage measures. It was hypothesized that cooperatives overinvested in fixed assets and had a tendency to accept higher risks; however, no clear evidence was found to support these hypotheses. The lack of significant differences in profitability between the two types of firms suggests that cooperatives may be following goals similar to those of IOFs.

Lerman, Zvi, and Claudia Parliament. "Financing Growth in Agricultural Cooperatives." *Review of Agricultural Economics* 15 (1993): 431-41.

An examination of the hypothesis that cooperatives suffer from a shortage of equity capital because of ownership structure and the nonmarketability of cooperative equity. The empirical findings indicate that agricultural cooperatives finance nearly half of their growth with equity. Contrary to theoretical expectations,

the equity financing proportion of cooperatives is found to be statistically indistinguishable from the national average of nonfinancial corporations for 1973-1983, and is higher than the national average since 1984. Cooperatives are observed to raise new debt mainly through short-term borrowing. This indicates that banks may be reluctant to give long-term loans to cooperatives because of their "unorthodox" ownership structure.

Lerman, Zvi, and Claudia Parliament. "Size and Industry Effects in the Performance of Agricultural Cooperatives." *Agricultural Economics* 6 (1991): 15-29.

The performance of 43 dairy, food, grain, and farm supply cooperatives in the U.S. was analyzed over the period 1970 - 1987 using financial ratios derived from accounting data. The objective was to determine if there are important size and industry effects on cooperative financial performance. It was found that large regional cooperatives are more efficient in utilizing their assets to generate sales, while small regional cooperatives have higher profitability. The findings suggest that the emphasis on growth may not always produce beneficial results among agricultural cooperatives. Trend analysis indicates that the profitability of cooperatives in all industry and size categories declined in response to the downturn in U.S. agriculture after 1980. While this profitability decline was similar for both large and small cooperatives, the variation of efficiency and leverage was in opposite directions. It can be expected that large cooperatives will continue to improve their asset utilization without improvement in profitability, and that their debt in relation to equity level will increase.

LeVay, Clare. "Agricultural Cooperative Theory: A Review." *Journal of Agricultural Economics* 34 (1983): 1-44.

This review is an attempt to ask what predictions can be made about the behavior of agricultural cooperatives in the present state of theoretical knowledge—thus, each section refers to a topic that readers might

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hope to have been investigated in the literature, though the findings are necessarily patchy since few areas have been given adequate attention. Where weaknesses and deficiencies occur, they are indicated and further research is suggested. LeVay herself considers the life-cycle of the agricultural cooperative organization and discusses the supply curve of marketing associations.

Also See: LeVay, Clare. "Some problems of agricultural marketing co-operatives' price/output determination in imperfect competition." *Canadian Journal of Agricultural Economics* 31(1983): 105-110.

Lewis, Edgar L. *Fresh Vegetable Packing Costs for Six Small Cooperatives*. Agr. Coop. Serv. Service Rpt. no. 25. Washington, D. C.: U.S. Department of Agriculture, 1989.

Small-scale fresh vegetable marketing cooperatives are gaining in importance as farmers turn to alternative crops for new sources of income. Their success as business operations will depend on management's ability to control costs and operate efficiently. This report analyzes the operations of six small vegetable cooperatives and helps identify the key cost variables, particularly in packinghouse operations.

Lewis, Edgar L. *Opportunities for Vegetable Processing Co-ops in South, Southeast*. Agr. Coop. Serv. Res. Rpt. no. 122. Washington, D. C.: U.S. Department of Agriculture, 1993.

The 13 states in this study have abundant productive land and ample water for irrigation to support commercial fruit and vegetable production. Producers can develop and/or expand cooperatives and market outlets for fresh pre-cut fruits and vegetables in response to a relatively new alternative processing operation in the South and Southeast. One approach to marketing in this new environment is to identify a niche based on the type of market served and product being offered.

Liebrand, Carolyn Betts. *Dairy Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, Sec.

16. Washington, D. C.: U.S. Department of Agriculture, revised 1995.

Profiles the history and development of dairy cooperatives in the U.S. Provides a greater understanding of these cooperatives and describes their size, scope, and marketing functions. Contents also include how they are financed, how they operate, prospects for the future, and other cooperative dairy industry organizations.

Liebrand, Carolyn, Dale Carley, and K. Charles Ling. *Southern Dairy Farmers' Evaluation of Milk Handlers*. Agr. Coop. Serv. Res. Rpt. no. 97. Washington, D. C.: U.S. Department of Agriculture, 1991.

Provides details of a survey of dairy farmers in 12 southern States and offers some insights as to why they select certain milk handlers over others. Price received appeared to be a significant factor affecting farmers' satisfaction level. In 1987, 79 percent of grade A milk in the South was marketed by cooperatives.

Liebrand, Carolyn Betts, and Karen J. Spatz. *DariMac: Dairy Export Marketing Agency-in-Common*. Agr. Coop. Serv. Res. Rpt. no. 126. Washington, D. C.: U.S. Department of Agriculture, 1994.

Lower government support prices, increased foreign competition, and liberalized trade laws present major challenges and opportunities for U.S. dairy cooperatives. To take advantage of new marketing opportunities, dairy cooperatives can organize a marketing agency-in-common (MAC). This report develops a model cooperatives can use in designing a MAC. Elements for a successful MAC are incorporated in this model designed for exporting bulk and differentiated dairy products.

Ling, K. Charles. *Pricing Plans for Managing Seasonal Deliveries by Dairy Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 22. Washington, D. C.: U.S. Department of Agriculture, October, 1982.

Delineates dairy cooperatives' methods of designing pricing plans for recovering costs of handling seasonal deliveries from producers and supplying handlers with fluctuating demand. Principles developed from a hypothetical model can be adapted by dairy cooperatives to apply to their specific situations, such as multiple plants or product operations.

Ling, K. Charles. *A Reserve-Balancing Pool for Services by Dairy Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 51. Washington, D. C.: U.S. Department of Agriculture, 1985.

The rationale for compensating dairy cooperatives for the costs incurred in balancing milk supplies for the fluid market is examined. The issue continues to the subject of increasingly intense debate. A reserve-balancing pool is proposed to facilitate deducting supply-balancing service credit from a marketwide producer pool and making payment to cooperatives for providing the services. This study is based on a hypothetical market with three dairy cooperatives supplying all the milk.

Ling, K. Charles, and James B. Roof. *Marketing Operations of Dairy Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 88. Washington, D. C.: U.S. Department of Agriculture, October, 1989.

After developing a cooperative industry profile, this publication discusses milk receipts and utilization, plant operations, dairy products marketed, methods of pricing milk to pay member-producers, and reports on pricing incentive programs. The nation's 296 dairy cooperatives marketed 105.8 billion pounds of milk or 76 percent of all milk sold to plants and dealers in 1987. The cooperatives had 120,603 member-producers.

See Also: Ling, K. Charles, and Carolyn Betts Liebrand. *Marketing Operations of Dairy Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 133. Washington, D. C.: U.S. Department of Agriculture, 1994.

Lopez, Rigoberto A., and Thomas H. Spreen. "Coordination Strategies and Non-

Members' Trade in Processing Cooperatives." *Journal of Agricultural Economics* 36 (Sept. 1985): 385-96.

Develops an analytical framework for individual and collective behavior in processing cooperatives. The analysis focuses on coordination of members' deliveries and trade with markets outside the cooperative. Several conclusions generated by the model: Self-centered behavior of cooperative members leads to a stable Suboptimal equilibrium. A preferred coordinated equilibrium (greater members' net returns) can be attained by inducing compliance through supply control strategies, two-tier pricing systems, or education of members.

A cooperative can attain greater net returns for its members by trading with non-members than by any other strategy involving members only. To use the plant efficiently, the cooperative should engage in buying or selling raw product to operate where marginal revenue product equals the open market raw product price. When variable raw product quality is considered, the analysis shows that more accurate payment systems lead to increased quality but not necessarily to more raw material supply by the members. Furthermore, a fully accurate payment system does not guarantee maximum members' profits.

Lopez, Rigoberto A., and Thomas H. Spreen. "Evaluating a New Payment System for a Processing Cooperative." *Journal of Agricultural Cooperation* 2 (1987): 16-29.

An examination of the potential benefits of introducing a new payment scheme in a sugarcane processing cooperative. Findings suggest that a use-value payment system would increase individual and total members' net returns significantly over a sugar-based system. The proposed payment system would change the incentive structure so varieties with higher processing quality would become more appealing. In addition, the cooperative plant would be used more uniformly throughout the processing season and payments to members would be more consistent with their contribution to the cooperative surplus.

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Also see: Lopez, Rigoberto A., and Thomas H. Spreen. "The Impact of Alternative Payment Arrangements on the Performance of Florida Sugarcane Cooperatives." *Southern Journal of Agricultural Economics* 16 (Dec. 1985): 385-96.

MacKintosh, W. A. *Agricultural Cooperation in Western Canada*. Kingston, Ontario: Queen's University, 1924.

This study investigates cooperative marketing and purchasing in Manitoba, Saskatchewan, and Alberta.

Mahoney, Rosemary K. *Annual Audit Board Responsibilities*. Agr. Coop. Serv. Coop. Info. Rpt. no. 29. Washington, D. C.: U.S. Department of Agriculture, Revised 1991.

Presents the reasons for an audit; steps and criteria for selecting an auditor; audit procedures and the audit report; and other accounting services available to help ensure proper financial reporting. This report is intended for directors, managers, and advisers of new and developing cooperatives. The audit is part of the board's fiduciary responsibilities on behalf of the members, stockholders, and creditors.

Manchester, Alden C. "Agricultural Marketing Cooperatives and Antitrust Laws." *Antitrust Treatment of Agricultural Marketing Cooperatives*. North Central Regional Res. Pub. No. 286. Madison: Univ. of Wisconsin, Sept., 1983.

Reviews the legislative and judicial history of the Sherman Act for interpretations of monopolization and restraint of trade, which are proscribed by Capper-Volstead Section 2 if accompanied by undue price enhancement. The antitrust exemptions granted cooperatives under the Clayton Act and Capper-Volstead Section 1 are found to be both limited and partial. Cooperative members may pool their marketing activities through cooperatives, and these organizations may form agencies in common and have "necessary contracts and agreements" with members. Beyond these authorized activities, cooperatives have the

same rights and responsibilities as other business organizations.

Manchester further argues that cooperative monopoly is not *per se* illegal. Only when a cooperative uses its market power to unduly enhance prices do these activities constitute monopolization and are they, hence, illegal. He further argues that monopolization by cooperatives is unlikely because of their inability to control member supply. An expanded version of this paper is found in *Marketing Cooperatives Under Antitrust Law*, ERS-673, Economic Research Service, U.S. Department of Agriculture, Feb. 1982.

Mather, J. Warren, and Edwin E. Drewniak. *Poultry and Egg Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 17. Washington, D. C.: U.S. Department of Agriculture, 1984.

Profiles early history and covers eggs, turkeys, broilers, and other poultry. Current operations and challenges ahead are discussed.

Mather, J. Warren, Gene Ingalsbe, and David Volkin. *Cooperative Management*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, Sec. 8. Washington, D. C.: U.S. Department of Agriculture, revised 1987.

Covers management roles, resources, functions, tools, elements and division of responsibility, local and regional operations, and challenges.

Mather, J. Warren, and Homer J. Preston. *Cooperative Benefits and Limitations*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, Sec. 3. Washington, D. C.: U.S. Department of Agriculture, reprinted 1983.

Identifies how cooperatives benefit farmers and the public, yet are subject to business limitations related to agriculture or the inherent nature of the organization. Cooperative benefits to farmers, rural communities, consumers, and overseas customers are explored, as are co-op market power, influence on market prices and services, and accumulation of reserves.

Matthews, Mary Beth. *Financial Instruments Issued by Agricultural Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 68. Washington, D. C.: U.S. Department of Agriculture, 1988.

Financial instruments issued by farmer cooperatives generally fall into the following categories: membership certificates, common stock, preferred stock, deferred patronage refunds, per-unit capital retains, debt instruments, or hybrid instruments. The report details the rights and obligations associated with each. Also discussed are effects of special events, mergers, consolidations, and reorganizations, and third party claims associated with particular instruments.

McBride, Glynn. *Agricultural Cooperatives: Their Why and Their How*. Westport, CT: AVI Publishing, 1986.

The concepts and principles of farm cooperatives are presented in two parts in this textbook. First, in the "why," McBride discusses the economic theory that supports the existence of agricultural cooperatives. The second part focuses on "how" agricultural cooperatives function and the inner mechanics of organization necessary for their success.

Moore, Charles V., and Jay E. Noel. "Valuation of Transferable Delivery Rights for Marketing Cooperatives." *Journal of Cooperatives* 10 (1995): 1-17.

Delivery rights to a cooperative's marketing pool can take on a value independent of the members' equity share under certain conditions. Based on anecdotal information, transferable delivery rights become valuable when the pool is fixed in size (closed), members are protected from exploitation of quasi economic rents, and have an assured "home" for their production. The greater the potential buyers' aversion to risk, the higher the value of the delivery right. The right has additional value if the cooperative generates a premium per unit return due to product differentiation and market power. Cooperatives competing with investor-owned firms in less than purely competitive

markets must be able to pay equal net returns to members if they are to survive.

Mueller, Willard F. "The Allied-Heublein Joint Venture." *Journal of Agricultural Cooperation* 5 (1990): 45-58.

An exploration of the 1968 joint venture between Allied Grape Growers of Fresno, California, and Heublein, when Heublein acquired a majority interest in Allied's wholly owned subsidiary, United Vintners. In this agreement the parties entered into a lengthy Supply Contract specifying the conditions under which Allied Growers would supply grapes to United Vintners. Although both parties had expected to benefit from the arrangement they quickly became embroiled in a bitter conflict over the intent, purpose, and execution of the joint venture. This paper: (1) describes the financial and organizational characteristics of the parties, (2) identifies their apparent objectives, (3) describes the legal nature of the venture, (4) details the joint venture's operations, and (5) identifies the sources of conflict between the parties. Hopefully, in identifying the various sources of conflict leading the venture's failure, it will help those contemplating similar ventures from repeating those mistakes.

Mueller, Willard F. "The Enforcement of Section 2 of the Capper-Volstead Act." In *Antitrust Treatment of Agricultural Marketing Cooperatives*. North Central Regional Res. Pub. No. 286. Madison: Univ. of Wisconsin, Sept., 1983.

A response to papers by Manchester and Jesse and Johnson in this monograph. Mueller argues that the key to defining undue price enhancement is the intrinsic objective of the Capper-Volstead Act— to give farmers, acting through cooperatives, the same competitive advantage and responsibilities available to businessmen acting through corporations. This objective implies cooperatives should be permitted to enhance prices to the extent proprietary firms are able to do so without violating Section 2 of the Sherman Act. Citing the high level of price premiums obtained by proprietary firms through product

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differentiation, Mueller notes that these firms "... may enjoy enormous market power and use it to enhance prices without violating Section 2 of the Sherman Act."

Mueller, Willard F., Peter G. Helmberger, and Thomas W. Paterson. *The Sunkist Case: A study in Legal-Economic Analysis*. Lexington, MA: Lexington Books, 1987.

The overall purpose of this book is to provide antitrust practitioners a framework for conducting legal-economic analyses of cooperatives. Its specific objectives are to evaluate the charges of the Federal Trade Commission against Sunkist and to reach conclusions consistent with nonprofit, open-ended marketing cooperatives. The authors demonstrate that the Sunkist cooperative does not possess nor impose monopoly power. Hence, there is no reason to examine the corollary issue of predation or exclusionary conduct. They point out that the absence of entry barriers for open-ended cooperatives essentially nullifies the significance of market share data in relevant product markets. That is, nonprofit cooperatives, such as Sunkist, which do not restrict the output of their members and also do not limit the number of members, fail to impose monopoly power even where market shares are very high. The key to the argument is that open-ended cooperatives do not restrict entry, and consequently, prices tend to differ very little from those resulting from perfectly competitive markets.

Murray, Gordon C. "Management Strategies for Corporate Control in British Agricultural Cooperatives: Part I." *Agricultural Administration* 14 (1983): 51-63.

There exists within the cooperative firm in agriculture a fundamental schism. It stems from the potential competition between the private interests of producer members as the owners of independent farm businesses and their public or aggregate interest as patrons of a collective business—the cooperative. Consequently, the cooperative can be vulnerable to a lack of patronage, and particularly financial support from the membership. The degree to which members'

funds can be, and are, withheld depends significantly on the financial structure of the cooperative. In order to combat these threats to the corporate integrity of the cooperative firm, the professional managers and their supporters will attempt to generate financing mechanisms that will safeguard the cooperative against the depredations of a membership whose commitment is voluntary and whose interests are frequently ambivalent.

Also See: Murray, Gordon C. "Management Strategies for Corporate Control in British Agricultural Cooperatives: Part 2." *Agricultural Administration* 14 (1983): 81-94.

Murray, Gordon C. "Towards an Agricultural Cooperative Classification." *Journal of Agricultural Economics* 34, No. 2 (May 1983): 151-162.

In 1981 Agricultural Cooperatives in the UK had total sales of £1.9 billion, yet the behavior of firms entitled "cooperative" remains little understood. This paper presents a system for classifying agricultural cooperatives based on their financial structure and the means by which corporate financing is pursued. It is argued that differing cooperatives, irrespective of their function, adopt quite separate and distinct capitalization philosophies.

Two basic types of cooperative are identified—Capital Accumulative Cooperatives and Capital Specific Cooperatives. The latter type can be subdivided into Capital Extensive Cooperatives and Capital Intensive Cooperatives, depending on the level of assets and finance controlled by the organization. A number of organizational and operational differences between the cooperative types are detailed. Murray suggests that these have important implications where cooperatives become instruments of government policy.

Namken, Jerry, and Galen W. Rapp. *Strategic Planning Handbook for Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 48. Washington, D. C.: U.S. Department of Agriculture, 1994.

This handbook discusses ways to facilitate strategic planning in a cooperative. Facilities, personnel, and equipment associated with the process are described along with rules for conducting brainstorming sessions. The five phases of strategic planning are described in detail. These include agreeing to plan, gathering facts, evaluating facts, defining the plan, and evaluating results. Hints for success are provided throughout.

Neely, Morrison. *Legal Phases of Farmer Cooperatives*. Washington: U.S. Department of Agriculture, Farmer Cooperative Service, May 1976.

A comprehensive discussion of legal problems in the organization and operation of co-ops. Contents include information on incorporated cooperatives, boards of directors, officers and employees, marketing contracts, antitrust laws, taxation, unincorporated associations, and sample legal documents.

Newman, Mark D. "Cooperative Equity Redemption Plans and Financial Strength: New Empirical Evidence." *Agricultural Finance Review* 43 (1983): 41-49.

Specific types of equity redemption policies and associated financial performance of Kansas grain marketing and supply cooperatives are examined. Policies are evaluated at a more disaggregated level than in previous work. Significant differences in size, inactive membership, solvency, financial leverage, and profitability are identified. Cooperatives maintaining revolving fund programs were significantly stronger than all others, although cause and effect were not identified. This study concludes that, although many cooperatives have been able to adopt policies for equity redemption, financial strength of cooperatives differs sufficiently that specific types of mandatory equity redemption would cause problems for some cooperatives.

Noel, Jay E., and David J. Schaffner. *Strategic Planning and Performance: Helping Directors*

and Managers Communicate. Davis: University of California, Center for Cooperatives, 1995.

Agricultural cooperatives are evaluated by a number of stakeholders. This evaluation process influences the actions of competitors and to some extent determines whether the cooperative will continue to receive grower-member support. This paper presents an agricultural cooperative strategic planning and performance evaluation framework that can assist cooperative boards of directors and management in their long term planning and performance evaluation. The framework is useful in eliciting from the board of directors and management where they agree or disagree on the importance of specific planning factors, competitive forces, strengths, weaknesses and distinctive competency, and performance of their cooperative. The results from a study on California agricultural marketing cooperative strategic planning and performance is presented to illustrate the usefulness of the framework.

Nourse, E. G. "The Economic Philosophy of Cooperation." *American Economic Review* 12 (Dec. 1922): 577-97.

Seminal work presenting the argument that the establishment of a cooperative in an industry provides a necessary competitive yardstick and that they exist to eliminate the monopolistic excesses of profit oriented firms. Cooperatives are able to pay their members higher per-unit returns since they return all profits to member-owners. Cooperatives become responsible for pushing markets toward competitive performance and the economy becomes more efficient. Once the long-run equilibrium was established, farmers would no longer profit from further output expansion. Nourse suggested that cooperatives would then decline as their role in the market is fulfilled—this assuming that the investor-owned firms would maintain their competitive stance.

Ohm, H. "Member Behavior and Optimal Pricing in Marketing Cooperatives." *Journal of Farm Economics* 38 (May 1956): 613-21.

A discussion of the pricing policy of cooperatives and specifically of the issue of whether cooperatives use marginal cost pricing or average cost pricing. The controversy was framed in separate articles by Phillips and Aresvik in the February, 1955, issue of the *Journal*. Ohm's analysis of member information and member behavior leads him to conclude that cooperatives do not realize maximum profit through marginal costing due to members not being informed on their joint plant's cost and revenue curves, due to members' behavior as "quantity adjusters," and because of other cooperative institutional traits.

Ollila, Petri. "Member Influence in Cooperatives." *Journal of Agricultural Science in Finland* 56 (1984): 106.

A literature review that summarizes research on member influence in cooperatives conducted in Scandinavia and in West Germany. The review divides member influence into three components: individual factors, the cooperative organization's internal factors, and the organization's external factors. As individual factors, participation, representation, and representativeness are considered. Conflicts in cooperative organizations, the effect of growth of the organization, and the rule of decision making are discussed as organizations' internal factors. The major interest groups in addition to members (the market, personnel, and the society) are presented as external factors.

Organizing and Conducting Cooperatives' Annual Meetings. Agr. Coop. Serv. Coop. Info. Rpt. no. 21. Washington, D. C.: U.S. Department of Agriculture, Revised 1992.

Brings together many ideas proved practical in actual use. Activities discussed help build and maintain sound membership and good community relations. Examines aspects of the annual meeting and subsequent activities, such as election of directors, meeting time and place, building the program, encouraging people to attend,

staging the event, and reporting highlights to members and the public.

Parliament, Claudia, Zvi Lerman, and Joan Fulton. "Performance of Cooperatives and Investor-Owned Firms in the Dairy Industry." *Journal of Agricultural Cooperation* 5 (1990): 1-16.

A comparison of financial performance between cooperatives and investor-owned firms (IOFs) in the dairy industry. Results suggested that dairy cooperatives had significantly better performance than IOFs. It is proposed that performance on cooperative specific non-market objectives is not evaluated by financial ratio analysis and that future research should be aimed at capturing some of these non-market benefits through contingent valuation techniques.

Parliament, Claudia, and Zvi Lerman. "Risk and Equity in Agricultural Cooperatives." *Journal of Agricultural Cooperation* 8 (1993): 1-14.

An examination of the effect of risk on the proportion of equity held by agricultural cooperatives. The measured components of risk are business risk and financial risk that is dependent on the proportion of debt in the cooperative's capital structure. The empirical results indicate the proportion of equity is inversely related to financial risk and positively related to business risk. The proportion of equity capital is found to be unrelated to cooperative size, as measured by sales, in most of the regressions, and the proportion of equity is unrelated to whether the cooperative operates on a pooling basis.

Paterson, Thomas W., and Willard F. Mueller. *Sherman Section 2 Monopolization for Agricultural Marketing Cooperatives.* Working Paper #85. Madison, WI: North Central Project 117, December 1984.

In this article, Sherman section 2 monopolization for agricultural marketing cooperatives is evaluated. After restating United States v. Grinnell Corporation for application to agricultural marketing cooperatives, evidence is considered that may support a finding of monopoly power

and exclusionary intent. The monopolization case law for cooperatives is then assessed. Here instances are identified where courts have not adequately modified their monopolization analysis for a cooperative and the corresponding implications for liability.

Peterson, H. Christopher. "The Economic Role and Limitations of Cooperatives: An Investment Cash Flow Derivation." *Journal of Agricultural Cooperation* 7 (1992): 61-78.

The economic role and limitations of cooperatives are derived using an approach based on investment cash flows and net present value. Cooperatives are viewed as an option for member investment as well as an option for member patronage. The investment approach yields results similar to the traditional paradigms that focus on patronage. In addition, the approach makes more explicit the impact of member investment on cooperative existence, valuation, performance measurement, and strategy options.

Peterson, Glenn D., and Eric E. Gill. *Leasing as an Alternative Method of Financing for Agricultural Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 83. Washington, D. C.: U.S. Department of Agriculture, October, 1989.

Leasing may be an alternative to traditional methods of debt financing. The use of leasing by agricultural cooperatives is small and growth is slower than in other industries, primarily because of lack of understanding. This publication discusses lease contracting from a pre- and post-1986 tax reform standpoint.

Petraglia, Lisa M., and Richard T. Rogers. "The Impact of Agricultural Marketing Cooperatives on Market Performance in U.S. Food Manufacturing Industries for 1982." Res. Rpt. No. 12, University of Connecticut, Food Marketing Policy Center, July, 1991.

An examination of market performance in the U.S. food manufacturing product classes for 1982 and the effect cooperatives have as market participants. The issue that cooperatives may obtain market power

through favorable public policy and may exercise that power to the detriment of society through undue price enhancement is addressed. The basic industrial organization structure-performance model extended by the theory of cooperatives is used to test the effect of cooperatives on market performance, measured as the market's price cost margin. The cooperative share of market sales had a significant, negative impact on the level of margins, supporting the hypothesis that cooperatives improve market performance. This cross-sectional study of 134 product classes from the food and tobacco manufacturing sector provides empirical support for the "competitive yardstick" effect of cooperatives on market performance.

Also see: "Agricultural Cooperatives and Market Performance in Food Manufacturing." *Journal of Agricultural Cooperation* 9 (1994): 1-12.

Phillips, Richard. "Economic Nature of the Cooperative Association." *Journal of Farm Economics* 35, No. 1 (Feb., 1953): 74-87.

An attempt to develop, on the basis of the contemporary economic theory of the firm—but with adaptation to the cooperative structure—a realistic, workable, and reasonably complete theory of the economic nature of the cooperative association. This theoretical framework involves: (1) the economic structure of the cooperative association, (2) the economic relationships among the participating units, and (3) the conditions necessary for profit maximization in the cooperating firms. Argues that principles such as, "one man—one vote" and "business on a strictly cash basis" are inaccurate or irrelevant in describing the economic nature of cooperative business.

Plunkett by Post. Oxford, UK: Plunkett Foundation, 1995.

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Plunkett Foundation for Cooperative Studies.
*Report on the Remuneration of Farmer Directors
of Agricultural and Horticultural Cooperatives.*
Oxford, UK: Plunkett Foundation, 1988.

Based on a survey sent to the chairmen of agricultural and horticultural cooperatives, which asked them to provide information about the financial considerations made in respect to the directors of their cooperatives.

Pluiose, Lumane, and Cathy A. Hamlett. "Net Income Effects of Cooperative Peanut Marketing in Haiti." *Journal of Agricultural Cooperation* 7 (1992): 43-51.

Differences in net income per marmite (Haitian measure of peanuts—approximately 3 pounds) of peanuts for two types of Haitian peanut farmers were investigated in this study. The farmers who are located in northeastern Haiti are of two types: 1) those who belong to a 10 year old marketing cooperative (CAPESEDO) that buys peanuts from its members, stores them about eight months and then sells them when prices are higher; 2) the farmer who markets his peanuts individually. A Chow test was used to confirm that the structural coefficients for the two types of farmers was not different. A linear model was estimated that related net income per marmite to several variables including cooperative membership. The membership designation was the greatest positive contributor to average net income per marmite. Paradoxically, the model also showed that farm size was negatively correlated to net income per marmite, which is typical of subsistence farmers. In sum, the study provides another supportive block to the body of evidence that cooperatives can positively affect farmers in developing countries.

Porter, Philip K., and Gerald W. Scully. "Economic Efficiency in Cooperatives."

Journal of Law and Economics 30 (1987): 489-512.

The case for the cooperative form of business is less than compelling given the empirical evidence on cooperative efficiency presented in this article. The empirical results indicate that the average cooperative fluid-milk-processing firm is only 75.5 percent as efficient as its proprietary, for-profit counterpart. Thus, a randomly selected cooperative that was reorganized as a for-profit enterprise could increase output by 32.4 percent without hiring additional inputs. Moreover, the evidence presented here demonstrates that the source of cooperative inefficiency is not, as was previously argued in the literature, allocative inefficiencies that might arise from the pursuit of alternative objective functions but inherent weakness in the structure of property rights within cooperatives.

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

The study discusses the issues surrounding traditional and alternative practices of cooperatives as they strive to fulfill the needs of contemporary farmers while balancing the pressures of the changing business environment with the need to adhere to fundamental cooperative principles.

Present Situation, Problems, & Future Tasks of Agricultural Cooperatives. New Delhi: International Co-operative Alliance, Regional Office for Asia and the Pacific, 1990.

Includes study reports of agricultural cooperative societies from Bangladesh, India, Malaysia, Philippines, and Sri Lanka.

Rapp, Galen W. *Advising People About Cooperatives.* Agr. Coop. Serv. Coop. Info. Rpt. no. 29. Washington, D. C.: U.S. Department of Agriculture, Revised 1991.

Provides background and references for use in educational programs about cooperatives.

It lists organizations and their bulletins, visuals, and periodicals which will provide a ready reference for developing, organizing, financing, and operating cooperatives.

Rapp, Galen W. *Cooperative Management*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, Sec. 8. Washington, D. C.: U.S. Department of Agriculture, revised 1995.

Management of cooperatives has greatly improved as they have grown in size and become more diversified and integrated to match similar advances in the marketplace and the farm. This booklet outlines the role of management, resources to manage, management functions, management tools, elements and division of responsibility, managing local and regional cooperatives. It also examines management challenges for the coming years.

Rapp, Galen W. *Organizations Serving Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, Sec. 5. Washington, D. C.: U.S. Department of Agriculture, revised 1989.

Gives a capsulized description of the various national and state trade and service organizations and how each serves in assisting cooperatives. Also discusses the role of general farm organizations and Federal Government agencies within the US Department of Agriculture such as the Cooperative Services Program in the Rural Business and Cooperative Development Service.

Rapp, Galen W. *Recruiting and Training Co-op Employees*. Coop. Info. Rpt. no. 36. Washington, D. C.: U.S. Department of Agriculture, 1987.

Job requirements, successful recruiting, training and development of employees, and performance evaluation are covered. The publication includes examples of 10 different personnel forms, several of which can be reproduced or easily adapted to an individual cooperative. The types and ranges of jobs available in cooperatives are discussed.

Rapp, Galen W. *Sample Policies for Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 39. Washington, D. C.: U.S. Department of Agriculture, 1990.

Fill in the blanks, or adapt. That's all you have to do to make these policies fit your cooperative. Nearly 100 policies are written in the areas of board and manager functions, member, employee, and public relations, organization, finances, sales and marketing, and board/manager relations.

Rapp, Galen W. *What are Cooperatives?* Agr. Coop. Serv. Coop. Info. Rpt. no. 10. Washington, D. C.: U.S. Department of Agriculture, 1995.

This is part of an educational series that focuses on cooperatives, what they are, how they function, their unique characteristics and responsibilities of key participants, such as members, employees, managers, and directors. Included is a challenge to management to make good decisions. The various types of cooperatives in the U.S. are also reviewed. The report discusses differences among three basic business types—proprietorship, partnership, and corporation, including cooperative corporations. It examines the various types of cooperatives and three basic principles that distinguish co-ops from general corporations: user-owned, user-controlled, and user-benefited. Management challenges, cooperative objectives, how to start a cooperative, ten steps in organizing a cooperative, a startup checklist, and related publications are also listed.

Rapp, Galen W. *What Cooperative Employees Do*. Agr. Coop. Serv. Coop. Info. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, 1995.

Examines the role of employees and their relationship to owners of the business who are also its day-to-day customers. Employees become the keystone of their cooperative's business success because of this close contact with the members who own and use the business. This publication reviews how the business operates under three distinct principles—customers own

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the business, maintain control, and share the benefits. Discussion also centers on the cooperative business structure and characteristics of quality employees who are the front line business representatives. Characteristics of quality employees, such as providing sound advice to customers, knowing the cooperative's goals and how to achieve them, and participation in community activities to enhance the cooperative's image, are reviewed. Includes illustrations suitable for conversion to 35 mm slides or overhead transparencies.

Rasmussen, Wayne D. *Farmers, Cooperatives, and USDA: A History of Agricultural Cooperative Service.* Agr. Coop. Serv. AIB no. 18. Washington, D. C.: U.S. Department of Agriculture, 1991.

Helping agricultural producers organize and operate cooperatives to increase their incomes and quality of living has been a long-standing USDA policy. The book documents that story. Rasmussen describes the evolution of cooperatives and how USDA policy implementation changed with political parties, departmental restructuring, and the imprint of leadership personalities.

Rathbone, Robert C. *Base Capital Plan Financing of Cooperatives.* Agr. Coop. Serv. Res. Rpt. no. 140. Washington, D. C.: U.S. Department of Agriculture, 1995.

Aspects of a base capital cooperative financing tool are discussed. Members are advised of the amount of capital required of them to maintain their investment level in proportion to use of the cooperative. Although primarily used by marketing cooperatives, these plans also are adaptable to farm supply cooperatives. Intended to inform directors, management, and employees about benefits of this method of capitalization.

Rathbone, Robert C. *Cooperative Finance and Taxation.* Agr. Coop. Serv. Coop. Info. Rpt. No. 1, Sec. 9. Washington, D. C.: U.S. Department of Agriculture, 1991.

Provides an overview of cooperative finance and the characteristics of agricultural

cooperatives that make their financial and taxation requirements unique. The discussion includes member equity, base capital plan, equity redemption, special equity redemption programs, measuring equity performance, debt capital, and cooperative taxation, and the future of cooperative finance.

Rathbone, Robert C., and Roger A. Wissman. *Equity Redemption and Member Equity Allocation Practices of Ag Cooperatives.* Agr. Coop. Serv. Res. Rpt. no. 124. Washington, D. C.: U.S. Department of Agriculture, 1994.

A 1991-92 survey of farmer cooperatives showing current equity redemption practices, including how equity is distributed between allocated and unallocated accounts. This report updates the previous survey of nearly 20 years ago and reflects many changes in the financial, operational, and structural makeup of agricultural cooperatives. Equity redemption practices are at the center of all cooperative financial considerations.

Reilly, John. *Cooperative Marketing Agreements: Legal Aspects.* Agr. Coop. Serv. Res. Rpt. no. 107. Washington, D. C.: U.S. Department of Agriculture, 1992.

This report is intended to assist cooperative managers, directors, and their professional advisers in drafting new cooperative marketing agreements, as well as evaluating and updating existing agreements. Reviews basic legal principles governing marketing contracts; examines parts of a marketing agreement in detail; and shows examples of common provisions in agreements.

Reynolds, Bruce J. *Cooperative Marketing Agencies-in-Common.* Agr. Coop. Serv. Res. Rpt. no. 127. Washington, D. C.: U.S. Department of Agriculture, 1994.

Marketing agencies-in-common (MACs) have been used by farmer cooperatives for many years to accomplish specific marketing activities. But little attention has been focused on how MACs differ from other organizations, particularly from other federated cooperatives. Members of

cooperatives participating in MACs retain ownership of their individual assets while the common agency produces supplementary services, such as group communications and product-selling coordination.

Reynolds, Bruce J. *Cotton Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 18. Washington, D. C.: U.S. Department of Agriculture, 1985.

Farmer cooperatives play a major rôle in merchandising American cotton and cottonseed products, as well as performing and coordinating most of the services of the marketing system. This report examines cotton gins, compresses, lint marketing, and cottonseed oil. It also provides an overview of the historical development of cotton cooperatives. The publication concludes with a discussion of challenges and opportunities facing cooperatives.

Reynolds, Bruce J. *Marketing High Value Food Products in the Asian Pacific*. Agr. Coop. Serv. Res. Rpt. no. 85. Washington, D. C.: U.S. Department of Agriculture, 1990.

This report examines export marketing of branded and nonperishable food products to selected Asian Pacific markets. Topics include macroeconomy and trade, trade policy developments, consumer behavior, retail distribution, brand name high-value products, and the role of sales agents. Strategies to improve working relationships with agents are examined. Cooperatives use agents for exporting branded nonperishable foods.

Reynolds, Bruce J., and Karen J. Spatz. *International Business Arrangements Used by Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 100. Washington, D. C.: U.S. Department of Agriculture, 1991.

Describes the international business activities cooperatives undertake to expand their position in the marketplace. Documents the various types of international arrangements used by food processing cooperatives and describes distinctive features. Some cooperatives have

developed significant networks for foreign sales agents and have established effective working relationships with them.

Rhodes, V. James. "Competition Among Cooperatives." In *Cooperative Theory: New Approaches*. ed. J. S. Royer, pp. 148-154. Agr. Coop. Serv. Res. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, July, 1987.

Early British cooperators sought a cooperative or socialist system rather than market capitalism. American agricultural cooperators accept the market system and the values of the competitive market. The question is twofold: 1) Can competition among cooperatives be moderated without damaging the competitive market? 2) If so, does moderation of competition among cooperatives benefit their members? Giving a qualified yes, Rhodes suggests that the problem of competition among cooperatives is not only the result of managers pursuing their individual goals, but also of members attending to their individual payoffs. What is needed is group solidarity, farsighted board and management action, and far-reaching institutions. For example, the European cooperative solution is typically that of erecting boundaries between cooperatives by regulation.

Rhodes, V. James. "Cooperatives and Contestable/Sustainable Markets." In *Cooperative Theory: New Approaches*. ed. J. S. Royer, pp. 108-116. Agr. Coop. Serv. Res. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, July, 1987.

Some new developments in the theory of contestable markets have been used to reconsider the role of agricultural cooperatives. The conclusions must be tentative because empirical research has not tested the new questions of how contestable agribusiness markets are. The sustainability concept focuses on low production costs as the key to long-term competitive success. One of the aspects of sustainability is the configuration of firms that can provide the desired industry output at minimum costs. This analysis emphasizes the social wastefulness of too many competitors. In

many situations farmers may need to merge cooperatives rather than encouraging competition among them.

Rhodes, V. James. *Future Cooperative Role in Hog Contract*. Agr. Coop. Serv. Res. Rpt. no. 116. Washington, D. C.: U.S. Department of Agriculture, 1993.

Highlights and interprets two national surveys of commercial hog producers, interviews with several large producers and numerous cooperative managers, and reviews the pork industry about structural and contractual developments over the past several years. Its purpose is to assist cooperatives in their strategic thinking regarding the hog industry. This study is the result of a cooperative research agreement between RBCDS and University of Missouri-Columbia's Department of Agricultural Economics.

Rhodes, V. James. "Large Agricultural Cooperatives: On the Road to Where?" In *Cooperative Theory: New Approaches*. ed. J. S. Royer, pp. 155-70. Agr. Coop. Serv. Res. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, July, 1987.

A cooperative is an organization linking assets, business activities, and people in a distinctive way. The dual status of people as both customers and owners of the cooperative—with earnings distributed according to customer patronage—has been the important constant in cooperatives. Some firms are "hunters," always seeking new activities in any parts of the economy that promise a better return on investment. Hunter cooperatives present a special problem. A conflict of interest can develop quickly between the old member-owners of the cooperative fearful of losing service, capital, and influence, and the new members. It is not reasonable to expect cooperative managers to do no hunting. However, if their concern for future growth and security leads to aggressive hunting, it might endanger the mutual commitments of members and cooperatives and the special role that cooperatives hold in society and the Capper-Volstead protections it has enjoyed.

Rhodes, V. James. "The Large Agricultural Cooperative as a Competitor." *American Journal of Agricultural Economics* 65, No. 5 (Dec., 1983): 1090-98.

Argues that there are likely constraints on growth beyond that of the typical investor owned firm. Sometimes a cooperative's mission may be limited in terms of commodities handled and trade territory served. The very fact of its user orientation limits the legitimate activities of a cooperative. Also, members can have in mind several benefits from cooperative membership: (1) net economic returns (an important and sometimes a dominant motive); (2) assurance that there will be a market for their commodity; (3) some sort of channel leadership or countervailing power; and (4) a means to sustain and expand the demand for their commodity. Open membership cooperatives in marketing and/or farm supplies in a high-margin, concentrated industry either can obtain industry dominance (while benefiting producers through high dividends) or can reduce industry margins and improve prices to producers (higher prices of farm commodities or lower prices of farm inputs).

Richardson, Ralph M., et al. *Farmer Cooperative Statistics, 1990*. Agr. Coop. Serv. Service Rpt. no. 31. Washington, D. C.: U.S. Department of Agriculture, 1991.

Aggregate national statistics for marketing, farm supply, and service cooperatives are reported. Data are carried on memberships, number of cooperatives, and business volume by commodity and state. Trends are indicated, particularly for the past 10 years.

Richardson, Ralph, et al. *Farmer Cooperative Statistics, 1991*. Agr. Coop. Serv. Service Rpt. no. 33. Washington, D. C.: U.S. Department of Agriculture, 1991.

A survey of U.S. farmer cooperatives for calendar year 1991 showed net income of \$1.57 billion, up from \$1.44 billion in 1990. Gross and net business volumes, however, were down for the 4,494 cooperatives included in the survey. Data on balance

sheet and net income and selected activities of other service organizations were also reported.

Richardson, Ralph, et al. *Farmer Cooperative Statistics, 1993*. Agr. Coop. Serv. Service Rpt. no. 39. Washington, D. C.: U.S. Department of Agriculture, 1993.

A survey of farmer cooperatives for 1992 showed net income of \$1.44 billion, down from \$1.57 billion in 1991. Gross and net volumes were \$93.4 billion, up from \$90.8 billion for the 4,315 cooperatives included in the survey. Cooperative memberships were up slightly. Data on balance sheet and net income and selected activities of other service organizations are also reported.

Robotka, Frank. "A Theory of Cooperation." *Journal of Farm Economics* 29 (1947): 94-114.

A satisfactory basis for the rational explanation in economic terms of the distinctive features which characterize the cooperative association is provided when a cooperative arrangement is conceived of as a federation of autonomous economic units whose avowed purpose it is to function in their individual capacities, but in a coordinate manner with respect to specific activities integrally related and common to their individual economic pursuits. A new economic entity emerges when a cooperative association is formed because participants must agree to submit to group decisions questions relating to the activity being coordinated.

Rogers, Richard T., and Bruce W. Marion. "Food Manufacturing Activities of the Largest Agricultural Cooperatives: Market Power and Strategic Behavior Implications." *Journal of Agricultural Cooperation* 5 (1990): 59-73.

Industries in which cooperatives were most active, the extent to which cooperatives held leading positions, and the extent to which they appeared to hold positions with market power are examined in this study. Within food and tobacco manufacturing, cooperatives appear to have little market power. And when compared with the

largest 20 and 100 investor-owned food and manufacturing firms, the size and market power of cooperatives is like a mosquito on an elephant's rump. For cooperatives to have market power, they must be able to manage the production response of their members. It has been argued by Jesse et al. that the production response can be managed by "restricting the number of members, restricting individual member deliveries, or price discrimination involving diversion of some production out of the major market." While relatively few cooperatives have closed membership, many do control their supply through production contracts or quotas, and, as a result, some price enhancement may be achieved. However, any price enhancement is expected to be modest, particularly when compared with the price enhancement of large investor-owned firms.

Roof, James B. *Cooperative Fluid Milk Processing: A Perspective of Opportunities and Problems*. Agr. Coop. Serv. Res. Rpt. no. 31. Washington, D. C.: U.S. Department of Agriculture, Nov. 1983.

Three successful and three less successful specialized fluid milk processing cooperatives were compared to determine if there were consistent differences in operating and financial policies and other selected factors. Successful cooperative's management consistently made use of carefully planned capital investments and members allowed their cooperatives to build adequate member equity to finance feasible and profitable projects.

Roof, James B., and George C. Tucker. *Dairy Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 16. Washington, D. C.: U.S. Department of Agriculture, 1986.

This overview of dairy cooperatives traces early history, presents the current status of organization and operations, and identifies some of the issues and trends.

Rotan, Beverly. *Cooperative Employee Compensation*. Agr. Coop. Serv. Res. Rpt. no. 114. Washington, D. C.: U.S. Department of Agriculture, 1993.

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A comprehensive look at salaries and fringe benefits cooperatives offer to mid- to upper-level employees. Data is based on a random sample of 400 marketing and farm supply cooperatives with annual sales of at least \$1.8 million. The study looks at how education, cooperative function and geography influence patterns in compensating cooperative employees. Job responsibility, decisionmaking, and performance were the three most important factors in setting salaries, according to the survey conducted for this report. Health, life, an disability insurance were the most commonly paid benefits.

Rotan, Beverly. *Co-op Guide to Designing Benefit Packages*. Agr. Coop. Serv. Service Rpt. no. 36. Washington, D. C.: U.S. Department of Agriculture, 1993.

This is a general guide for designing and financing benefit packages, setting pay structures, and evaluating jobs of cooperative employees. The report provides general guidelines but does not address all the unique requirements, skills, or risks associated with a given position in a cooperative. Adjustments may be needed by newly organized or existing cooperatives when replacing employees who have retired or left the organization.

Rotan, Beverly, Roger A. Wissman, Charles A. Kraenzle, Thomas Gray, and Celestine Adams. *Farmer Cooperatives: Cash Grain Farmers, Members, and Use*. Agr. Coop. Serv. Res. Rpt. no. 102. Washington, D. C.: U.S. Department of Agriculture, October, 1991.

Describes the participation of cash grain farmers in cooperatives, use by cash grain farmers who were members and nonmember patrons of cooperatives, participation of members in the cooperative in which they held membership, distribution of grain farmers who purchased selected farm supplies, and purchases of farm supplies by cash grain farmers who also marketed grain through cooperatives.

Royer, Jeffrey S. "A Comparative Financial Ratio Analysis of U.S. Farmer Cooperatives

Using Nonparametric Statistics." *Journal of Agricultural Cooperation* 6 (1991): 22-44.

An analysis of the comparative financial performance of U.S. farmer cooperatives based on data from the USDA financial profile study. Cooperative financial ratios are compared with published industry standards for firms operating in the same or similar industries. The objectives of the study are to: (1) determine whether there are significant differences in the financial strength of farmer cooperatives compared with industry standards, (2) assess whether the relative financial condition of cooperatives generally has improved since the early 1980s, and (3) demonstrate the usefulness of nonparametric statistical methods in performing comparative financial ratio analyses. The comparative ratio analysis using nonparametric statistical method provided no evidence that cooperatives are financially weaker than other firms. Comparisons of debt/equity ratios indicate that, except for regional grain and farm supply associations, cooperatives are generally less leveraged than other firms. The overall financial strength of cooperatives appears better than during the early 1980s.

Royer, Jeffrey S. "Cooperative Principles and Equity Financing: A Critical Discussion." *Journal of Agricultural Cooperation* 7 (1992): 79-98.

An examination of the role of the "principles of Cooperation" in shaping the methods used by farmer cooperative associations for the provision of equity capital by members. Cooperative principles and financing practices based on them are evaluated in the context of some common issues and conflicts among patrons. The characteristics of a cooperative are compared with those of a patron-owned corporation, and two case studies in which patrons chose to organize businesses as patron-owned corporations are discussed. The paper concludes by making recommendations for patron-owned businesses operating within the cooperative framework.

- Royer, Jeffrey S. "Distributing Cooperative Benefits to Patrons." *Cooperative Accountant* (Summer 1982): 17-30.

An examination of the use of qualified and nonqualified allocations and unallocated reserves in distributing cooperative benefits to patrons. First, the relationship between the level of cash patronage refunds and the length of the revolving period is analyzed for given rates of growth in revolving equity. Next, the influences of the level of cash patronage refunds and the length of the revolving period on the present value of an allocation are considered. Then a comparison of the present values of allocations for each of the three methods is made for given cooperative and patron tax rates. Finally, attention is given to some of the issues involving the use of unallocated reserves.

- Royer, Jeffrey S. "Financial Impact of Mandatory Equity Programs on Farmer Cooperatives." *Agricultural Finance Review* 43 (1983): 30-40.

Farmer cooperatives have been placed under increased pressure to retire patron equities. The U.S. General Accounting Office suggested the possibility of requiring cooperatives to pay interest or dividends on retained equities and/or to retire retained equities within a certain time. Analysis of the impact of these programs and of two alternative programs was conducted using a deterministic growth model. The primary disadvantage of mandatory equity revolving periods is the loss of financial flexibility that cooperatives would incur. To avoid the threat of mandatory equity programs, cooperatives need to do a better job of retiring and servicing patrons' equity.

- Royer, Jeffrey S. "Strategies for Capitalizing Farmer Cooperatives" In *Farmer Cooperatives for the Future*. ed. L. F. Schrader and W. D. Dobson, pp. 83-90. West Lafayette, Indiana: Department of Agricultural Economics, Purdue University, 1985.

An examination of the financial situation that cooperatives experienced in the early 1980s. From 1980 to 1982, cooperative net

margins slid from \$1.9 billion to \$854 million—a drop of 56 percent. According to Royer, cooperatives appear to be more heavily leveraged than competing firms in the same industries. His conclusion is that cooperatives must continue to improve asset management and build their equity bases to decrease reliance on borrowed capital.

- Royer, Jeffrey S., ed. *Cooperative Theory: New Approaches*. Agr. Coop. Serv. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, October, 1987.

This report contains nine papers on cooperative theory relating to operations, market behavior, decisionmaking, finance, and other aspects of farmer cooperatives.

- Royer, Jeffrey S., and Sanjib Bhuyan. "Formula Price Contracts as an Alternative to Forward Integration by Farmer Cooperatives." *Journal of Agricultural Cooperation* 8 (1993): 28-38.

Vertical integration can arise because of the existence of technological economies, transactional economies, or market imperfections. Where the market may fail as an efficient means of coordinating economic activity, the firm may be able to reduce its transaction costs by integrating. Blair and Kaserman have shown that under fixed-proportions production technology, firms within bilateral and successive monopoly market structures can use formula price contracts to achieve results economically equivalent to integration. This paper examines whether formula price contracts are a viable alternative to forward integration for farmer cooperatives. Analysis of a three-stage vertical market structure indicates that the conditions under which a cooperative assembler can use a formula price contract are more restrictive than those of an investor-owned firm.

- Royer, Jeffrey S., and Sanjib Bhuyan. "Forward Integration by Farmer Cooperatives: Comparative Incentives and Impacts." *Journal of Cooperatives* 10 (1995): 33-48.

A model of a three-stage vertical market structure consisting of agricultural

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producers, an assembler, and a processor is developed to analyze the market incentives farmer cooperatives may have for integrating forward into processing activities and to evaluate the comparative impacts of cooperative forward integration on producers and consumers. Although forward integration by cooperatives generally provides benefits to both producers and consumers under fixed proportions processing technology and constant assembly and processing costs, the existence of an integration incentive appears to depend upon the ability of the cooperative to restrict the raw product output of its producers to optimal levels.

Royer, Jeffrey S., and Gene Ingalsbe. *Equity Redemption Guide*. Agr. Coop. Serv. Coop. Info. Rpt. no. 31. Washington, D. C.: U.S. Department of Agriculture, October, 1983.

Redeeming equity is an ownership transfer process to keep the cooperative financed, owned, and controlled by those who use it. Four types of equity formation and redemption are reviewed for the farmer directors of agricultural cooperatives as part of their financial planning process. Tips are provided on how to get an equity redemption program started.

Royer, Jeffrey S. and Roger A. Wissman. *Nonqualified Notices: An Alternative for Distributing Cooperative Earnings*. Agr. Coop. Serv. Res. Rpt. no. 80. Washington, D. C.: U.S. Department of Agriculture, 1989.

Nonqualified patronage refund and per-unit capital retain allocations offer an alternative to allocate patron equity that may have advantages over methods used by most cooperatives. This report concludes that nonqualified allocations can be used to delay patron taxes and income and avoid negative cash flows due to taxes. They also offer cooperatives an additional tool for tax planning, tax management, and handling losses.

Royer, Jeffrey S., Roger A. Wissman, and Charles A. Kraenzle. *Farmer Cooperatives Financial Profile, 1987*. Agr. Coop. Serv. Res.

Rpt. no. 91. Washington, D. C.: U.S. Department of Agriculture, Sept. 1990.

More comprehensive than annual statistical reports, this study updates similar research done in 1954, 1962, 1970, and 1976. It covers general characteristics and trends and discusses operational sources of equity capital, financial structure, and financial ratio analysis in examining the general financial condition of cooperatives. Cooperatives are classified by principal product or function, major function, asset size, and Farm Credit System district.

Savage, J. K. "Comment on the 'Economic Nature of the Cooperative Association'." *Journal of Farm Economics* 36 (1954): 529-34.

This comment is in response to Richard Phillips' February 1953 article in the *Journal of Farm Economics*, titled, "The Economic Nature of the Cooperative Association." Savage summarizes his disagreement with Phillips' treatise as follows, "His (Phillips') treatment is based on the orthodox theory of the firm as a profit-maximizing enterprise. However, the firm which he speaks of is the household, and he denies that a cooperative association composed of firms or households can have economic life or purpose apart from participating economic units. His conclusion is somewhat startling when it ignores the existence of the cooperative as a going economic concern, especially as I think that most farmers and most cooperative leaders do not share his view. Also, Phillips draws some debatable conclusions on control on the basis of proportionality, and profit maximization versus stability. The discussion which follows is a critical examination of the Phillips thesis and the conclusions which are deducted."

Schmelzer, John R., and Gerald R. Campbell. "An Overview of the Number, Size, Diversification, and Market Share of Agricultural Marketing Cooperatives in Various Commodity Subsectors." In *Agricultural Cooperatives and the Public Interest*, St. Louis 1977. ed. Bruce W. Marion, North Central Regional Res. Pub. No. 256. Madison: Univ. of Wisconsin, Sept., 1978.

Largely descriptive, this paper provides data on the number and size of marketing cooperatives, as well as their relative specialization within both their marketing and overall business activities. Some specific aspects of the 150 largest cooperatives marketing farm products are examined. These include: (1) the importance of the largest marketing cooperatives relative to all marketing cooperatives, (2) estimates of the share of cash farm receipts accounted for by large cooperatives and (3) the food manufacturing participation of the largest marketing cooperatives. In addition, estimates of the share of cooperative marketings and cash farm receipts are provided for the four and eight largest cooperatives marketing products in specific commodity groups.

Schomish, Thomas F., and Thomas W. Gray. *Young Member Programs for Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 48. Washington, D. C.: U.S. Department of Agriculture, 1985.

Cooperative experiences with young cooperator programs are discussed, with recommendations on how effective programs can be integrated into local agricultural cooperatives. Most managers noticed an immediate patronage increase from young members who have participated in local and regional cooperative programs. Young members took a greater interest in the cooperative including attendance at the annual meeting. Some participants subsequently serve on the cooperative board of directors.

Schrader, Lee F. "Equity Capital and Restructuring of Cooperatives as Investor-Oriented Firms." *Journal of Agricultural Cooperation* 4 (1989): 41-53.

Members of several agricultural cooperatives have elected to restructure themselves as investor-oriented corporations, to sell the business, or to restructure segments of their businesses as ordinary corporations with minority public ownership. This paper examines equity capital from a patron's viewpoint and

implications for equity capital in cooperative principles. Six selected cases of cooperative restructuring are discussed.

Schroeder, Ted C. "Economies of Scale and Scope for Agricultural Supply and Marketing Cooperatives." *Review of Agricultural Economics* 14, No. 1 (January 1992): 93-103.

Scale and scope economies are estimated for a sample of multi-product farm supply and grain marketing cooperatives. The mix of outputs that the typical cooperative sells makes it difficult for managers to determine how changing product mixes may impact the firm's cost efficiency. Due to the short-run seasonal demands for services and long-run changes in the structure of agriculture the average cooperative is over-invested in fixed resources. Cooperatives that merge or consolidate to broaden the types of services offered are likely to gain cost efficiencies in the process.

Seetharaman, S. P., and P. M. Shingi. *Agribusiness Cooperatives*. New Delhi: ICA, Regional Office for Asia and the Pacific, 1992.

Includes eight case studies from India, Bangladesh, Thailand and Indonesia, which examine basic production aspects, management, and marketing.

Seibert, Jerome B. *Co-ops—What Farmers Think!* Davis: University of California, Center for Cooperatives, 1995.

A survey of California cooperative members. The questionnaire was based on the principles of cooperation; changes taking place economically, politically, and structurally that affect cooperatives and its members; and communication needs. Seibert found that while cooperative members were supportive of their respective organizations, their attitudes about goals, directions, and priorities were troubling. Also of concern was member lack of support for the basic cooperative principles underlying cooperative structure and operations. Members were more intent on protecting a "home" for their product and

shielding themselves from regulation than on looking into the future and making the necessary investments in developing their cooperative to compete in an increasingly international marketplace.

Sexton, Richard J. "Cooperatives and the Forces Shaping Agricultural Marketing." *American Journal of Agricultural Economics* 68 (1986b): 1167-72.

The current sector-wide financial crisis is no doubt the most significant force affecting agricultural marketing. Four other emerging factors also have particular relevance to cooperatives: 1) greater price and income volatility due to reduced government involvement in agriculture and increased international competition; 2) fewer, larger, and more specialized farms; 3) fewer and larger marketing sector firms; 4) restructuring of the tax system. As to revisions in the tax code that would be detrimental to cooperatives, Sexton states, "Cooperatives have usually been thought to entail positive welfare consequences and, therefore, to merit the favorable policy prescriptions afforded them. I believe these conclusions remain valid. When co-ops respond to monopsony monopoly power or when the threat of a co-op entry mitigates the exercise of monopoly power, the competitive yardstick is at work."

Sexton, Richard J. "The Formation of Cooperatives: A Game Theoretic Approach with Implications for Cooperative Finance, Decision Making, and Stability." *American Journal of Agricultural Economics* 68 (May 1986): 214-25.

In departing from the traditional organization-oriented approach to cooperative analysis, this analysis explores cooperation's functional similarity to vertical integration to examine individuals' incentives to form cooperatives. A model of formation of a purchasing cooperative is presented and developed as an n -person game with the core as a solution concept. Core existence is examined for both single- and multiple-cooperative configurations, and cooperative finance methods are examined relative to finding core-

compatible allocation rules. The results provide insight into a cooperative's equilibrium output, stability, decision making, financing methods, and choice of open or restricted membership.

Sexton, Richard J. "Imperfect Competition in Agricultural Markets and the Role of Cooperatives: A Spatial Analysis." *American Journal of Agricultural Economics* 72 (1990): 709-20.

Important characteristics of many agricultural markets are costly to transport raw products and relatively few processors, one or more of which is often a cooperative. This paper analyzes pricing behavior in these oligopsonistic, spatial markets and focuses specifically upon the conjecture that cooperatives may have a procompetitive effect on the behavior of rival non-co-op processors. The existence and magnitude of a procompetitive effect is shown to depend upon a number of structural and strategic factors including competitive relations among the non-co-op processors and a cooperative's membership pricing policies.

Sexton, Richard J. "Perspectives on the Development of the Economic Theory of Cooperatives." *Canadian Journal of Agricultural Economics* 32 (July 1984): 423-36.

Clarifies matters concerning the development of cooperative theory. The much maligned multiplant or vertical integration approach to cooperative theory is re-examined, as is labor-managed firm literature's role in the development of cooperatives. Other recent developments in cooperative theory are examined; in particular, the efficacy of median-voter decision in cooperative theory analysis, the robustness and economic significance of optimal membership selection models, the appropriate choice of financing techniques, and the proper choice of behavioral assumptions to guide member decision making.

Sexton, Richard J., and Julie Iskow. "The Competitive Role of Cooperatives in Market-Oriented Economies: A Policy Analysis." *Agricultural Cooperatives in*

Transition. Ed. Csaba Csaki and Yoav Kislev. Boulder: Westview, 1993.

Public policy towards agricultural cooperatives in market-oriented economies is generally favorable although these policies are also oftentimes questioned. This paper argues that the policy debate on cooperatives must hinge upon an assessment of their impact on market performance and proceeds to evaluate that impact in three key performance dimensions. First, the theoretical and empirical evidence on cooperatives' economic efficiency is reviewed and evaluated. Second, the issue of whether cooperatives perform a "competitive yardstick" function is evaluated, and finally the issue of whether cooperatives might represent a cartel coordinating device for farmers is explored. Evidence is not found to support a scaling back of policies favorable to cooperatives.

Sexton, Richard J., and Julie Iskow. "What Do We Know About the Economic Efficiency of Cooperatives: An Evaluative Survey." *Journal of Agricultural Cooperation* 8 (1993): 15-27.

An analysis of the cooperative efficiency issue and an evaluation of the conflicting claims that have emerged in this arena. Economic efficiency concepts that are relevant to the discussion are defined and then related to cooperative theory to derive alternative hypotheses regarding the efficiency of cooperatives. Given this conceptual basis, studies of cooperative efficiency are reviewed, compared, and critiqued. The discussion is limited to agricultural marketing and supply cooperatives in market-oriented economies. It is concluded that despite a number of recent studies addressing cooperative efficiency, evidence on the economic efficiency is limited and does not support the popular perception that cooperatives are less efficient than comparable investor-owned firms.

Shaffer, James D. "Thinking About Farmers' Cooperatives, Contracts, and Economic Coordination." In *Cooperative Theory: New*

Approaches. ed. J. S. Royer, pp. 61-86. Agr. Coop. Serv. Res. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, July, 1987.

An exploration of the possible roles of farmers' cooperatives in dealing with the fundamental problems of coordinating economic activity in the real world of uncertainty. Shaffer concludes that cooperatives do not seem to offer inherent advantages in coordination within the firm as long as the firm is operating in highly competitive markets. In the area of micro coordination, between cooperative and members, improvements can be made by forward contracts. Such contracts between members and the cooperative would seem to make it possible to capture more of the advantages of the vertically integrated firm while maintaining the advantages of decentralized decision-making. It is maintained that cooperatives have a significant potential role in coordinating the total supply of a commodity with total demand at prices reflecting costs of production and consumer preferences. Effective macro coordination requires a mechanism to provide reliable information on future supply, demand, and prices prior to important production decisions. Reducing the volatility of prices associated with mistakes in production decisions would contribute to improved macro-macro coordination for the economy, which would, in turn, reduce the adverse effects that instability in the aggregate economy has on the food system.

Smith, Cathy A., and Brian A. Roach. "Dairy Farmer's Valuation of Market Security Offered by Milk Marketing Cooperatives." *Journal of Cooperatives* 10 (1995): 64-71.

Dairy farmers often rank the benefit from a secure market as a major reason for belonging to a milk-marketing cooperative. This paper proposes a technique for valuing this decreased market risk through development of a willingness-to-pay measure.

Smith, David A., and Henry N. Wallace. *Cooperatives in California Agriculture*. Agr.

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Coop. Serv. Res. Rpt. no. 87. Washington, D. C.: U.S. Department of Agriculture, 1990.

This report provides an overview of California agricultural cooperative activities in the mid-1980s. The study identifies 227 different cooperatives, with combined memberships of 69,000. The range and overlap of functions are described, along with interrelationships among different functional types of cooperatives. Examples are given of cooperatives' involvement in the almond, cotton, and fresh and processed fruit sectors. Relationships between bargaining associations and marketing/processing cooperatives are described.

Smith-Gordon, Lionel. *Cooperation for Farmers*. London: Williams & Norgate, 1918.

Defines cooperation and presents the historical development of cooperation and the system applied to agriculture; describes different types of societies—consumers, producers, credit; and reviews the movement in Denmark, Ireland, Germany, and the United States.

Sosnick, S. H. "Optimal Cooperative Pools for California Avocados." *Hilgardia* 35 (April 1963): 47-83.

Development of a criterion for an optimal set of pools is fundamental to the analysis of pooling problems and is the principal innovation in this study, where the illustrative case is California avocados. Sosnick formulates a criterion of optimality, develops a procedure for determining an optimal set in practice, and applies the procedure to the case in question. Attention centers on the number and kind of pools to adopt, taking as given the association's selling policies, method of determining pool revenues, cost allocations, and deductions from member payments.

Spatz, Karen J. *Agricultural Exports by Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 107. Washington, D. C.: U.S. Department of Agriculture, 1992.

The extent of agricultural cooperative activity in exports is reviewed in this report. Exports by 116 cooperatives in 1990 were valued at \$4.1 billion. Largest dollar value of exported items were grains and feeds by 18 cooperatives and fruits and vegetables by 41 cooperatives. Largest markets were Southeast Asia and East Asia.

Spatz, Karen J. *Cooperative Brands*. Agr. Coop. Serv. Service Rpt. no. 27. Washington, D. C.: U.S. Department of Agriculture, 1990.

This report is the third edition and updates and expands an earlier publication on processed product brands, adding all other types of brands cooperatives own in supplying and marketing members' products. More than 1,000 brands are listed from 144 cooperatives. Listings are cross-referenced by brand, cooperative, and commodity. Fresh fruit is the largest category with 327 brands. Forty-two percent of the cooperatives represented their brands overseas.

Spatz, Karen J. *Directory of U.S. Agricultural Cooperative Exporters*. Agr. Coop. Serv. Service Rpt. no. 21. Washington, D. C.: U.S. Department of Agriculture, 1994.

Updated directory of cooperative exporters or their marketing agencies includes an index arranged by product type and alphabetic listing of 102 cooperatives. Shown are the cooperative's address, contact person, telephone and FAX numbers, and a description of products exported. Some listings may include brands. In some cases, cooperatives have jointly established trading organizations which are referred to under the heading, {Commodities Exported.}

Spatz, Karen J. *Export Market Development by Agricultural Commodity Promotion Programs*. Agr. Coop. Serv. Res. Rpt. no. 79. Washington, D. C.: U.S. Department of Agriculture, 1988.

This report documents the extent and activities of coordinated promotion for agricultural products, such as marketing

orders and check-off programs. A case study approach is used to describe four programs.

Spatz, Karen J. *Exporting: An Avenue for Dairy Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 95. Washington, D. C.: U.S. Department of Agriculture, 1990.

World dairy market conditions are outlined as an introduction to discussing opportunities dairy cooperatives may have in developing an export marketing strategy. Information is provided on U.S. government export programs, the National Dairy Board, export organization and practices of U.S. cooperative exporters, and strategic planning.

Spatz, Karen J. *Imports by Cooperatives, 1991*. Agr. Coop. Serv. Res. Rpt. no. 121. Washington, D. C.: U.S. Department of Agriculture, 1993.

Thirty cooperatives reported imports valued at \$483.64 million in 1991. Farm supplies accounted for the largest share, nearly 70 percent or \$323.52 million. Agricultural cooperative commodity imports accounted for \$137.75 million. Canada provided more than 60 percent of the imports to U.S. cooperatives. Fifty-two of the 59 cooperative importers/exporters queried responded to the survey.

Sporleder, Thomas L. "Membership Policy Alternatives for Marketing Cooperatives." *Journal of Agricultural Cooperation* 3 (1988): 1-11.

Marketing cooperatives operating pools that consistently obtain member returns in excess of cash market prices must accommodate new members. In some cooperatives, the membership policy is based only on the capital plan. This article presents alternative membership policies for the acquisition and transfer of rights to original members. Specific policy alternatives for each component are defined and examined. The analysis suggests that strategic planning in some cooperatives should involve explicit consideration of alternatives for membership policy.

Sporleder, Thomas L., William L. Malick, and Cynthia H. Tough. "Relationship of Pooling to Equity Capital and Current Assets of Large Producer Marketing Cooperatives." *Journal of Agricultural Cooperation* 3 (1988): 28-38.

Committed cooperatives (those that operate a marketing pool and make marketing decisions on behalf of their members) have ensured member support because of pooling and may also operate with higher financial leverage than buy-sell cooperatives (those cooperatives that do not operate a pool). The tested hypothesis is that marketing cooperatives with pooling have less market risk compared with those without pools and, as a consequence, can incur more financial risk and command greater leverage. Using an econometric approach to control for size of cooperative, empirical results suggest that pooling cooperatives have increased leverage, about 9 percent more than nonpooling cooperatives.

Sporleder, Thomas L., and Robert A. Skinner. "Diversification of Regional Marketing Cooperatives." *Southern Journal of Agricultural Economics* 9 (July, 1977): 191-95.

Empirical measurement of regional marketing cooperative diversification was accomplished by computing several alternative indices. The number of diversified regional marketing cooperatives is small (less than 10 percent) and declining absolutely, but increasing as a percent of total regional marketing cooperatives. The level of diversification increased slightly over the data period but no strong linear trend existed. Although regional marketing cooperatives are decreasing in number and increasing in size, there does not appear to be a trend toward product diversification during the 1960-1974 period.

Staatz, John M. "The Cooperative as a Coalition: A Game Theoretic Approach." *American Journal of Agricultural Economics* 65, No. 5 (Dec. 1983): 1084-89.

Argues that game theory offers insights into a broad array of issues involving collective choice in cooperatives, ranging from the

financing practices of the firm to member control over management. The behavior of participants in farmer cooperatives is particularly amenable to game theory analysis where often joint action yields mutual benefits but players must agree on how to share those benefits before the joint action can be undertaken. Other situations closely resemble the noncooperative "prisoner's dilemma" game. The game-theoretic approach emphasizes that apparently irrational behavior by cooperatives may result from individual participants rationally pursuing their own interest.

Also see: Staats, John M. "A Game-Theoretic Analysis of Decisionmaking in Farmer Cooperatives." In *Cooperative Theory: New Approaches*. ed. J. S. Royer, pp. 117-147. Agr. Coop. Serv. Res. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, July 1987.

Staatz, John M. *Farmer Cooperative Theory: Recent Developments*. Agr. Coop. Serv. Res. Rpt. no. 84. Washington, D. C.: U.S. Department of Agriculture, June 1989.

Recent theoretical developments in cooperation, areas of conflict, gaps in theory, and topics for future research are covered. Fundamental issues in theory are discussed, including the basic nature of cooperation, benefits and limitations, and the implications for members, managers, and public policy.

Staatz, John M. "Farmers' Incentives to Take Collective Action via Cooperatives: A Transaction-Cost Approach." In *Cooperative Theory: New Approaches*. ed. Jeffrey S. Royer, pp. 87-107. Agr. Coop. Serv. Res. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, July 1987.

Many of the potential benefits farmer cooperative associations and firms offer their members derive from the fixity of assets, both physical and human, in farm and other types of agribusiness. Asset fixity in farming generates rents, which farmers' trading partners can potentially capture by acting opportunistically, provided that asset

fixity in the trading partners' business creates barriers to entry or exit that permit the exercise of market power. Asset fixity, therefore, underlies the arguments that cooperatives are necessary to provide farmers with market power and to preserve their access to markets. The following are some of the major points made by Staats: 1) cooperative firms may offer farmers certain advantages in dealing with risk, 2) vertical integration via cooperatives internalizes externalities imposed on farmers by their trading partners, 3) cooperative membership may provide the farmer with goods and services of a public good nature that no investor-owned firm would have an incentive to produce, and, 4) farmer cooperatives may be an important means by which farmers can unite to take political action.

Staatz, John M. "Recent Developments in the Theory of Agricultural Cooperation." *Journal of Agricultural Cooperation* 2 (1987): 74-95.

North American agricultural economists are beginning to reexamine fundamental issues in the theory of agricultural cooperation. In the past few years, a number of researchers have explored the basic nature of farmer cooperation; the theoretical benefits and limits to cooperative enterprise; and the implications of these for cooperative members, managers, and public policy. This paper describes and evaluates recent theoretical developments, outlines remaining areas of conflict and gaps in the theory of agricultural cooperation, and discusses topics for future research. It concludes that the most promising area for current research may be in testing hypotheses arising from recent theoretical work.

Staatz, John M. "The Structural Characteristics of Farmer Cooperatives and Their Behavioral Consequences." In *Cooperative Theory: New Approaches*. Ed. Jeffrey S. Royer, pp. 33-60. Agr. Coop. Serv. Res. Rpt. no. 18. Washington, D. C.: U.S. Department of Agriculture, July, 1987.

The unique structural characteristics of cooperatives may lead them to behave differently from investor-owned firms (IOFs). For example, the patron-stockholder identity, the distribution of ownership benefits through patronage, and the democratic governance of farmer cooperatives can all lead farmer cooperatives to behave dissimilarly from IOFs. Some of the differences in behavior may be highly beneficial for the cooperative and its members while others may hinder its performance. For example, the flow of information between patrons and the firm may be better in cooperatives than in IOFs, which can lead cooperatives to be more responsive to farmers' needs. On the other hand, cooperative capital may be less mobile than that of IOFs, and there may be serious problems in inducing cooperative stockholders to act in the long-term interest of their firm.

Stafford, Thomas H. *Financial Performance of Dairy Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 49. Washington, D. C.: U.S. Department of Agriculture, October, 1985.

Financial status of different types and sizes of dairy cooperatives are discussed and compared, based on 1980-81 data. Combined balance sheets and operating statements were used to develop 16 benchmark financial ratios for dairy marketing cooperatives. Data from 291 cooperatives is summarized.

Stafford, Thomas H., and James B. Roof. *Marketing Operations of Dairy Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 40. Washington, D. C.: U.S. Department of Agriculture, July, 1984.

The Nation's 436 dairy cooperatives marketed 95.6 billion pounds of milk, or about 77 percent of all milk sold to plants and dealers in 1980. There were 146 cooperatives with no milk handling facilities, 97 with only milk and cream receiving stations, and 192 operating 456 dairy processing and manufacturing plants. Cooperatives sold about 16 percent of the Nation's packaged fluid products, 10 percent of the ice cream, 64 percent of the

butter, 87 percent of the dry milk products, 22 percent of the cottage cheese, and 47 percent of all other cheese made in the United States. Additional data is given for prior years on transportation, producer payroll, and financial operations.

Staiert, Jim. *Top 100 Cooperatives, 1993, Financial Profile*. Agr. Coop. Serv. Report. Washington, D. C.: U.S. Department of Agriculture, 1995.

The 14th annual study on changes and trends in financing the 100 largest agricultural cooperatives. The studies were initiated in 1981, based on 1980 data; sales that year were \$50.3 billion. Limited copies of the earlier reports are still available. Since 1990, the data has been used annually to produce a series of articles in the fall issues of *Farmer Cooperatives* magazine and subsequently reprinted. The report analyzes changes in sales assets, financial structure, and source of debt capital, operating results, and sources and uses of funds for the top 100 cooperatives for their fiscal operating years.

Starting an Agricultural Marketing Cooperative. Davis: University of California, Center for Cooperatives, 1994.

From market research and feasibility studies to finance and cooperative incorporation, this start-up manual guides the new agricultural marketing cooperative from conception to operation. Sample legal and accounting documents are included.

Stiftung, Friedrich Ebert, and Kazimierz Boczar. *Poland's Agricultural Cooperatives As They Move to a Market Economy*. Warsaw: FES, 1993.

Materials from a seminar on experiences and future of agricultural cooperatives in a market economy, held in Warsaw, Feb. 17-19, 1993.

Suhler, Diane Rizzuto, and Michael L. Cook. "Origins of a Current Conflict: An Examination of Stock-Nonstock Cooperative Law." *Journal of Agricultural Cooperation* 8 (1993): 54-62.

The earliest state cooperative laws in the United States were stock laws modeled upon the Rochdale experience and were adaptations of basic corporate laws of incorporation to the cooperative form of organization. They emphasized stock as the basis of membership and the distribution of profits to members in proportion to patronage. After 1911, the dominant form of cooperative law became the non-stock law, which emphasized service at cost and the personal, fraternal nature of membership in a cooperative. Since 1925, both forms of cooperative law have coexisted. The different emphasis placed on capital stock, profit, and membership in a cooperative by the two different legal structures may be one contributing factor to current dilemmas cooperative leaders face in generating and rewarding equity capital.

Sullivan, J. M. *Cooperation in Canada*, 1973. Economics Branch Publication No. 75/5. Ottawa, Ontario: Agriculture Canada, 1975.

This is a statistical report on cooperatives in Canada and is one of an annual series that began in 1934. For this report cooperatives are divided into the following groups: marketing and purchasing, production, fisherman's, and service and wholesaling. Business volume of Canadian cooperatives increased 28 percent in 1973 to \$3,565 million. Most of this increase was due to a tremendous increase in grain exports

Swanson, Bruce L. *Merging Cooperatives: Planning, Negotiating, and Implementing*. Agr. Coop. Serv. Res. Rpt. no. 43. Washington, D. C.: U.S. Department of Agriculture, October, 1985.

Guidelines for reorganization of cooperatives through merger, acquisition, or consolidation are provided. Planning, negotiating, and implementing phases of reorganization are covered. Actual combinations of cooperatives are reported and related to phases of the reorganization process. The impact these reorganizations have on members, employees, and communities suggest that cooperative officials plan such moves with care.

Thraen, Cameron S., David E. Hahn, and James B. Roof. "Processing Costs, Labor Efficiency, and Economies of Size in Cooperatively Owned Fluid Milk Plants." *Journal of Agricultural Cooperation* 2 (1987): 40-56.

The operating cost structure of 15 cooperatively owned fluid milk processing plants is examined. The selected plants range from small, low-volume facilities to large, high-volume plants with varying levels of capital and labor inputs. Operating costs are presented for the plants by converting monthly fiscal data to averages and grouping the plants by relative processing volume. The functional relationship between total and unit costs and average plant volume is estimated. Processing cost per gallon declines by 1.6 percent for a 10 percent increase in plant volume. approximately 85 percent of the reduction in unit cost is attributed to lower labor, packaging, energy, repair, maintenance, and depreciation costs.

Trechter, David D., and Robert P. King. "Executive Compensation Patterns and Practices in Minnesota and Wisconsin Cooperatives." *Journal of Cooperatives* 10 (1995): 49-63.

Cooperatives face unique challenges in compensating managers because it is more difficult to link the financial interests of the manager to those of the cooperative. One way to overcome this challenge is to use performance-based bonuses. This study of cooperatives in Minnesota and Wisconsin found that such bonuses are infrequently used. Further, evidence indicates that existing bonuses tend to be linked more to the size of the cooperative (sales, assets) than to profitability. These results suggest that more attention to this critical area is warranted.

Tubbs, Alan Roy. *Capital Investments in Agricultural Marketing Cooperatives: Implications for Farm Firm and Cooperative Finance*. Ph.D. diss., Cornell University, 1971. Ann Arbor: UMI, 1971. 71-18,915.

The objectives of this study were to: (1) comprehend the magnitude by which New York farmers support their cooperatives financially; (2) investigate the ways in which the financial performance of farm businesses is affected by various forms of cooperative investment and to illustrate the total impact of these effects over a period of time; and, (3) examine the capital structures and financial policies of cooperative associations and to investigate possible changes in their financial programs. One of the major conclusions of the study was that some cooperatives have relied too heavily upon members as a source of capital while other sources of less expensive capital remain untapped and little exploration had been made of outside sources of capital. In particular, when capital is a limiting resource of the farm business, member capital can be viewed as a relatively expensive source of capital for the cooperative.

Understanding Cooperatives. Agr. Coop. Serv. Coop. Info. Rpt. no. 6. Washington, D. C.: U.S. Department of Agriculture.

This brochure describes the basic cooperative education program developed by Cooperative Services program of USDA's Rural Business and Cooperative Development Service. This educational program contains an instructor's guide with 10 lesson plan units, all teacher and student references (including the textbook *Cooperatives in Agribusiness* by Professor David Cobia), two separate software programs, including one on finance, plus a one-year subscription to *Farmer Cooperatives* monthly magazine. An enhanced program includes everything in the basic package plus a five-unit video series.

Understanding Cooperatives: Education Series. Agr. Coop. Serv. Coop. Info. Rpt. no. 45, Sections 1-14. Washington, D. C.: U.S. Department of Agriculture.

Series of circulars providing basic information about the cooperative form of business in simple, easy-to-understand language. They can serve as an introduction to cooperative concepts or a quick "refresher

course" for cooperative directors, extension agents, cooperative leaders, state or regional directors of government agencies or departments working with cooperatives, youth groups, or those belonging to or working with cooperatives.

Utterstrom, Carl. *Organizational Visions, Ideologies, and the Cooperative Myth: A Study of Mergers among Farmer Cooperatives in Sweden.* Uppsala, Sweden: Swedish University of Agricultural Sciences, 1980.

During the 1960s and 70s there was a wave of mergers among Swedish farmer co-ops. This study examines the reasons for this, and also looks at why these mergers have almost ceased. Special reorganizational and management problems which follow a merger are discussed.

VanSickle, John J., and George W. Ladd. "A Model of Cooperative Finance." *American Journal of Agricultural Economics* 65, No. 2 (May, 1983): 273-81.

The unique characteristics of cooperatives require they be analyzed differently from the more traditional noncooperative firm. A model of cooperative finance is developed that has the objective of maximizing the total, after-tax profits of the cooperative member patrons. A mathematical analysis derives the relationships among the various financial instruments, and a numerical analysis derives results for a cooperative under various hypothesized scenarios. It is suggested that a model incorporating the unique characteristics of cooperatives is the more appropriate tool for studying cooperative finance than is the noncooperative model.

Vitaliano, Peter. "Cooperative Enterprise: An Alternative Conceptual Basis for Analyzing a Complex Institution." *American Journal of Agricultural Economics* 65, No. 5 (Dec., 1983): 1078-1083.

Suggests a framework for the analysis of the cooperative form of business organization. Vitaliano defines a cooperative as "an economic organization whose residual claims are restricted to the agent group that

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supplies patronage under the organization's nexus of contracts (i.e., the member-patrons) and whose board of directors is elected by this same group." As discussed in this paper, the residual claims of cooperative organizations lack the decision control features inherent in marketability and immediate redeemability. And it can be conjectured that a greater proportion of the decision control functions that operate to maintain the value of those claims must be invested in cooperative boards of directors than in the boards of organizations with less restricted residual claims. Other special problems of cooperative residual claims are discussed under the headings of: common property problems, horizon problems, and portfolio problems.

See also: Vitaliano, Peter. "The Theory of Cooperative Enterprise: Its Development and Present Status." In *Agricultural Cooperatives and the Public Interest*, St. Louis, 1977. ed. Bruce W. Marion, pp. 21-42. North Central Regional Res. Pub. No. 256. Madison: Univ. of Wisconsin, Sept., 1978.

Vogelsang, Donald L., John M. Bailey, Lloyd Biser, E. Eldon Eversull, and J. Warren Mather. *Cooperative Organization and Structure*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, Sec. 6. Washington, D. C.: U.S. Department of Agriculture, 1988.

Marketing and purchasing cooperatives, the two basic types serving US agriculture, are discussed in terms of basic objectives, early marketing and purchasing activities, membership and control, marketing and operating practices and policies, vertical integration functions, commodities handled, operations and governance structures, financing and taxation, and a review of common challenges.

Volkin, David. *Understanding Capper-Volstead*. Agr. Coop. Serv. Coop. Info. Rpt. no. 35. Washington, D. C.: U.S. Department of Agriculture, revised 1985.

Details of two key provisions of the Capper-Volstead Act enacted by Congress in 1922 are examined. This important law gives agricultural producers the right to

collectively market their products in interstate and foreign commerce. In the absence of such enabling legislation, producers could be subject to an antitrust action. It also protects the consumer against undue price enhancement resulting from any monopoly position that a group of producers could legally achieve by working together. The Publication includes a reprint of the original 1922 law.

Wadsworth, James J. "An Analysis of Major Farm Characteristics and Farmers' Use of Cooperatives." *Journal of Agricultural Cooperation* 6 (1991): 45-53.

An examination of relationships between major farm characteristics and U.S. farmer's use of cooperatives in 1986. Farmers were classified as to the percentage of a farm's gross sales marketed through cooperatives and the percentage of a farm's supply inputs purchased through cooperatives. The study's findings are that farmers' use of cooperatives significantly differs, depending on farm type, size, and region of location. The probabilities of having greater co-op use are positively related to: (1) the farm types of dairy and cash grain; (2) larger farm size groupings; and (3) the Northern Plains, Lake States, Northeast, and Southeast regions. The probabilities of having greater co-op use are negatively related to the South Central region. Farm operator age is not a significant factor in explaining farmers' use of cooperatives.

See also: Wadsworth, James J. *Major Farm Characteristics and Co-op Use*. Agr. Coop. Serv. Rpt. no. 92. Washington, D. C.: U.S. Department of Agriculture, 1990.

Wadsworth, James. *Strategic Planning Systems of Larger Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 103. Washington, D. C.: U.S. Department of Agriculture, 1992.

Describes the methods, procedures, and functional relationships that make up strategic planning systems of four large farmer cooperatives. Large cooperatives interested in strategic planning can use these case studies to help implement or improve their own systems. An analysis

indicated cooperatives had well-developed, comprehensive, and active strategic planning systems.

Wadsworth, James., and David Chesnick. *Consolidation of Balance Sheet Components During Cooperative Mergers*. Agr. Coop. Serv. Res. Rpt. no. 139. Washington, D. C.: U.S. Department of Agriculture, 1995.

Implications of combining balance sheet components during cooperative mergers are discussed, including methods of combining member equities. Several case studies of cooperatives that have merged are included. This report is intended to help cooperative leaders and others better understand financial aspects involved in mergers and developing a plan to combine major balance sheet components for merger, consolidation, or acquisition.

Wadsworth, James., and James Staiert. *Strategic Planning: A Conceptual Model for Small and Midsize Cooperatives*. Agr. Coop. Serv. Res. Rpt. no. 112. Washington, D. C.: U.S. Department of Agriculture, 1993.

Strategic planning, a decision-making and planning tool, can be used to enhance cooperative operations and probability of success. Basic elements and attributes are described. This report presents information on how strategic planning can be implemented as a system or process in small or midsize cooperatives. Basic elements and attributes are defined and described in the context of cooperative organizational structure.

Wan, Guang H., Zhang, Y. Zhou, and John L. Dillon. "On the Reform of Rural Supply and Marketing Cooperatives in China." *Agricultural Economics* 2 (1988): 73-88.

As a bridge between city and countryside, industry and agriculture, producer and consumer, Rural Supply and Marketing Cooperatives (RSMCs) play a key role in distributing commodities and purchasing rural products for some 800 million people in China. While overall economic reform started in 1978, the reform of RSMCs began four years later in 1982, with greater

emphasis on recovery than reform. The development of RSMCs is reviewed, along with a description of their operations and an appraisal of the reform that was started in 1982. Suggestions as to further reform of the RSMC system are given.

Ward, Clement E., Tim J. Bliss, and Julie A. Hogeland. *Marketing Fed Cattle: Cooperative Opportunity*. Agr. Coop. Serv. Service Rpt. no. 38. Washington, D. C.: U.S. Department of Agriculture, 1993.

Cattle feeders increasingly concerned about market access and pricing methods due to structural changes in the marketplace may look to forming a marketing cooperative as one alternative. Three types of fed cattle cooperatives are discussed—bargaining cooperatives, electronic marketing cooperatives, and integrated cattle feeding/meat-packing cooperatives.

Warman, Marc. *Cooperative Grain Marketing: Changes, Issues, and Alternatives*. Agr. Coop. Serv. Res. Rpt. no. 123. Washington, D. C.: U.S. Department of Agriculture, 1993.

Changes experienced by the cooperative grain marketing industry during the past two decades are examined. The different influences and factors that led to these changes are analyzed. Issues currently affecting grain marketing cooperatives and which will define the future environment in which they operate are also discussed. Also included is an outline of directions cooperatives can follow to become more competitive.

Wells, John. *Directory of Farmer Cooperatives*. Agr. Coop. Serv. Service Rpt. no. 22. Washington, D. C.: U.S. Department of Agriculture, 1995.

Tenth edition of the directory first published in 1968. It contains a state-by-state listing of more than 300 farmer-owned marketing, farm supply, service, and bargaining cooperatives. To qualify, cooperatives had to have sales of \$30 million or more in 1993. For states where no cooperative had \$30 million in sales, the five largest were chosen. Other cooperatives were added because of

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uniqueness of product handled or services provided. Each entry lists the name and address of the cooperative, name of the chief executive officer, and types of products handled.

White, T. Fred, Jr., et al. *Livestock, Wool, Poultry, & Meat Co-ops: Function, Marketing, & Services*. Agr. Coop. Serv. Res. Rpt. no. 118. Washington, D. C.: U.S. Department of Agriculture, 1993.

Outlines marketing methods and services used by cooperatives handling livestock, wool, poultry, and meats. Data from 201 cooperatives were analyzed. Functions and services offered and marketing techniques used by cooperatives are outlined. This report may be used by potential or existing cooperatives for performance evaluation or planning.

White, T. Fred, Jr., and David Chesnick. *Retained Ownership of Cattle: Simulation and Financial Analyses Model*. Agr. Coop. Serv. Service. Rpt. no. 34 Washington, D. C.: U.S. Department of Agriculture, 1993.

This user manual and computerized disc containing a simulation model that enables cooperatives to consider retained ownership of cattle in feedlots on behalf of member-producers. The simulation model that has been developed requires little computer knowledge, but provides various production and financial analyses. Model is compatible with IBM PC computers.

Wiggins, Lucy Ann. "Cooperatives, Securities Violations, and Advisor Liabilities: A Case Study." *Journal of Agricultural Cooperation* 2 (1987): 96-110.

A description of facts and actions leading to liability of a cooperative's attorneys and accountants for securities law violations. The cooperative, through conflicts of interest and failure of those charged with conducting its affairs to meet their responsibilities, purchased a gasohol plant that sent the cooperative into bankruptcy. A "demand note" financing system was conducted in violation of securities laws. Directors, management, and professional

advisors were held liable for losses suffered by the cooperative and investors.

Wills, Robert L. "Evaluating Price Enhancement by Processing Cooperatives." *American Journal of Agricultural Economics* 67 (1985): 183-192.

Section 2 of the Capper-Volstead Act requires the secretary of agriculture to determine whether a cooperative has unduly enhanced its prices. There has been no consensus about what level of price enhancement is too high. This paper contrasts pricing of cooperative and proprietary brands of differentiated food products. Empirical evidence indicates that market share and advertising do not generally provide cooperatives any more power to enhance prices than they give proprietary firms. The paper suggests a standard for undue price enhancement, the predicted price level of proprietary brands in similarly structured markets.

Wineholt, David A. *Grain Cooperatives*. Agr. Coop. Serv. Coop. Info. Rpt. no. 1, sec. 15. Washington, D. C.: U.S. Department of Agriculture, 1990.

Discusses cooperative marketing of food and feed grains, except for rice and dry beans and peas. Gives the number of cooperatives engaged in marketing, handling, or processing grain and soybeans. Includes an early history of country elevators. Future opportunities for rice cooperatives are also discussed, including the role of technology to boost yields.

Wissman, Roger. *Working with Financial Statements*. Agr. Coop. Serv. Coop. Info. Rpt. no. 43. Washington, D. C.: U.S. Department of Agriculture, 1991.

The financial health and performance of cooperatives can make a major impact on the financial conditions and operations of the cooperative's patrons. This basic guide is intended to inform members who are unfamiliar with cooperatives' annual statements, the principal source of information about its financial condition. The report, oriented to grain marketing and

farm supply cooperatives, is designed to help members understand and analyze their cooperative's financial statements.

Wood, Louis Aubrey. *A History of Farmers' Movements in Canada*. Toronto, Ontario: University of Toronto Press, 1975.

Gives a detailed record of the means used by farmers between 1870 and 1924 to remedy the economic, social, and political injustices from which they suffered. Includes: The Grange in Canada since 1872; the Patrons of Industry; the Farmers' Association in Ontario; the rise of grain growers' movements in the prairies; the launching of tariff struggle; and the farmers' movements in recent years.

Worsley, Peter, ed. *Two Blades of Grass*. Manchester, U.K.: Manchester University Press, 1971.

Focuses on the extent to which patterns of relationships in traditional communities can be used as the basis for modern cooperative development. Examples are drawn from Africa, Israel, China, Latin America, and the Pacific Islands. It considers the place of rural cooperatives in the economic, social, and political life of the country.

Yager, Francis P. *Vegetable Cooperative Bookkeepers Accounting Exercise*. Agr. Coop. Serv. Service Rpt. no. 4. Washington, D. C.: U.S. Department of Agriculture, 1984.

Accounting exercises designed to help establish and keep a single set of financial records. An accounting exercise in the report can be adapted for use by other types of cooperatives. Frequently used accounting terms are defined.

Yager, Francis P., and David E. Cummins. *Financial Profile of Cooperatives Handling Grain: First Handlers, \$1 Million to \$4.9 Million in Sales*. Agr. Coop. Serv. Res. Rpt. no. 58 Washington, D. C.: U.S. Department of Agriculture, 1986.

Local cooperatives handling grain in this size category are discussed in terms of storage capacity, grain volume and total

sales, and accessibility of railroads. A detailed financial analysis includes measurements a cooperative can use for comparisons. Most of the 2,275 grain marketing cooperatives surveyed also handled farm production supplies and provided related services.

Yager, Francis P., and David E. Cummins. *Financial Profile of Cooperatives Handling Grain: First-Handlers, \$15 Million Sales or Larger*. Agr. Coop. Serv. Res. Rpt. no. 53. Washington, D. C.: U.S. Department of Agriculture, 1986.

Cooperatives handling grain in this size category are discussed in terms of storage capacity, grain volume, and total sales, and accessibility of railroads. A detailed financial analysis includes measurements a cooperative can use for comparison.

Youde, James G. "Cooperative Membership Policies and Market Power," in *Agricultural Cooperatives and the Public Interest*, Monograph #4, N.C. Project 117, (1978): 219-225.

It is proposed that cooperative performance and market power potential are dictated by the cooperative's membership policies—that is, whether the cooperative is an open (OM) or a restricted (RM) membership cooperative. Adoption of restricted membership policies could result from two forces acting separately or simultaneously. The first occurs if the cooperative holds sufficient market power that a probable increase in its final product supply depresses prices, thus necessitating limited membership to prevent losses to both members and the association. The second is when the cooperative faces short-run diseconomies of scale where average costs are increasing and member returns are decreasing. Membership must be restricted in this situation until cooperative capacity can be expanded. It is concluded that RM cooperatives may lead to performance inferior to that of an equally efficient investor-owned firm. OM cooperatives, on the other hand, cannot possess significant market power without the ability to control

members' production decisions or the distribution of their finished product sales.

Youde, James, and Peter G. Helmberger. "Marketing Cooperatives in the U.S.: Membership Policies, Market Power, and Antitrust Policies." *Journal of Farm Economics* 48 (Aug. 1966): 23-36.

It is often held that cooperative marketing is one way that the farmer can gain market power. This paper explores this power and what the implications are for antitrust policy toward cooperatives. The question of the extent of restricted membership cooperatives and their power is answered. It was found that only 22, or 15 percent, of the 150 regional associations (including the 31 leading cooperatives) contacted in the study restrict membership. And only 6 of these firms (4 percent of the total) have market power that apparently leads to membership restriction; the other 16 firms limit membership because of plant capacity or the pooling provisions of milk marketing orders. Also, the possession of market power by cooperatives in the sale of their final products appears to be fairly limited. A total of 9 of 150 firms in the study (6 percent) are judged to possess significant power in the sales of their products. Youde and Helmberger conclude that as long as farm industries have atomistic structures, cooperative marketing is particularly desirable where concentration in procurement is necessitated by economies of scale in marketing. And second, to the extent that marketing cooperatives deal with powerful buyers, one might hope that the clash of countervailing power would benefit the public interest.

Also See: Youde, James, and Peter G. Helmberger. *Membership Policies and Market Power of Farmer Cooperatives in the United States*. Wisconsin Agr. Exp. Stat. Res. Bull. 267. Madison: University of Wisconsin, Aug. 1966.

Zusman, Pinhas. "Group Choice in an Agricultural Marketing Cooperative." *Canadian Journal of Economics* 15 (May 1982): 220-34.

The conclusion of this analysis is that any attempt to explain the behavior of a cooperative enterprise as a solution to a maximization problem is likely to encounter several difficulties. First, it not clear that the appropriate objective function exists, and if in fact it does exist, that it is identifiable and quantifiable. The basic policy decisions in a cooperative are arrived at through group processes, and any theory of the cooperative's behavior must explicitly recognize this fact. A direct analysis of the actual group choice process, therefore, should seek to establish the relationship between the objectives of individual members, the composition of the group in terms of the members' important characteristics, the set of feasible policy instruments, the cooperative constitution and the cooperative's actual policy choices.