

ALTERNATIVES FOR THE FUTURE

It was an honor for me to have been asked to "kick off" your program this morning. Many times since accepting this honor I have felt that a prudent person would have accepted the honor of being asked and then found a excuse not to accept the invitation. From the contacts I have had with your planning committee I understand they want me to "shake you up". In fact, this portion of the program was originally planned to have been a debate. After I accepted my part on the program, I think the committee was unable to find anyone else to participate, as all those they asked said that they did not mind challenging me to a battle of wits but they didn't want to take advantage of an unarmed man.

A professor of military science at The Ohio State University wrote in his book, You Win With People, something to the effect that 'you don't get the best out of people until you have agressed them'. It is my hope here this morning that I can "agress you"; I hope that I can challenge your thinking; I hope that I can generate some concerns, responses and some action. While I would much rather entertain you and tell you what you want to hear, that is not my assignment. Those in the audience who know me or have been in my classes know that I am never outspoken, that I never needle nor prod a person, so my presentation here this morning may embarrass them, or at least surprise them, as I attempt to challenge each of you.

To set the stage, let me reconstruct a little history. Historically, general agricultural price declines have motivated some farmers, possibly those in greatest danger to anticipate action. Often those felt endangered have formed new agricultural organizations. Most such farmer organizations have discovered that after trying to get someone else to solve their problem - government or legislation - that through the cooperative form of business the marketing channels could be

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shortened and some increase in net farm income could be realized from 'value added' to products they market or purchase. Leaders like you who understood cooperatives as a type of business and believed in cooperatives told farmers about cooperatives as one of the 4 ways of doing business in our free competitive capitalistic economy. Historically, leaders like you who understood cooperatives as a unique form of business pointed out to farmers that cooperatives could be used as a tool to increase value of farm inputs and outputs - that the cooperative form of business is different from the other 3 ways of doing business they are not investor oriented - they operate at cost, have democratic control, and dividends on capital is limited.

Leaders like you sold their dreams to farmers who felt an economic need and who discovered that by using the cooperative form of business these dreams could become realities. Farmers provided the dollars - often without interest - to make these dreams of a better tomorrow come true. The dreams of yesterday's leaders like yourself and the cooperative firms that were organized to accomplish these dreams are some of the firms represented here today.

Yes, leaders like you sold their dreams about the future to people, some say these early leaders were evangelists - and maybe they were - at any rate they understood how cooperatives differed from the other ways of doing business in our economy. Certainly the leaders of yesteryear had a basic philosophy of "What's best for farmers rather than what's best for me" as well as a knowledge of the cooperative way of doing business.

It is true that one of the major contributions of cooperatives was to provide services that were not available and that cooperatives provided markets that were not already available - that they did these things in a time when the production of wealth, efficiency and reduced costs were prominent in our economy and government. The battle cry of yesteryear's agricultural leaders like yourself was

'to improve the standard of living of farmers'. It is also a fact that some of today's young farmers don't care about this history - the same was true of young farmers thirty years ago when I was a young farmer; however, those who can not see the opportunities for cooperatives today would not have seen, or maybe even wanted to have gotten involved 30 - 50 or 100 years ago.

From 1960 to 1970 U.S. rural population declined about .3%. In 1960 thirty percent of the U.S. population was rural and in 1970 only 26.5 percent of the population was rural.

From 1960 to 1975 U.S. population increased 18%; this was the result of a 3 percent increase in those less than 18 years of age; 26% increase in those from 18 - 65 years of age and a 35% increase in those over 65 years of age.

From 1960 to 1975 land in farms in the U.S. decreased about 10%

We can agree, I hope, that agriculture and economic and political climate is changing. Some of you may even agree with me that agricultural policy decisions are no longer made by agriculturalists or farmers but by non-agricultural people; some of you may even agree with me that agricultural and food decisions are going to be made by non-agricultural people who believe that food is the right that we all have and that agriculture and the production and distribution of food should be a public utility.

I do not plan to predict the future. I'll leave that to you, and get on with the alternatives. Part of my assignment is recognizing that your selection of alternatives may be influenced by how you see the future.

It is misleading for us to speak of 'the' American farmer, agricultural cooperatives, college graduates, cooperative employees, directors of personnel, training and human resources, as each of these groups has much variance within it. Farms, farmers, and agricultural cooperatives come in all sizes, successes, and volume. There is not much in the way of understanding to be gained by calculation of averages.

Many firms which started out as agricultural cooperatives, following the basic principles that differentiate cooperatives from other types of businesses, have, for whatever reason, ceased being a cooperative and now operate as one of the other ways of doing business, usually an investor corporation, in our free competitive economy.

The firms you represent here today vary in many ways - some of you are employed by cooperatives, and others by investor corporations. Some of you represent centralized firms - others federated; some of you are employed by firms that have a federal charter - others from firms with state charters; some of your firms are chartered under cooperative statutes - some under investor corporations and maybe others under non-profit statutes. Some of your firms are chartered under your state statutes while others are chartered under Delaware's or other states with broad corporate statutes. Some of you are employed by firms owned and controlled by farmers - others from firms owned and controlled by farmer organizations and others of you are from firms owned and controlled by investors. So you see, it is impossible for us to find one simple set of solutions that will solve everyone's problem. You must first identify yourself.

For example, at another meeting I observed a group of other executives from your firms discussing how they should work with local boards - those from Federated Cooperatives had one situation - those from Centralized Cooperatives don't have local boards - those from cooperatives were thinking of boards that were democratically elected and received benefits from the firm by using it, while those who served on boards of investor corporations received benefits from return on investments. Still others were from firms where management, not farmer board members, were the policy makers.

Identify yourself and your firm. Does your firm follow the three basic principles of a cooperative - operations at cost, democratic control, and limited

return on capital? If you discover your firm is a cooperative, is it centralized or federated? Does it have a state or federal charter? Identify the policy makers. Next, you need to identify the objectives of your firm - what is your firm's mission?

Once you complete these two assignment you will know who you are and where you are going. This advice is not just for you young people or new employees - those of you who have been around as long as I need to determine if the firm you work for is, or is not, a cooperative - is still a federated or centralized cooperative and what current objective of the board and/or management is in 1979? Each of you need to challenge each other as to the type of firm you represent.

As we look at alternatives for the future we must recognize the many variances that are present within the assembly of "Directors of Personnel, Training and Human Resources" in agricultural cooperatives; this will help us to better understand each other's viewpoints and ideas.

Your first alternative: Is your firm a cooperative or should your firm be a cooperative? John W. Holt, Director of Corporate Tax Division, IRS, wrote, "Many patrons tend to view their cooperative as just another way of doing business." . Mr. Holt goes on to write, "This has been reflected in the members' apparent unwillingness to accept the limitations or restrictions on mutuality. Rather, they require of their cooperative all the benefits they can achieve thru commercial (investor) enterprise and also the additional benefits inherent in mutuality."

Is it possible that not enough of the firms' people know what a cooperative is, how it operates and how it returns benefits to its members?

Most of our academic training was based on investor-oriented corporations. There are too many examples of where cooperative directors and staff trained in corporate law, corporate finance, corporate planning, etc., have attempted to direct and manage a cooperative the same as an investor-oriented business. Many of these sincere and well meaning but misdirected efforts have resulted in disaster

to the individuals and the cooperative because they were not in the right game, thus the unfavorable press and unfavorable attitude toward cooperatives by employees of IRS, SEC, Justice, and etc. Yes, cooperatives must be operated with many of the same management and business principles as other types of businesses but within the unique characteristics of cooperatives. Once the individual understands which type of firm he is in -- cooperative or investor corporation -- he must know, understand, and use the rules for that type of business.

I would not be very successful playing tennis with a golf ball and a baseball bat or playing golf with a tennis racket and a volleyball. The same goes for those who try to manage a cooperative as if it were an investor corporation.

There are many games played with a round ball; for example, baseball, softball, tennis, golf, basketball, handball, and volleyball. Each game has its own rules and goals and the player must know the rules if he plays the game. The same is true for managing a business.

I trust you recognize that there are many cooperatives that operate in the non-agricultural segment of our economy and that many investor corporations have joined together to organize cooperatives. Cooperatives are not limited to agriculture.

It may not be an alternative of yours to decide the type of business your firm should be; however, it is your responsibility to determine the type of firm you work for. The only way I know to determine if a firm is a cooperative is to determine if it follows the three basic principles - operations at cost, democratic control, and limited return on capital.

I'm going to further narrow my presentation by assuming that each of you selected the alternative to be a cooperative. I do this, recognizing that some of you believe that cooperatives are out-dated and can't keep up with the other types of businesses.

Who should teach the public, the members of the cooperative, and the employees of the cooperative - what a cooperative is - how it operates - why interest should not be paid on members capital, etc.?

Which alternative would you select - public schools, vocational schools, colleges, Extension, employers of the cooperative, or The American Institute of Cooperation?

Is it necessary or even advisable that prospective employees know anything about the cooperative way of doing business?

Is there a danger that if cooperative education is left up to the cooperative, the employees of the cooperative it will be directed toward, we are a cooperative therefore what we do is what a cooperative is supposed to do.

Should employees be trained to sell feed - or the cooperative?

Who should be the policy determining body of the cooperative, the management or the board of directors elected by the owners?

How should the board of directors be chosen, by management or the members?

Should we go after more customers or more members?

Should members be committed?

Should credit cooperatives employ persons educated in corporate finance and re-educate them?

Should cooperatives have the same sales, credit, public relations, training programs, as investor corporations?

Can cooperatives keep up with their competitors?

