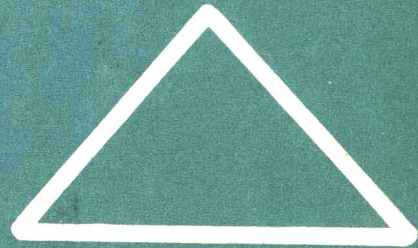


**Cases in
COOPERATIVE
MARKETING**



Glynn McBride

CASES IN COOPERATIVE MARKETING

A Workbook Supplement to

**AGRICULTURAL COOPERATIVES: THEIR WHY
AND THEIR HOW**

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CASES IN COOPERATIVE MARKETING

What This Workbook Is About

This workbook is a supplement to Glynn McBride's textbook, Agricultural Cooperatives-Their Why and Their How. It gives explanations of the problems involved, and the techniques and methodology for solving the problems in a hands-on manner. It is set up on an assignment basis that illustrates the principles and areas discussed in the textbook.

The Workbook has a number of purposes but the most important one is to help bring the subject of agricultural cooperatives-their management, their unique characteristics, their problems, and their opportunities-to life. The way in which this is done is as follows:

- (1) It provides students with practical and interesting examples of the different kinds of problems that cooperative managers, boards of directors, and staff work on every day. In doing the assignments, students become personally involved in the practical world of agricultural cooperative marketing.
- (2) It introduces students to techniques and materials that are referred to in the textbook and provides an opportunity to be directly involved in the use of the technique or method and the problem area which is addressed in a very practical hands-on type of effort.
- (3) In keeping with the textbook, it encourages the student to evaluate the techniques along with the outcomes of their use in a critically constructive manner designed to find better methods or improve upon those being used. This is emphasized as being an essential part of the process of moving toward professionalism.

By design, the assignments are kept relatively short. Not every chapter in the textbook is specifically covered but most are. In some cases, the assignments present only criteria for making decisions regarding the work at hand rather than a straightforward formula or technique. Again, this is done to encourage a constructively critical posture in thinking through what is involved in the issue and in carrying out the process.

The assignments may be done as part of a classroom discussion or as a homework assignment. Both pre- and post-discussions and questions are encouraged.

A Note to the Student

The case method of teaching and learning used in these assignments is perhaps different from other methods which you have used. It enables you to work on real problems which exist in the world of cooperatives and to develop analytical and decision-making skills which are so necessary for success in cooperative marketing and in other areas of business. Your task as a user of this case book is to develop well-reasoned solutions to the problems confronting the decision makers.

Each of the assignments or cases is a problem or issue which has been faced by cooperative leaders, together with relevant facts and perhaps biases and opinions on which the decision makers had to rely. You are to analyze, discuss, and make a final decision as to what action should be taken.

The process through which you will go in arriving at an answer is very important. Your instructor will expect you to develop the ability to make decisions based upon your analysis of all relevant information which is available to you. You are also expected to develop communication skills in both speaking and writing. It is quite clear that a great deal of responsibility has been given to you and that it requires a great deal of time. It is a tried and true path, however, on the road to becoming a professional.

Studying in this manner will develop your ability to think critically and to evaluate. It will help you to effectively reason when dealing with the problems and information relating to them. Learning to present your analysis in an understandable and convincing manner will enable you to develop skills in communications. This is very important to your career goals. You will have to learn to defend your decision and how you reached it against the criticism of others in the class. There may be something which you've overlooked and some points which you may not have considered important. The process of presenting and defending points of view is very valuable.

In preparing for an assignment, you should first read the assignment to get a feel for the type of problem in the assignment. After that, read the assignment carefully and grasp all the key facts in the case. You will have, of course, reviewed the chapters in your textbook which were suggested as being important. You may wish to have more data and information. This is the usual case.

Once you have mastered the facts in the assignment and formulated your assumptions, the next step is to identify the issues and problems which must be solved in your analysis. Learn to separate the symptoms from the problem.

After this has been done, you should then identify alternative courses of action. Usually there are several possible courses of action which may be followed. Never lock onto only one alternative before you have thoroughly investigated several courses.

Then you should evaluate each possible course of action. After careful analysis of each course, you decide which one to follow. Your plan must be logical and must appear to have a high probability of success in solving the problem.

Once you have articulated your plan, some thought should be given to its implementation. What should the cooperative manager do about your plan? Many excellent plans fail if not properly implemented.

The classroom setting should only be used for interpretation of the facts as they were used in reaching a decision. Everyone should have read the assignment and should already be familiar with the facts.

This assignment or case method obviously requires a great deal of preparation time. Satisfying dividends are there, however, if you seriously spend the time in adequately preparing each of the steps suggested above. A willingness to invest the time and to master the process will almost guarantee that you have taken a significant step on the road to professionalism.

. Good luck!

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Assignment 1 in Agricultural Cooperatives-
Their Why and Their How-
Cases in Cooperative Marketing

The Economic Underpinning
of Agricultural Cooperatives

1

Statement

The cooperative form of group action has been in use for many years, even before its status was clarified by the Capper-Volstead Act in 1922.

Despite this rather long history of use, there is still a great lack of understanding and a great deal of misunderstanding in regard to their economic justification. There are also questions regarding their being permitted to use certain procedures such as in taxing their net margins.

Without pointing a finger of blame at any group for this lack of understanding, it seems important that the position of agricultural cooperatives in our economy be clarified and perhaps fully understood. If it rests on weak economic underpinnings, that should be substantiated. If a sound economic base constitutes the rationale for their existence, that should also be substantiated and made generally known.

Follow these guidelines with the view to formulating your own position in regard to this important area and, once developed, be prepared to articulate it. The "why" section of your textbook should be reviewed carefully in preparation for this assignment. The guidelines, as suggested by the questions, should be helpful.

Guidelines

1. What is meant by economic power?
2. What are the sources of such power?
3. What is meant by terms of trade?
4. What is meant by structure of an industry and what is its significance for the purposes here?
5. What is competition-traditional and present-day?
6. What are economies of scale?
7. What are fixed costs?
8. What is conduct?

9. What is meant by market adjustment?
10. What is meant by the public interest?
11. What is meant by laissez-faire?
12. What is meant by assisted laissez-faire?

Name _____

Course _____

Assignment 1

Date _____

Problem

A bill has been introduced into the U.S. House of Representatives calling for a review of the Capper-Volstead Act with the view to repealing it, significantly amending it, or accepting it as being economically justified. The sponsors of the bill state that they have been besieged with questions regarding agricultural cooperatives and their legal foundations and they wish to have answers to such questions. Once answers to the questions have been found, the sponsors suggest that they be made generally known to the public and soundly based positions should be articulated.

You have received the following letter from the Member of Congress from Your Congressional District:

Dear _____,

House Bill 802 has been introduced into the House of Representatives. It is sponsored by ten members of the Congress. It is scheduled to be debated within the next six weeks.

This Bill calls for a complete review of the economic foundations of the Capper-Volstead Act under which agricultural cooperatives operate. Under such a procedure, the Act could be abolished, changed, or left to stand as it is.

I must admit that I know very little about agriculture, agricultural cooperatives, or the Capper-Volstead Act. I do wish to vote intelligently on the Bill, however, and I'm calling upon you for help since I have been told that you are very knowledgeable in this area. Please provide me with detailed information in regard to any and all areas which you feel are important in giving me enough understanding of what is involved that I can vote intelligently when this Bill comes up.

Sincerely,

Your Member of Congress

Using the format suggested by the questions below, prepare a paper for the Member of Congress which will make it possible to vote intelligently on the Bill when it comes up.

1. The antitrust position of the United States rests on _____

2. The philosophical position reflected in this legislation is that we are basically against _____

3. The Sherman Antitrust Act made no mention of agricultural cooperatives probably because _____

4. The Sherman Act failed to meet its objectives because _____

5. The Clayton Act mentioned agricultural cooperatives when it said _____

6. This was not sufficient because _____

7. The Capper-Volstead Act was passed because _____

8. It is made up of _____ sections which provide _____

9. These are some of the areas which are important in understanding why we have such legislation as the Capper-Volstead Act.
- a. Structure means _____

 - b. The structure of agriculture is characterized by _____

 - c. The structure of the industries which sell inputs to agriculture is characterized by _____

 - d. The structure of the industries which buy the output from agriculture is characterized by _____

 - e. These industries (c and d) became structured that way because

 - f. Agriculture is structured as it is because _____

 - g. Structures such as those in (c) and (d) make conduct options possible such as _____

 - h. Conduct options open to industries structured as is agriculture are

i. Terms of trade between agriculture and the (c) and (d) industries are affected such that _____

j. Couple this with the type of _____ demand which agriculture faces for its product and its position is further weakened.

k. Economic equilibrium adjustment under such conditions (too much or too little) is _____

l. The public interest is _____

m. The Capper-Volstead Act is a form of _____ laissez-faire, or an aid to economic adjustment.

n. In my judgment, the Capper-Volstead Act should be _____

Assignment 2 in Agricultural Cooperatives-
Their Why and Their How-
Cases in Cooperative Marketing

Guidelines in Deciding Whether
to Start a Cooperative

2

Statement

Agricultural cooperatives are the answer to every marketing problem and agricultural cooperatives won't work anywhere are two unacceptable, unprofessional positions.

A professional approach to any decision involves gathering relevant information and using it as the basis for the decision. As an essential part of a professional approach, use the hypothetical case situation below as the data necessary for answering the questions and as the basis for your decision. Use the form to write your recommendation and its rationale.

Relevant data for use in this decision include: 300 dairy farmers; average number of cows milked, 80; production per cow, 15,000 pounds per year (300 days); processors who had been buying their milk decided to go into soft drink bottling; no other market available except under stress prices; demand for cheese very strong; 100 pounds of milk makes 10 pounds of cheese; whey disposal a problem; obsolete cooperative butter plant facilities available for purchase; supply of milk expected to increase in nearby area over next several years; former butter maker is also an excellent cheese maker; former manager of cooperative butter plant might be available; municipal waste disposal system is adequate and available; population in surrounding area is sparse; adequate commercial banking facilities and Bank for Cooperatives in the district; very financially conservative farmers-well managed farms; 6 acres of land in addition to butter plant area needed; 61,000 sq. ft. of building and cooler space needed; land sells for \$5,000 per acre; wages and salaries, \$4,000 per week; building costs, \$75 per sq. foot; supplies and utilities costs, \$4,000 per month; cost of raw material (milk), \$10.00 per cwt; machinery and equipment cost, \$2,000,000; office equipment cost, \$4,000, 5-day week; and price of cheese, \$1.25 per pound.

Follow these guidelines and using the data from the case situation decide whether to start a cooperative. You should review Chapter 7 and elsewhere in your textbook in preparing for this assignment.

Guidelines

1. There is a problem-must be a need.
2. Must understand how a cooperative operates.

3. Must understand legal foundations of cooperatives.
4. Must be sufficient potential members.
5. Must be sufficient potential product volume.
6. Must be sufficient capital.
7. Must be managed properly.

Name _____

Course _____

Assignment 2

Date _____

Problem

Suppose it is generally recognized that milk producers in an area have a problem in marketing their milk. Various ways of trying to overcome the problem have been discussed for some time by a number of producers. A cooperative has been suggested as a possible solution to the problem.

Your objective in this assignment is to prepare a report for the last meeting of the potential members of the cooperative in which you provide information on which you base your recommendation. Use the outline shown below in providing the information. Follow these steps in preparing your report for that meeting. Use the case data and the form below in reaching your conclusions and as the basis for your recommendation.

Hypothetical Situation

1. The problem is _____

2. Evidence of the problem includes _____

3. Our objectives are _____

4. The main features of an agricultural cooperative are _____

5. The legal aspects of a cooperative of relevance to us are _____

6. Facilities needed _____

7. Initial capital needed (fixed capital + 1 year operation)? \$ _____

8. Percent provided by members _____%

Percent borrowed _____%

9. Operating Costs

Wages and salaries/year \$ _____

Supplies, utilities, etc./per year \$ _____

Raw material \$ _____

Total \$ _____

Fixed Costs

Land (30 years) \$ _____

Buildings (30 years) \$ _____

Machinery and equipment (5 years) \$ _____

Office equipment (5 years) \$ _____

Total \$ _____

10. Total Operating Costs for one year \$ _____

11. Sales (Revenue)

Product sales \$ _____

Other (interest, etc.) \$ _____

Total \$ _____

12. How many potential members are there? _____
How many will become members if the cooperative is formed? _____

13. How much milk will they provide to the cooperative?
_____ pounds per year

14. Is that a sufficient volume? _____

15. Will a membership contract be used? _____

16. How long a period of time will it cover? _____

17. What type of manager will be needed? _____

Is such a person available? _____

18. What other types of specialized employee(s) will be needed?

Are they available? _____

19. Will the membership fee be based on number of units sold or on a
percentage of value of sales? _____

Why? _____

20. Membership fees will be used for _____

21. How will members build equity in their cooperative? _____

22. Will this be a flat fee per unit sold or a percentage of sales?

Why? _____

23. What is your recommendation and why? _____

24. If the decision is to form a cooperative, what are the next steps which should be taken?