

AGRICULTURAL COOPERATIVES

Agricultural cooperatives have thrived, and continue to thrive, because of the universally appealing concept of people working together. Cooperatives are created as individuals with common needs band together to form an independent business entity to serve the needs of the collective membership. Cooperatives, like other businesses, are continually evolving to meet those needs and to respond to ever changing markets. Co-ops are typically formed when the marketplace fails to provide needed goods or services at affordable prices or of acceptable quality.

One local example of a successful agricultural cooperative is Intermountain Farmers Association (IFA). Originally organized as the Utah Poultry Co-op, this business met the supply and marketing needs of the Utah poultry industry for many years. Over time, fewer farmers raised chickens. As chicken coops became empty, IFA had to recreate itself to meet the evolving and diverse needs of agricultural producers in Utah and surrounding states. Mergers, consolidations, acquisitions, and restructuring are ongoing processes for successful agricultural cooperatives.

Cache Valley Breeders Association (CVBA) was organized locally by progressive dairy and beef producers who saw the potential benefits of artificial insemination. Independent producers seldom had the financial resources needed to purchase bulls with superior genetics. As an organized group, however, these cattlemen were able to acquire supreme sires, collect and process the semen, and then market the product to members of the cooperative. Over time, the Board of Directors elected by the members, made the decision of merging with other reproductive cooperatives. Today CVBA is known as Cache Valley Select Sires (CVSS). As a federation of 10 farmer-owned and controlled cooperatives, CVSS has enhanced the productivity and profitability of beef and dairy producers world-wide. Much of the progress made with increased growth rates in beef cattle, and improved milk production in dairy cows, has come as a result of this successful agricultural cooperative.

Cache Valley Cheese became famous through the cooperative efforts of Cache Valley dairymen who organized Cache Valley Dairy Association (CVDA). Without this agricultural supply, processing and marketing co-op, the dairy industry of Cache Valley would be much different than it is today. There have been numerous mergers, consolidations, and acquisitions of this co-op over time. Today, Dairy Farmers of America (DFA) processes some of the milk in this valley. Not everyone is convinced that mergers are beneficial to local cooperative members, but that seems to be the process that most business entities follow. Elected Boards have substantial responsibilities as they represent the membership in making weighty decisions.

Cooperatives follow seven internationally recognized principles as the basis for doing business. These include: (1) voluntary and open membership; (2) democratic member control; (3) member economic participation; (4) autonomy and independence; (5) education, training and information-sharing; (6) cooperation among cooperatives; (7) concern for the community.

A cooperative is a user-owner and user-controlled business that supposedly does business at cost. Members elect the Board of Directors from their ranks and are owned and managed by their members and not by outside investors. Major policy decisions are based on the one-member, one-vote principle,

regardless of each member's investment in the cooperative. Cooperatives exist solely to serve their members.

At the end of the fiscal year, or when the Board of Directors approves distribution of profits, the co-op distributes net earnings equitably on the basis of use or patronage. A farmer member who accounts for 5% of the volume of business would receive 5% of the net earnings. Such patronage dividends help boost the income of farmers directly or may reduce the effective cost of the goods and services provided. Cooperatives pay taxes on income retained for investment and reserves. Surplus revenues returned according to patronage to individual members are also taxed.

The vast majority of consumers do not recognize the role agricultural cooperatives play in the food and fiber industry. If they were recognized, it might well be that cooperatives would have stronger support from legislative bodies and from the general public.