
An Agricultural Cooperative Business Course

Matt R. Raven, Doug Bishop, and Michael D. Wright

Abstract

Cooperatives play an important part in agricultural business. In the United States a quarter of all farm supplies come from cooperatives and one-fourth of all commodities are marketed through cooperatives. Cooperative education is one principle that makes cooperatives unique from other forms of business. However, cooperative education decreased during the 1980's because of the national recession. Cooperatives in Montana reversed this trend by contributing funds to develop high school and university cooperative education curriculum. The first university course focused on the principles of the cooperative. Subsequent courses will deal with management principles of cooperatives and cooperative work experience.

Introduction

Cooperatives are an integral part of American economics, especially in agricultural markets. Ingalsbe (1990) suggested that cooperative enterprises affects the life of every American almost on a daily basis. Figures released by the Agricultural Cooperative Service (1993) show the 4,494 farmer owned marketing, purchasing, and service related cooperatives conducted \$76.6 billion of business during the 1991 fiscal year. In 1989 cooperatives provided 24% of major farm production supplies and marketed 26% of all agricultural products (Ingalsbe, 1990). Cooperatives also provide rural residents with electricity, water, telephone service, credit, and insurance (Barton, 1989).

Cooperatives play an important role in American agriculture because cooperatives allow farmers to pool their financial resources and carry out business activities they could not otherwise conduct. Barton (1989) commented that farmers have had significant economic incentives to join together and form cooperatives. Barton (1989) stated that cooperatives provide farmers with:

...lower prices for supplies and services and higher prices of commodities produced by farmers. Cooperatives pro-

vide services when other companies are sometimes unwilling to do so in low-density rural areas. Cooperatives also provide access to markets for farmers who would otherwise have been denied such access when other companies have withdrawn from the market. Cooperatives also prove to be a reliable source of supplies during periods of shortages. (p. 2)

A cooperative is able to offer these benefits to farmers because a cooperative is a business voluntarily owned and controlled by its member-patrons and operated for them on business at cost basis (Agricultural Cooperative Service [ACS], 1990). As a result, cooperatives enable the owner-users to do business in such a way that benefits accrue to the member-patrons. As with any business, sound policies and practices are essential for a cooperative to be effective. However, there are certain unique principles that underlie the cooperative form of business.

Knowledge of these principles is a requisite for understanding agricultural cooperatives. The ACS (1990) list five principles as features that distinguish cooperatives from other types of private enterprise:

1. Ownership is held by member-users.
2. Control is on the basis of one vote per member.
3. Operations have an at-cost objective.
4. Dividends on member capital are limited.
5. Education is necessary for understanding and support.

Need for Cooperative Education

According to the ACS (1990) the early cooperators recognized the need for constant education to keep cooperatives strong. Cooperative education of current members and future patrons is a cooperative tenet with deep roots in the original principles of the Rochdale pioneers (Jordan, 1992). Duffey (1992a) reported that people must learn how cooperatives work before they can see their potential and use them in their community. Evidence indicates that when a cooperative ignores education the enterprise will eventually encounter difficulty (ACS, 1990). In recent times the need for cooperative education has been recognized by large regional cooperatives, national and state cooperative councils, the American Institute of Cooperation, the ACS, and land-grant universities (ACS, 1990). For example, during the past 60 years Cenex, a regional cooperative based out of St. Paul, MN, has distrib-

Raven is an assistant professor, Bishop is a professor, and Wright is an associate professor in the Department of Agricultural and Technology Education, 126 Cheever Hall, Montana State University, Bozeman, MT 59717.

uted more than \$23 million to promote cooperative education (Jordan, 1992).

However, cooperative education has been on the wane in the United States for the past decade (ACS, 1992). The decline in cooperative education coincided with the substantially diminished cooperative returns resulting from the national recession of the early 1980's. To survive the agricultural decline caused by this recession, cooperatives decreased their budgets and with them resources and personnel that supported cooperative education programs (Duffey, 1992b). Budget cuts at land-grant universities have also contributed to the reduction in cooperative education (ACS, 1992). Duffey (1992b) cited that courses dealing with cooperatives were among the programs cut when states imposed broad based budget cuts to agricultural colleges. Graham (1991) noted the vital role universities have played in educating cooperative employees and members and argued that cooperatives need to put more effort into university relationships.

Despite the decline in cooperative education during the 1980's, the need for cooperatives to educate current and future members is still critical for cooperative enterprises to be successful. Swain and Turner (1992) argued that cooperative survival and expansion is dependent on the principle of education. Jordan (1992) concluded that educating young agriculturalists is crucial for the survival of cooperatives. However, according to the National Council of Farmer Cooperatives (1993) only 20 universities offer courses that concentrate on the cooperative way of doing business in agriculture.

Montana Takes a Step Forward in Cooperative Education

A number of Montana cooperatives recognized the need to improve cooperative education in the state. As a result, the Montana Cooperative Curriculum Development Committee (MCCDC) was formed to provide statewide leadership in the improvement of cooperative education in Montana. The MCCDC solicited funds from Montana cooperatives to be used for curriculum development. Seventeen Montana cooperatives responded by contributing money to the MCCDC for the curriculum project. The MCCDC used part of these funds to award an \$80,000 grant to Montana State University (MSU) to develop a high school and a university cooperative education curriculum. Additionally, the MCCDC cooperated with MSU by providing input into the development of the cooperative education program. The first phase of the project, the high school curriculum, was completed during the summer of 1992. The high school cooperative curriculum with related materials was distributed free of charge to every high school in Montana, even if the school did not have an agricultural education program.

University Cooperative Business Course

The subsequent phase of the curriculum project consisted of developing undergraduate courses at MSU dealing with the cooperative way of doing business. The first course was de-

signed to acquaint students with cooperatives and the cooperative way of doing business. The focus was primarily on agriculturally related cooperatives with particular emphasis given to issues most relevant to Montana cooperatives. A flier was sent to all juniors and seniors in the College of Agriculture for the purpose of recruitment. Additionally, the course was advertised in the College of Business as the principles of cooperatives are similar among all types of cooperatives and students from outside the College of Agriculture would also benefit from this course. Duffey (1992a) commented that cooperative education must reach beyond the agricultural economics department into other departments that are associated with cooperatives such as business and accounting.

Course Content and Procedures

The university course entitled "Cooperative Business: Principles and Practices" was first offered through the Department of Agricultural and Technology Education in Spring Semester 1993. Two instructors from the Department of Agricultural and Technology Education Department and one from the Department of Agricultural Economics team taught the course. Topics in the course included:

1. Cooperative types and principles
2. Role of cooperatives in Montana and the U.S.
3. Management theories of cooperatives
4. Basic aspects of cooperative management
5. The financing of cooperatives
6. State and Federal taxation issues of cooperatives
7. Decision making in cooperative management
8. Legislation relevant to cooperatives
9. Key factors common to successful cooperatives

Student assignments included four exams (40%), a final exam (20%), in-class problem sets and other activities (10%), and a group project (30%). For the group project students were assigned to groups consisting of three or four members. Each group was assigned a local cooperative to study. The cooperatives to which they were assigned included a farm supply cooperative, a milk marketing cooperative, a farm credit cooperative, and rural electric cooperative. Each group visited their assigned cooperative and conducted an interview with the cooperative manager. The plans for the interviews were approved by the instructors before the visit. Information gathered through the interview and the on-site visit comprised the basis for an oral and written report regarding the operation of the assigned cooperative. Some examples of questions asked of the cooperative managers included:

1. What is the role of the cooperative locally, statewide, and regionally?
2. What is the history of the cooperative?
3. What principles are followed in operating the cooperative?
4. What is the nature of the membership of the cooperative?
5. How are the key leaders within the cooperative located and selected?

6. How are decisions made with the cooperative?
7. What are the nature of the by-laws of the cooperative?
8. What are the articles of incorporation?
9. When and how are meetings conducted?
10. What is the nature of the cooperative business plan?
11. How will the cooperative change in the future?
12. What is the future of the cooperative in the area, state and region?

Visit Report

Each group had a 50 minute class period to present their oral report. Each group invited the manager they had interviewed to the oral presentation. One of the managers was able to attend and contributed significantly to the discussion following the presentation. Groups were able to incorporate feedback received during the presentation into their final written report.

The evaluation of group projects was unusual in that it was done cooperatively. Each groups' presentation was evaluated by the other groups. The average of these evaluations was worth 10% of a group member's final project grade. Additionally, each member of a group evaluated the other members of the group. The average of a group member's peer evaluation was worth 25% of that member's final project grade. Each member also evaluated themselves. This self-evaluation was worth 15% of their final project grade. The instructors' evaluation of the oral and written report was worth 50% of a student's final project grade. Students found the system to evaluate the group project fair but challenging.

Students

Fifteen students started the class with fourteen of them receiving a grade at the end of the semester. Despite advertising the class in the College of Business, all fourteen students had majors in the College of Agriculture. There were six majors represented in the class. There were 4 (29%) agricultural business majors and 4 (29%) agronomy majors. Agricultural education was also well represented with 3 (21%) majors. Other majors represented included agricultural economics, mechanized agriculture, and technology education. The majority of the students (n=9) were seniors, the rest were juniors. There were 11 (79%) males and 3 (21%) females in the class. The vast majority of students (n=13) were from Montana with the exception being from North Dakota. The majority of students (n=11) were traditional age students (less than 25 years of age).

The majority of students had no cooperative background at all. Just three (21%) had received any instruction about cooperatives in high school. Only one (7%) was a member of a cooperative. Only two (14%) had parents that were members of cooperatives and only one (7%) student had ever worked for a cooperative. However, all students did have some economics and business background. Nearly three-fourths of the class (n=9) had 3 or more courses in economics and business.

Evaluation

Students were given a comprehensive pre-test measuring their knowledge of cooperatives at the beginning of the course. The same test was given at the end of the course to determine the increase in their knowledge of cooperatives. Both the pre-test and the post-test were independent of the students' course grade. The t test statistic for dependent samples indicated that the mean difference of 11.7 between the 100 point pre-test and post-test was statistically significant ($t = 7.1$, $df = 13$, $p < .0001$). Therefore, it can be concluded that students' knowledge of cooperatives was significantly improved by taking the course.

Students were given an opportunity to evaluate the course at the end of the semester. Results from the standard MSU student evaluation of teaching form indicated that students thought that overall it was a good course. The mean course rating was 4.3 on a scale of 6. The course content received a mean rating of 4.4 on a scale of 6 while the instructors received a mean rating of 4.6 on a scale of 6. Students written comments were generally positive. Some of the students' positive comments included:

- "This course provided significant insight about what cooperative businesses are and how they function."
- "This course material was very worthwhile - it will definitely be beneficial in the future."
- "I gained a good understanding of coops and felt I gained a lot from the course."
- "Presentation gave us a chance to apply what we learned to a real business."

Most of the students' suggestions for improving the class dealt with the teaching style of the three instructors and organization of the class. Some of the students' suggestions for improvement included:

- "I did not like the three or even two instructor method. Things go much easier when there is only one instructor."
- "Don't like three instructors."
- "I felt the subject matter wasn't too difficult, but very confusing at times. We were given too much information too fast."
- "Did quite well for the first time. With experience I am sure more ideas and expansion will occur."

Future Plans

The course "Cooperative Business: Principles and Practices" is the first of three cooperative courses to be offered. The second course currently being developed will focus on managing a cooperative. The third course will involve an internship with a cooperative. The first course will be moved to Fall semesters and be taught by one instructor from the Department of Agricultural and Technology Education. The second course will probably be taught by the Department of Agricultural Economics. It is envisioned that further curriculum development will be done for use by the Cooperative

Extension Service through county agents as well as distance education.

Members of the MCCDC met with the students, instructors, and MSU College of Agriculture administrators at the end of the first course. A roundtable discussion of the course and cooperative education project indicated that the efforts of the project were on the right track. Students were satisfied with the first course and felt they had learned a great deal about the cooperative way of doing business. The MCCDC was pleased with the enthusiasm that the students showed for the course. Both Montana agriculture and cooperatives will benefit as this program continues to grow and an increasing number of agricultural graduates enter the industry with a working knowledge of the cooperative way of doing business.

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BOOK REVIEWS

Wayne L. Banwart, Book Review Editor
Department of Agronomy
University of Illinois, Urbana, IL 61801

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Agricultural Research Alternatives

William Lockeretz and Molly D. Anderson
University of Nebraska Press, 1993
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Historically, the U.S. has funded and supported an extensive public system for agricultural research. Society recognized the benefits of an increasingly abundant and inexpensive food supply. Rapid increases in the output of the country's agricultural production systems are largely attributable to research conducted at land-grant universities and state experiment stations. Recently, the public has questioned the value of current agricultural research and its perceived lack of response to societal needs. In *Agricultural Research Alternatives*, Lockeretz and Anderson provide an overview of the challenges facing public agricultural research, how these problems developed, and specific suggestions

on how to move agricultural research towards meeting the needs of society in the future.

Part one of *Agricultural Research Alternatives* contains an historical review of the background and creation of the public agricultural research system and outlines the defining characteristics of alternative agricultural research. It also features an excellent discussion of how and why agricultural research differs from research conducted in other academic disciplines. Agricultural research is by definition very "applied" and its practitioners have always maintained a delicate balance between what is "service" and what is scientific investigation. Agriculture is not a true natural system; it does not exist without a human element. There is also a commercial aspect in agricultural research not present in other academic disciplines. The goal of most publicly funded agricultural research is to directly serve individual commercial enterprises. Agricultural researchers are forced to justify their discipline by both proving it is "real science", while at the same time proving their results will improve the balance sheet of a commercial enterprise.

Lockeretz and Anderson describe how the U.S. public agricultural research system was established with a defined mission and a clear set of goals. The rules have changed. Society is now asking the system to be more accountable to a broader mission. U.S. agriculture must not only continue to produce large quantities of food at low prices, but must also produce food that is safe, free from agrichemicals, cause minimal impact on the environment, enhance the quality of life for rural residents, protect animal welfare, and the production system must be sustainable. These new criteria by which society evaluates what is "good" agricultural research is often foreign to the traditional land-grant