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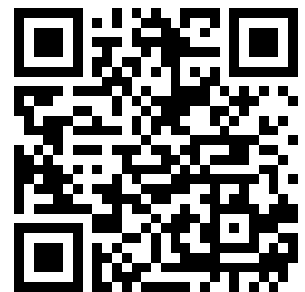
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# Economic Impact Of Two Missouri Cooperatives



# Abstract

The Glasgow Cooperative and Ray-Carroll Grain Growers, two succesful farm supply-marketing cooperatives in Missouri, have made significant contributions to their 6,700 members and to their communities. Organized in 1923 and 1931, respectively, these cooperatives have developed grain marketing and storage facilities, dependable sources of farm supplies, a wide variety of related service for farmers, and a competitive influence on other agribusiness firms in the trade area. The study also points out the cooperatives' contributions to the welfare of local business communities, including participation in local activities and leadership.

**Key words:** Cooperative contributions and benefits; cooperative savings; economic impact; competitive impact; rural communities; custom services.

**ECONOMIC IMPACT OF TWO MISSOURI COOPERATIVES.** C. Brice Ratchford, Gary Devino, and William Todd, Department of Agricultural Economics, University of Missouri-Columbia, under a cooperative research agreement with Agricultural Cooperative Service, U.S. Department of Agriculture, Washington, D.C. ACS Research Report 10.



# Preface

This study was conducted by the Department of Agricultural Economics, University of Missouri-Columbia, under a cooperative research agreement with Agricultural Cooperative Service, U.S. Department of Agriculture, Washington, D.C.

It was one of several made under research agreements with funds authorized by Congress in 1977-78 to "study trends and effectiveness of the cooperative movement and assess the need for accelerating the promotion and development of cooperatives."

The two cooperatives were selected based upon discussions with officials of the two leading regional cooperatives serving Missouri, the St. Louis Bank for Cooperatives, and staff members of the Department of Agricultural Economics at the University of Missouri-Columbia.

Full cooperation of the two locals was given by their managers and boards. Managers made all records available and computed information from the regular financial records.

Data were secured in the following manner: (1) corporate papers, including minutes of board meetings, were examined for the life of the cooperatives; (2) financial records for fiscal years 1968-80 were analyzed; (3) in-depth interviews were conducted with present directors, and former directors living in the areas; Extension Service, Agricultural Stabilization and Conservation Service, and local Farm Credit and Rural Electric Cooperative personnel; management of the two cooperatives; major competitors of the cooperatives; and community leaders including bankers, representatives of Chambers of Commerce, and newspaper editors.

A general cooperative membership survey conducted in the State included 12 randomly selected 4- to 6-square mile blocks within the trade area of the cooperatives. The blocks had a total of 98 farmers of which 94 responded. In the report, the sample will be referred to simply as "the survey." The data revealed characteristics of members and their attitudes on a number of matters.



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# Highlights

Two highly successful farm supply-marketing cooperatives—Glasgow Cooperative, Inc., Glasgow, Mo. and Ray-Carroll Grain Growers, Inc., Richmond, Mo.—have had significant economic impacts on their members and the communities in which they operate.

These cooperatives serve most of a six-county area in central northwest Missouri. Except for the western tips of Ray and Lafayette counties, the economy is strictly agricultural. The area has some of the best farmland in the State and is well located with respect to transportation and markets. The farms and supporting infrastructure are typical of those in good commercial farming areas.

Glasgow Cooperative, organized in 1923, has showed net savings every year. In recent years, savings have ranged from 7 to 11 percent of gross sales and from 32 to 50 percent of members' equity. The cooperative's basic strategies have been doing a maximum amount of business in a restricted trade area, maximizing patronage refunds, limiting product lines yet providing full service for each line, and responding to needs and desires of members. It has grown at a slow but steady pace.

Ray-Carroll Grain Growers was incorporated in 1931 as a result of the efforts of the Federal Farm Board to stabilize prices. The cooperative has grown in terms of geographic area served and product line. Net savings have been uneven, but they have grown significantly since 1972 as a result of new management and a change in policy. In 1980, they were 4.3 percent on sales of \$57.2 million. The cooperative's major strategies have been expanding the sales area, pricing on a strictly competitive basis, and offering a broad line of products with full services for each product.

The two cooperatives differ from their competitors in four ways: (1) they have made larger and more continuous investments in expanding and upgrading facilities and services; (2) they offer a broader range of markets for farm products and sources for supplies and services; (3) they are innovators; and (4) their number one concern is the welfare of patrons.

In the 13-year period, 1968–1980, Glasgow returned \$6.6 million as cash patronage refunds and revolved \$2.1 million of equities to 1,500 members. During the same period, the members' equity in the cooperative increased \$2.7 million.

In the same 13-year period, Ray-Carroll returned \$2.9 million in cash patronage refunds and redeemed \$0.9 million of members equities. During this period, member equities in the cooperative increased \$8.2 million.

The cooperatives have improved access to markets and supplies. A dramatic example was providing anhydrous ammonia during the 1974 shortage. Construction of large grain storage and handling facilities have certainly eased access.

The markets in which the cooperatives operate are highly competitive. In such an environment, the major way a firm can make a unique contribution is through innovation. The two cooperatives have been innovators in market development. As an example, markets were opened for grass and clover seed, and a special fertilizer for tobacco was formulated and marketed. They have led in providing services such as spreading fertilizer. They consistently led in upgrading quality of supplies. High analysis fertilizer and customized feed and fertilizer formulation are examples.

The cooperatives recognize the importance of farmers' using modern practices. Such use is encouraged through meetings, publications, the types of products and services offered, and cooperation with the Extension Service.

The cooperatives make a significant economic contribution to the communities they serve. The value of cash patronage refunds, retired equities, salaries and wages, and other goods and services purchased in their communities during 1968–77 totaled \$44.2 million. By applying multipliers used in economic growth models, the ultimate value becomes \$50.4 million. The average actual annual employment was 113.4 staff years and total employment generated in the communities by the cooperatives was 285.



The cooperatives are **active** in community improvement projects but are not sponsors of such projects. **The** managers are community leaders, and many present and former directors **are** active in a wide range of community activities. Employees also are encouraged to be active in such affairs.

The major factors responsible for the success of the Glasgow cooperative are strategic location, capable management, continuous investment to **keep** the physical plant modern, effective marketing strategies, communications and member relations, affiliation with regional cooperatives, **a reputation for good** service, and a consistent policy of conservative innovation.

The major factors responsible for the success of the Ray-Carroll cooperative are good management, continuous investment in physical plant, operating as a single firm in multiple locations, competitive pricing with **aggressive** merchandising, affiliation with regional cooperatives, and **good communications**.

Elevators, scales, and truck loading and unloading facilities at Glasgow Cooperative.



# ECONOMIC IMPACT OF TWO MISSOURI COOPERATIVES

By C. Brice Ratchford, Gary Devino, and William Todd<sup>1</sup>

How well cooperatives are performing for members and their impact on the communities in which they operate is of vital interest to member owners, the total citizenry of the community, and to policymakers concerned with economic and social development.

This study documents the economic and social returns of two local Missouri agricultural cooperatives to their members and the communities. These successful farm supply and grain marketing cooperatives are typical of those offering a combination of product lines in the Midwest.

The cooperatives have different histories and follow different marketing strategies, yet both are successful.

## Overview of the Two Cooperatives

### Glasgow Cooperative, Inc.

Glasgow Cooperative, Inc., Glasgow, Mo., was organized in 1923 as a farm supply purchasing association. It is an independent local association with a longtime affiliation with the Missouri Farmers Association, Columbia, a regional cooperative, and a more recent affiliation with Farmland Industries, Kansas City, a large regional cooperative.

Membership is achieved by doing \$100 or more business a year with the cooperative. While easy to achieve membership, all farmers surveyed in the area were members because they wished to be. The cooperative currently has about 1,500 active members. Their business exceeds 98 percent of total dollar volume.

The cooperative is governed by a seven-member board of directors elected annually for a 1-year term but may succeed themselves indefinitely. Tenure of the current board averages 6 years. The directors are representative of all farmers in the area in size and type of farming, age, and education.

One strategy has been to do the maximum amount of business possible within a restricted geographical area, hence serving a trade area within about a 15-mile radius of Glasgow (Fig. 1). All facilities are in Glasgow, located on the Missouri River. The cooperative has grain storage capacity of 2.2 million bushels; a complete line of grain drying, handling, and barge-loading equipment; feed and fertilizer mixing and storage facilities; and adequate storage for chemicals and other supplies. The office building is unpretentious but well suited to the informal style of the present manager, only the second since 1924.

Total sales have increased from \$4.0 million in 1968 to \$17.2 million in 1980, reflecting not only higher prices but a significant increase in volume of business (table 1).

A second strategy of the cooperative has been to excel in a restricted number of product lines. The product lines and 1980 dollar value (for the fiscal year ending December 31) for each were as follows:

Product	Dollar volume	Percent of total
Grain	12,459,966	72.5
Feeds	1,990,035	11.6
Fertilizer	1,465,231	8.5
Chemicals	939,681	5.5
Seed	157,245	0.9
General Merchandise	174,163	1.0
Total	17,186,321	100.0

Grain marketing is the major activity, accounting for 72.5 percent of total sales in 1980, when more than 3 million bushels were sold (table 2). All types of grain except sorghum are handled. All the equipment needed for a complete grain operation is in place. With each product, a full line of services is offered. Grain services include not only marketing but also custom drying, cleaning, storing, and future selling.

Fertilizer accounted for 8.5 percent of gross income in 1980. A complete fertilizer service is offered, including blending to individual requirements and spreading. A complete feed service, which accounted for 11.6 percent of gross income, is offered. A full line of chemicals and a spraying service accounted for 8.5 percent of gross sales. A complete line of seed is available to members. The survey shows farmers are least likely to buy seed from the cooperative than other farm supply

<sup>1</sup> Dr. Ratchford and Dr. Devino are professors and Mr. Todd was a graduate assistant, Department of Agricultural Economics, College of Agriculture, University of Missouri.



Loading bulk fertilizer at  
Glasgow Cooperative.



**Table 1—Sales, net savings, cash refunds, and members' equity retired  
by the Glasgow Cooperative for years ending December 31, 1968-80**

Year	Cash patronage refunds	Members equity revolved	Gross sales	Net savings	Savings as a percent of gross sales
			<i>Dollars</i>		<i>Percent</i>
1968	329,309	1,147	4,003,177	390,375	9.8
1969	343,088	4,837	4,141,729	441,940	10.7
1970	399,878	5,334	4,958,597	396,205	8.0
1971	304,880	50,943	5,803,501	507,857	8.8
1972	375,569	74,015	6,664,723	607,871	9.1
1973	409,248	107,394	9,690,837	963,934	10.0
1974	628,109	208,819	14,270,283	1,231,819	8.6
1975	793,211	206,814	13,185,458	1,074,276	8.2
1976	668,940	165,276	14,465,616	1,147,334	7.9
1977	593,899	292,625	13,448,387	951,847	7.1
1978	558,763	193,166	17,432,973	925,807	5.3
1979	652,615	347,593	19,728,241	1,352,921	6.9
1980	533,136	490,792	17,186,321	1,260,769	7.3
Total	6,590,645	2,148,755	144,979,843	11,252,955	7.8





Harold Uthlaut, manager of Glasgow Cooperative, checks delivery schedule for feed deliveries.





items because neighbor farmers serve as dealers and, in some cases, producers of seed for other seed firms. The general merchandise category consists of feeders, fencing, gates, and metal panels.

The percent of total farm products marketed and the supplies purchased from the cooperative by members, based on 100 percent of the product lines available, ranged from 97 percent in one block to a low of 38 percent in a block near the edge of the trade area that also had easy access to a competing cooperative. The average for farmers surveyed was 70 percent. This represents an unusual amount of business in an area with both cooperative and investor-oriented competitors.

A third strategy of this cooperative has been to follow a pricing policy that maximizes patronage refunds. The cooperative must stay reasonably close to other cooperatives and investor-oriented competitors but does not attempt to be the area discount store. This policy is strongly supported by directors and members.

The cash purchase or advance price for grain is determined by working backward from the bid prices. In establishing daily prices, the cooperative gives little or no attention to prices paid by competitors.<sup>2</sup>

One distinctive feature of the cooperative is high net savings and patronage refunds. It has made net savings every year since 1924. In the most recent 13-year period, 1968-80, savings ranged from 5.3 percent to 10.7 percent of gross sales and averaged 7.8 percent. From 50 to 60 percent of net savings have been returned annually to patrons in cash. Retained equity is being revolved at the end of 4 years.

The patronage refunds are public information, and size of the refund is a prestige factor in the community. The fact that at least 50 percent of net savings are paid in cash annually and members' equity is revolved in about 4 years help make the policy of distributing net savings more attractive.

Prices account for a large part of the increase in sales; but volume has also increased (table 2). The increase in soybeans marketed is dramatic. Evidence indicates the cooperative is slowly increasing its share of the local market.

Members' equity increased from about \$1.0 million in 1968 to about \$3.8 million in 1980. Total assets increased from \$1.6 million to \$6.3 million during the period (table 3).

A dramatic increase occurred in current assets and current liabilities in 1972 caused by the sharp increase in grain prices. Fixed assets have more than tripled, reflecting the policy of constantly enlarging and modernizing physical facilities. The

<sup>2</sup> Because the cooperative operates in a competitive environment, its quoted cash prices must be "competitive." The fact that the cooperative does quote its prices tends to indicate it is a "price leader" as defined in economic textbooks. Many agricultural and community leaders believe the cooperative is a price leader.

item labeled "investments" consists primarily of patronage refund paper from the regionals and has increased five fold. Long-term debt has doubled but has never been high in relation to net worth. The major category of net worth is allocated member equities, which would have been even larger without the policy of a short-term equity retirement program. Total member equity has increased 394 percent since 1978.

To compare the two cooperatives in this study with standards for local cooperatives and competitive agribusiness firms, several financial ratios were computed for the 13-year period 1968-80.<sup>3</sup> These data for 1980 indicated the Glasgow cooperative was strong throughout this period and getting stronger. The cooperative has been and continues to be financially sound, efficient, and showing high returns to farmer members. The cooperative has potential for growth. It faces a basic policy question of whether to be satisfied with keeping its share of present markets, introducing new product lines in its current market area, or expanding its market area for present and new product lines. It has the financial strength to attempt any or all of these options.

The farmer survey indicates a high level of member support and satisfaction with the cooperative. The directors are capable and dedicated. They are in touch with the members, and their decisions take into account member sentiments. The entire operation is somewhat similar to a large family. The board, management, and employees know the members and vice versa. Everyone is on a first-name basis. The manager has located his office where he is readily accessible, and this is appreciated by members. Satisfaction with personal relationships has strongly influenced the strategy of restricting the trade area.

<sup>3</sup> These data plus those for the Glasgow and Ray-Carroll cooperatives are shown in table 7.

**Table 2—Sales of major commodities by the Glasgow Cooperative for years ending December 31, 1968-80**

Year	Wheat	Corn	Soybeans	Feed
		<i>Bushels</i>		<i>Tons</i>
1968	318,520	1,211,064	473,080	<sup>1</sup>
1969	170,620	930,675	311,438	<sup>1</sup>
1970	156,290	1,274,681	507,263	18,000
1971	152,829	1,483,021	583,972	16,500
1972	185,330	1,418,348	724,896	15,500
1973	134,155	1,117,788	796,892	14,000
1974	355,900	1,315,223	737,267	13,000
1975	488,485	1,286,858	741,606	10,900
1976	616,759	1,525,784	584,807	11,620
1977	642,018	1,625,144	893,263	9,900
1978	197,560	1,258,954	1,528,082	9,132
1979	650,204	1,231,497	1,497,364	9,357
1980	587,305	585,830	813,003	8,868

<sup>1</sup> Data not available.

Table 3—Abbreviated balance sheets — Glasgow Cooperative for fiscal years ending December 31, 1968-1980

Item	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
	<i>Dollars</i>												
Current assets	1,117,859	1,066,744	1,130,815	985,282	2,010,882	1,764,393	2,283,760	2,233,713	2,321,552	2,319,480	2,747,457	3,559,567	3,970,837
Investment and other assets	47,870	48,109	48,564	87,840	91,833	106,367	258,696	435,665	530,003	596,862	661,366	758,342	1,839,158
Depreciated fixed assets	448,524	632,754	635,637	696,095	802,538	798,178	935,216	889,612	1,32,403	1,507,118	1,582,786	1,430,693	1,538,822
Total assets	1,614,253	1,747,607	1,815,016	1,769,217	2,905,253	2,668,938	3,477,672	3,558,990	4,173,958	4,423,460	4,991,609	5,748,602	6,349,467
Current liabilities	327,171	416,026	545,064	322,918	1,328,209	694,511	1,093,763	1,015,503	962,404	1,162,472	1,508,456	1,729,568	2,140,683
Long-term debt	245,400	213,500	173,500	165,200	119,700	78,800	130,250	220,800	578,800	573,800	535,800	499,300	454,800
Total liabilities	572,571	629,526	718,564	488,118	1,447,909	773,311	1,224,013	1,236,303	1,541,204	1,736,272	2,044,256	2,228,868	2,595,483
Retained savings <sup>1</sup>	196,530	226,200	255,640	303,307	327,931	356,291	367,621	404,848	451,324	489,055	526,619	612,667	689,388
Allocated equity	454,777	449,941	444,607	468,787	521,542	575,402	654,219	843,563	1,034,097	1,246,286	1,494,927	1,554,146	1,803,827
Net savings-current period	390,375	441,940	396,205	509,005	607,871	963,934	1,231,819	1,074,276	1,147,333	951,847	925,807	1,352,921	1,260,769
Total member equity	1,041,682	1,118,081	1,096,452	1,281,099	1,457,344	1,895,627	2,253,659	2,322,687	2,632,754	2,687,188	2,947,353	3,519,734	3,753,984
Total liabilities and member equity	1,614,253	1,747,607	1,815,016	1,769,217	2,905,253	2,668,938	3,477,672	3,558,990	4,173,958	4,423,460	4,991,609	5,748,602	6,349,467
<sup>1</sup> Unallocated													



Bulk feed facilities at Ray-Carroll Grain Growers, Richmond.





### Ray-Carroll Grain Growers, Inc.

Ray-Carroll Grain Growers was organized in 1931 as an agency for carrying out the efforts of the Federal Farm Board to stabilize prices. Headquartered in Richmond, Mo., it has major facilities in nine towns in a four-county area (figure 1). It is an independent local association that is a member of Farmland Industries, Inc.

Membership is obtained by paying a \$10 membership fee or by earning that amount in patronage refunds. Currently, it has 5,200 active members. Business with members is 85 percent of the total volume.

The cooperative is governed by an 11-member board. Persons are elected for a 3-year term and may succeed themselves for only one more term without a break. While each director does not represent a fixed geographic area, one criterion for nominating board members is geographical distribution.

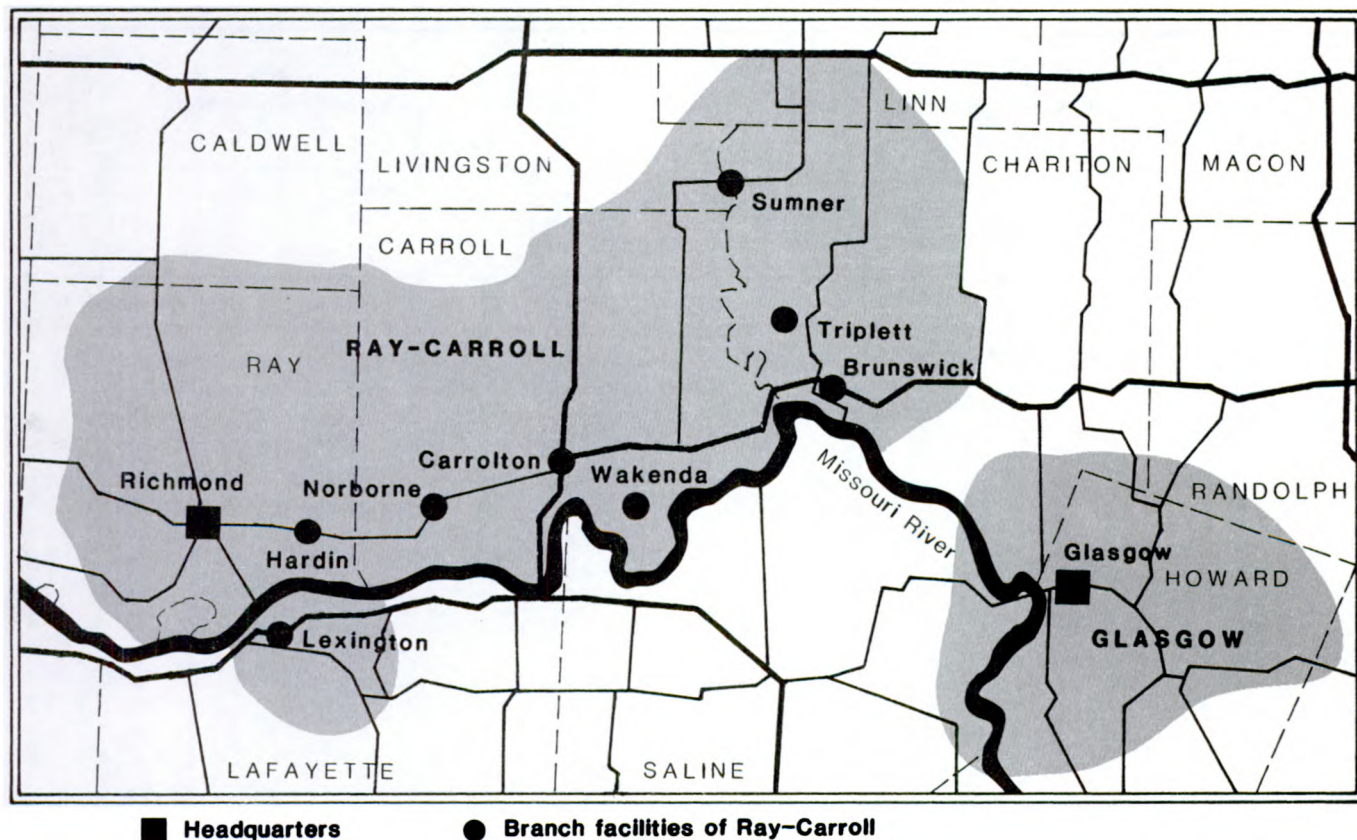
Product lines and services vary to some extent in the nine major facilities. The differences are due to tradition, competition, and to some extent, the interests and capabilities of the local manager. Local managers have full responsibility for day-to-day operations, but policymaking, coordination,

planning, and financial and credit matters are handled by the general manager and board. By design, local managers and employees are the primary contacts with members.

Total sales have increased from \$7.1 million in 1968 to \$57.2 million in 1980, reflecting not only higher prices but a significant increase in volume of business (tables 4 and 5). The product lines and 1980 dollar value during the fiscal year ending August 31 for each were as follows:

Product	Dollar volume	Percent of total
Grain	36,940,845	64.5
Gasoline & other fuels	10,265,229	17.9
Feed	2,505,598	4.3
Fertilizers	2,568,690	4.4
Chemicals	2,026,717	3.9
Seed	984,974	1.7
Propane	1,001,214	1.7
Miscellaneous merchandise	637,981	1.1
Lubricating oil	110,422	0.2
Tires and tubes	191,988	0.3
Grease	10,411	—
Total	57,244,069	100.0

**Fig. 1 Trade Areas of Glasgow and Ray-Carroll Cooperatives**



With each product, a full line of services is offered. For example, the cooperative will grind a farmer's grain and mix it into feed according to his specifications. It will deliver in bulk as well as stock several open formula feeds in bags.

Net savings were consistently low before 1972. Losses were sustained in some years. The advent of new management in 1972 brought about a change, and since then net savings have been running 4 to 5 percent on gross sales. Currently, 30 percent of net savings are paid in cash refunds.

Until 1976, Ray-Carroll did not pay a cash patronage refund greater than 20 percent of the total. Equity retirement did not exceed \$100,000 from 1968 to 1977, then increased to about \$172,000 in 1979 and to \$201,200 in 1980. Since 1972, when it began participating in Farmland Industries' equity redemption plan, the cooperative has not revolved equity on a specified schedule. The equities of deceased members are paid to their estates, and retained equities are paid in five equal annual installments to members reaching 65 years of age who have elected to participate in the retirement plan. From 1972 through 1980, equities totaling \$818,815 have been retired.

Assets used have increased greatly in the past 13 years—from \$3.4 million in 1968 to \$13.9 million in 1980 (table 6). This increase has been mainly in current assets because of higher

inventories of grain, supplies, and receivables. Substantial investments have been made in regional cooperatives. The depreciated value of fixed assets declined slightly.

Current liabilities increased about threefold during the period, but long-term liabilities have been reduced 50 percent. Member equity has grown rapidly in recent years, increasing from \$917,709 in 1971 to \$9.3 million in 1980. In 1980, they consisted of about \$79,530 in memberships and membership credits, \$8.0 million in allocated equities designated as "property rights," and \$1.2 million in retained savings.

Financial ratios indicate the cooperative has moved since 1972 from a precarious position to one of strength and financial stability (table 7). They also indicate the cooperative is efficient and has realized better-than-average returns to members. It is now in a position to consider a range of options such as higher cash refunds, equity revolvment on a regular basis, greater use of credit, modernization and expansion of facilities, new product lines, and expansion of its trade area. The dramatic growth in size and financial strength since 1972 has been achieved through strict competitive pricing, a high level of service to members, and a good member relations program. The survey of farmers indicated a high level of member satisfaction and support.

**Table 4—Sales, net savings, cash patronage refunds, and member equities retired by Ray-Carroll Grain Growers for fiscal years ending December 31, 1968–80**

Year	Cash patronage refunds	Members equity retired	Gross sales	Net savings	Savings as a percent of gross sales
			<i>Dollars</i>		<i>Percent</i>
1968	20,948	28,262	7,107,639	112,129	1.6
1969	0	3,597	8,739,909	206,518	2.4
1970	29,528	46,017	9,185,482	(117,763)	(1.3)
1971	0	12,056	10,731,690	(159,531)	(1.5)
1972	0	16,595	13,053,656	192,925	1.5
1973	0	11,361	22,888,183	1,091,784	4.8
1974	174,174	46,179	27,472,492	1,254,450	4.6
1975	356,300	80,564	28,666,288	1,430,940	5.0
1976	372,400	74,460	31,470,725	1,521,936	4.8
1977	377,000	96,326	35,706,907	1,534,308	4.3
1978	442,000	120,737	38,126,439	1,694,631	4.4
1979	500,000	171,393	49,457,757	2,015,362	4.1
1980	639,000	201,200	57,244,069	2,463,967	4.3
Total	2,911,350	908,747	339,851,236	13,241,656	3.9

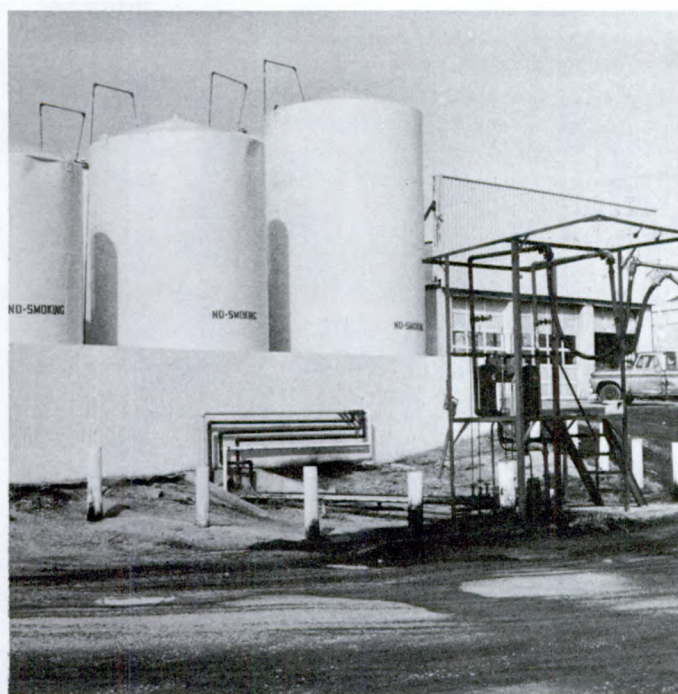




Ray-Carroll service station, Richmond.

Ray-Carroll bulk fuel storage at Richmond.

Offices and automotive supplies of Ray-Carroll service station, Richmond.



**Table 5—Sales of major commodities by Ray-Carroll Grain Growers for fiscal years ending August 31, 1968-80**

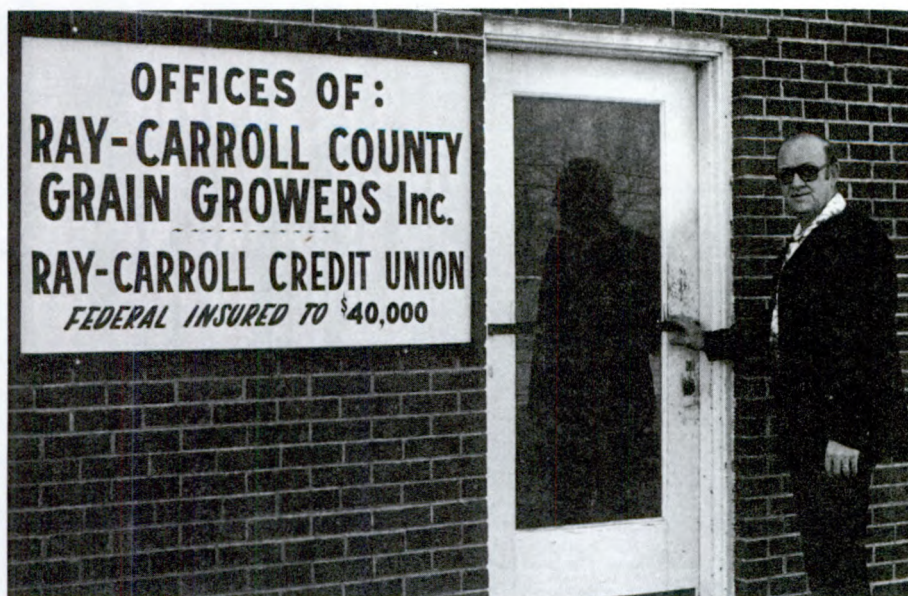
Year (fiscal)	Wheat	Corn	Soybeans	Fertilizer	Feed
	<i>Bushels</i>			<i>Tons</i>	
1968	482,122	1,437,411	752,880	8,294	6,832
1969	145,310	2,393,270	1,097,990	7,946	5,449
1970	209,738	995,423	1,528,881	9,320	5,408
1971	310,652	1,373,587	1,481,403	8,700	6,839
1972	379,690	1,763,951	1,744,366	8,210	6,472
1973	382,460	2,643,190	2,143,780	9,460	7,124
1974	820,637	2,534,610	2,052,690	10,240	8,532
1975	1,420,830	2,498,740	1,934,620	11,120	9,160
1976	1,240,910	2,123,610	2,142,760	12,102	11,953
1977	1,164,890	1,720,620	2,250,430	13,410	15,610
1978	1,494,956	2,060,457	2,905,314	7,242	10,294
1979	845,550	1,708,034	3,653,255	12,867	11,931
1980	1,094,412	2,575,334	4,064,542	13,008	12,471

Table 6—Abbreviated balance sheets — Ray-Carroll Grain Growers for fiscal years ending August 31, 1968–80

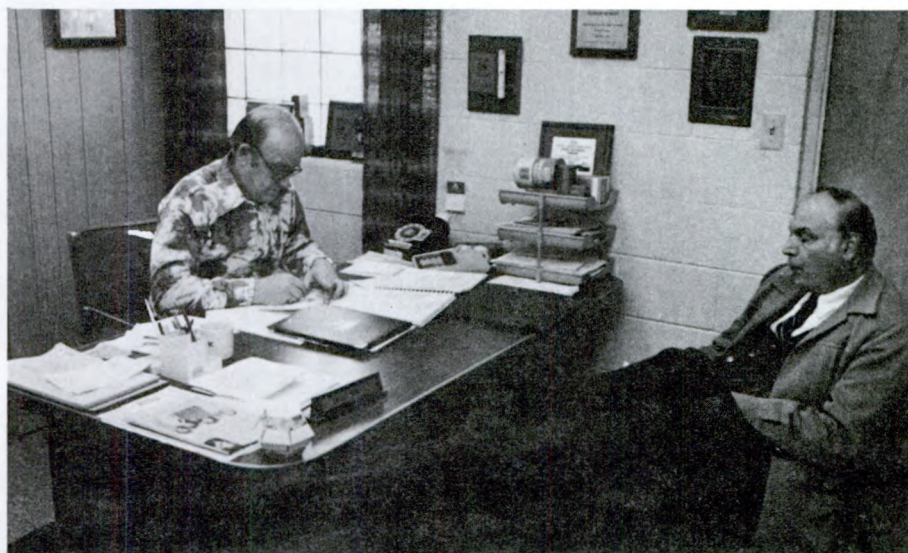
Item	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<i>Dollars</i>													
Current assets	920,044	1,239,679	1,367,452	1,081,455	1,107,524	2,253,384	3,057,873	4,108,451	4,742,126	5,870,108	6,322,516	7,099,230	8,188,680
Investments	672,690	713,657	732,025	664,158	847,977	857,282	912,491	1,099,360	1,428,576	1,661,170	1,806,417	1,790,707	1,923,393
Depreciated fixed assets	1,808,993	1,836,018	1,735,713	1,632,930	1,416,906	1,418,545	1,257,873	1,243,465	1,490,192	1,311,114	2,269,991	2,471,318	2,753,650
Other assets	0	0	0	0	90,346	84,472	65,336	38,598	20,827	8,596	(88,018)	416,233	1,070,418
Total assets	3,401,727	3,789,354	3,835,190	3,488,543	3,462,753	4,613,683	5,293,573	6,489,984	7,502,643	9,030,066	10,310,906	11,777,488	13,936,041
Current liabilities	837,382	1,083,239	1,378,991	1,325,651	1,256,336	1,610,440	1,533,576	2,192,270	2,228,519	2,691,287	3,091,322	3,428,947	4,072,832
Long-term liabilities	1,406,138	1,399,140	1,368,735	1,245,183	1,080,956	1,823,676	943,060	599,409	621,515	741,545	580,162	504,739	517,365
Total liabilities	2,243,520	2,482,379	2,747,726	2,570,834	2,337,292	2,434,116	2,476,636	2,791,679	2,850,034	3,432,832	3,671,484	3,933,686	4,590,197
Memberships	35,400	38,390	43,330	42,950	43,960	43,860	65,360	74,630	78,810	83,870	88,529	93,160	79,530
Membership credits	6,104	6,995	8,149	7,937	7,808	7,805	10,348	2,868	3,305	3,779	4,169	4,732	3,064
Property rights <sup>1</sup>	747,425	784,309	1,079,551	1,065,452	1,047,967	1,036,827	1,663,483	2,430,891	3,182,617	3,064,644	5,757,742	6,752,712	8,044,024
Unqualified patronage refunds	1,638	726	0	0	0	0	0	0	0	0	0	0	0
Inactive equities	224,718	221,122	0	0	0	0	0	0	0	0	0	0	0
Retained savings	30,792	48,715	74,197	(39,099)	(167,199)	(709)	94,657	176,376	363,841	508,633	788,991	993,198	1,219,226
Net savings-current period	112,130	206,518	(117,763)	(159,531)	192,925	1,091,784	1,254,450	1,430,940	1,521,936	1,534,308	1,694,631	2,015,362	2,463,967
Less patronage refunds and income tax	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	(417,400)	(497,900)	(498,000)	(1,694,631)	(2,015,362)	<sup>3</sup> (2,463,967)
Total member equity	1,158,207	1,306,975	1,087,464	917,709	1,125,461	2,179,567	2,816,937	3,698,305	4,652,609	5,597,234	6,639,422	7,843,802	9,345,844
Total liabilities and member equity	3,401,727	3,789,354	3,383,190	3,488,543	3,462,753	4,613,683	5,293,573	6,489,984	7,502,643	9,030,066	10,310,906	11,777,488	13,936,041

<sup>1</sup> Deferred patronage refunds allocated.<sup>2</sup> Not applicable.<sup>3</sup> Consists of following: Income taxes, \$59,000; allocation to retained earnings, \$274,967; and patronage refunds, \$2,130,000.

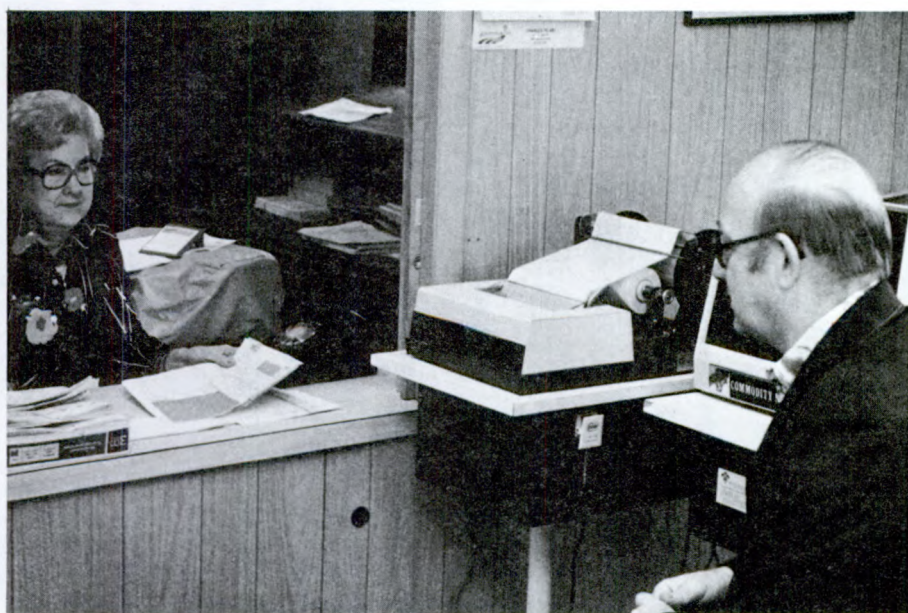




Ray-Carroll manager  
Gene Murphy.



Gene Murphy with Farmland  
Industries' Joe Vogliardo.



Gene Murphy checks Monday  
morning's work schedule  
with Pauline Phillips.

**Table 7—Ratio analysis of Glasgow and Ray-Carroll cooperatives for fiscal years ending in 1977 and 1980**

Ratio	Suggested value <sup>1</sup>	Value			
		Glasgow		Ray-Carroll	
		1977	1980	1977	1980
Financial stability:					
Current ratio	2.00 or greater	2.0	1.4	2.2	2.0
Solvency ratio <sup>2</sup>	.50-.60 or less	0.21	0.12	0.13	0.06
Member equity to total assets	.55 or greater	0.61	0.59	0.62	0.67
Growth potential:					
Debt to equity ratio <sup>3</sup>	.90 or less	0.65	0.79	0.61	0.49
Return on total assets	.160 or greater	0.21	0.20	0.17	0.18
Sales to fixed assets <sup>4</sup>	13.0 or greater	8.9	11.2	24.0	20.8
Member equity to total assets	.55 or greater	0.61	0.59	0.62	0.67
Efficiency or productivity:					
Productivity ratio <sup>5</sup>	1.0-2.2 or greater	3.0	2.1	2.1	2.4
Sales to fixed assets <sup>4</sup>	13.0 or greater	8.9	11.2	24.0	20.8
Operating expense ratio	.167 or less	0.07	0.08	0.06	0.06
Sales to total assets	3.0-4.0 or greater	3.0	2.7	4.0	4.1
Inventory turnover	8.0 or greater	12.0	8.2	23.0	16.4
Returns and benefits to members:					
Return on yearend total assets	.10 or greater	0.22	0.20	0.17	0.18
Return on owners equity	.20 or greater	0.35	0.34	0.27	0.26
Net margins per dollar of sales	.03 or greater	0.064	0.073	0.028	0.043

<sup>1</sup> Selected from four sources: "Ratio Analysis In Farm Supply Stores" by Dr. Ewell P. Ray. Louisiana State University. 1978. 20 pp. "The Financial Structure of Local Farm Cooperatives" Gary E. Gries and Randall E. Torgerson. University of Missouri Agricultural Experiment Station. Special Report 157. 1973. 40 pp. "Financial Planning for Growth in Local Farmer Cooperatives" Stephen E. Mathis and Gary I. Devino. The Cooperative Accountant. 1977. 16 pp. and Techniques of Financial Analysis. Erick S. Helfert. Ricard D. Irwin, Inc., Homewood, Ill.

<sup>2</sup> Fixed liabilities to member equity.

<sup>3</sup> Total liabilities to member equity.

<sup>4</sup> Depreciated or net fixed assets.

<sup>5</sup> Gross margins and service income minus rent and lease, depreciation, interest, and labor expenses.

## Unique Features of the Two Cooperatives

Interviews with competitors of the cooperatives, agricultural workers, community leaders, directors, and management supplement the corporate and financial records in drawing conclusions about four characteristics of the cooperatives that make them unique in each of their trade areas.

First, the cooperatives have made larger and more continuous investments in expanding and upgrading facilities and services than others in similar types of business. The large amount of grain storage is the most visible evidence. The investment also shows in grain handling, feed mixing, and

fertilizer spreading equipment. The reasons given for such investments ranged from taking advantage of tax breaks accorded cooperatives, mentioned by a competitor, to trying to adequately serve members, a reason given by management. There was no suggestion growth was for the sake of growth or part of a deliberate effort to run others out of business. All the competitors interviewed considered the cooperatives as serious competition. All except 1 thought they were fair competitors; 8 of 11 thought they benefitted farmers and the community.

Second, the cooperatives offer a broader range of markets, supplies, and services than any single competitor, although it is impossible to find even one service that is not available from some other source. Reasons advanced ranged from an unlimited supply of capital mentioned by a competitor to serving members, offered by several directors.

Third, the cooperatives are innovators. Agribusinesses in the area operate in a monopolistically competitive system. One characteristic of such a system is that any nonprice service or practice that becomes successful is quickly adopted by the competition. In such a system, innovation is important. While the cooperatives are not always the innovators, they are perceived by members, leaders, and competitors as a major innovative force in the community.

Fourth, the most important concern of the cooperatives is the welfare of members. This feeling is widely shared by members, agricultural workers, community leaders, and even to some extent competitors. They are characterized by community leaders as the farmers' friends.

As a result of these characteristics and good management, the cooperatives are apparently improving their position in absolute terms and relative to others. Three-fourths of the present directors and two-thirds of the former directors believe the cooperatives' reputation is improving, and the remainder feel it is stable.

### **Description of the Areas Served**

Ray-Carroll Grain Growers and the Glasgow Cooperative have primary trade areas in all or parts of six north central Missouri counties (figure 1). Ray-Carroll operates in Ray, Carroll, Chariton, and Lafayette Counties; and Glasgow operates in parts of Saline and Howard Counties. These areas have some of the best agricultural land in the State, varying from the first or second bottom land bordering the Missouri River, which meanders through the six counties, to sharply rolling hills and to productive but highly erosive soil.

The river has influenced economic activity since initial settlement and continues to do so. The first white occupants preceeding Lewis and Clark eked out a subsistence from trapping. They came primarily up the river from New Orleans or down the Mississippi River from Canada and then up the Missouri River. The first permanent settlers were descendants

of English immigrants who first settled land in Virginia and Kentucky. These were followed quickly by German Lutheran immigrants who homesteaded the bottomland. Higher land was preempted by the English-speaking settlers who preferred land similar in terrain to that they had previously settled.

Each group brought its own ideas of farming, social organization, and political practices. A deep love of the land and dependence upon and respect for the vagaries of the Missouri River were common denominators. These, along with the leavening influence of a constant and growing number of westbound migrants, soon gave the area a unique culture that exists essentially unchanged to the present.

The major trademarks of the culture are dependence upon generalized farming, keeping the farm in the family, appreciation of hard work, fear of credit, deep religious convictions, a fierce independence, staunch defense of law and order, political leaning toward Jeffersonian democracy, and building of local community institutions.

The area is rural, with agriculture dominating the economy and lifestyles. It has 61 incorporated towns and villages but the largest, Marshall, has a population of only 12,051. Only 14 towns have a population exceeding 1,000. The extreme western part of the area is urbanizing rapidly as a consequence of the spread of the Kansas City metropolitan area.

The number of farms has followed a long-time trend, decreasing 45 percent from 13,169 in 1950 to 7,815 in 1974, while farm acreage decreased from only 2,429,419 acres to 2,164,452 acres in the same period (Appendix table 1). These changes parallel those in most established commercial agricultural areas.

The farms have increased in size, becoming more commercial and more specialized. Emphasis in the area has shifted from hogs and beef cattle to grain crops in the past 30 years. Many farmers who are primarily grain growers have a small herd of beef cows for tradition and sentimental reasons. The Census of Agriculture, however, fails to show increasing specialization resulting from some operations performed by custom operators, a practice the farmer survey revealed as commonplace.

The farm financial information also follows the trends common in commercial farming areas. The percent of all farms with sales exceeding \$10,000 increased from 10.3 in 1950 to 53.2 in 1974. During the same period, gross farm sales increased 364 percent. Cash expenditures increased 349 percent for feed, 337 percent for petroleum, and from almost zero to \$14.9 million for fertilizer.

Hogs and beef cattle are still important in the area, but production is moving rapidly to fairly large-scale factory-type operations. Such commercial cow-calf operations, however, were not picked up in the sample of farmers.



Family farming is the almost universal pattern. Many farms employ a small amount of labor during peak seasons, usually a semi-retired farmer or high school or college student. There is some "swapping" of labor and equipment, but this practice is being replaced by custom operations. Many family arrangements have a son or daughter as part of the operation. Many farmers of the second generation are college graduates. Unless something completely unforeseen occurs, the area will remain a good, stable agricultural area.

A person who has served in the area for the Extension Service for many years insists the area is stable today; and some data support the description (Appendix table 2). During the 10-year period from 1960-1970, total population remained essentially unchanged for the 6-county area—103,923 in 1960 and 103,068 in 1970. The move from rural to urban localities continued, with rural population declining more than 10 percent, or 7,561 (from 70,229 in 1960 to 62,668 in 1970); and urban increasing more than 20 percent, or 6,706 (from 33,694 in 1960 to 40,400 in 1970). Except for the urbanization of the western parts of Ray and Lafayette Counties, population has continued long-time trends—a rapid decline in rural areas, a slow increase in urban areas, and a modest decline as a whole.

As mentioned, the western parts of Ray and Lafayette Counties are urbanizing rapidly, as many rural areas become incorporated by existing small towns and a few new towns are incorporated. The western area is becoming a bedroom for greater Kansas City, a change promoted by improved roads and community services such as water, sewage, and improved commuter transportation. Community leaders and professional agricultural workers, however, believe that total population is stabilizing; and the transfer from rural to urban areas has stopped.

Total employment in the six counties has reversed a long-time downward trend and increased from 36,699 in 1960 to 39,182 in 1970. Employment defined in the Census as "agriculture forestry, and fisheries" decreased from 10,680 in 1960 to 6,717 in 1970. On the other hand, significant increases occurred in services, wholesaling, and retailing. Manufacturing, which has increased slightly, is related directly to producing supplies for farmers or processing agricultural commodities.

Recreation and tourism are becoming more important assets in the area. New discoveries of coal and the new emphasis on coal as a source of energy may lead to a boost in extractive and manufacturing employment.

In summary, the area has a highly developed agricultural economy. The business infrastructure was built to serve agriculture and farm people. Vigorous competition is present in the markets for farm products, supplies, credit, and other services. Education and health services generally are readily available and adequate. Leaders interviewed believed the area has a bright future and will continue to be based on agriculture.

## **Impacts and Benefits to Farmer-Members**

### **Quantifiable Returns and Savings to Members**

The direct and immediate additional benefit to members from a cooperative is the receipt of cash patronage refunds and retired equities. In the 13-year period, 1968-80, Glasgow returned \$6,590,645 to members in cash patronage refunds and \$2,148,755 as cash redemption of equities. During the same period, total member equity increased \$2.7 million. In 1980, the combined cash distribution of current net savings and equity retirement for Glasgow amounted to 6.0 percent of sales and 27.3 percent of equity. Comparable data for 1968 were 8.2 and 37.4 percent, respectively.

Glasgow has a policy of retiring allocated member equity as rapidly as possible. At the end of each year, the board decides what part of net savings are to be retained and how the balance will be divided between cash and noncash refunds and use of the latter for retirement of old equities. Currently, no allocated equities are older than 4 years.

Glasgow Cooperative calculates annually the net savings for selected items. In 1977, the following approximate savings per unit were included in the annual report: corn, \$0.13 per bushel; soybeans, \$.40 per bushel; seed corn, \$2.97 per bushel; red clover seed, \$4.49 per cwt.; hog supplement, \$13.20 per ton; mixed fertilizer, \$11.22 per ton; and pesticides, \$4.62 per can.

In the 13-year period, 1968-80, Ray-Carroll distributed \$2,911,350 to members in cash patronage refunds and \$909,670 in retained equities. During the same period, total member equity increased \$8.2 million. The combined cash distribution in 1980 amounted to 1.5 percent of sales and 9.0 percent of equity. Comparable data for 1968 were 0.6 and 4.3 percent, respectively. The cooperative retires equity of estates, and it has a so-called retirement plan that is optional to members. This plan returns accumulated equity in five equal installments beginning at age 65.

### **Impact on Competition**

It is not possible with available data to quantify the value or impact on competition provided by the two cooperatives. Members do have alternative markets, both cooperative and investor-oriented, for almost all items. The cooperatives are strong competitors and are so recognized by the 11 competitors interviewed. One hundred percent of the agricultural workers, managers, and all except one community leader felt the cooperatives had increased competition, benefitting farmers. One leader indicated the cooperatives had stifled competition, but this had not adversely affected farmers because of the patronage refund and the commitment to serve members. Even 8 of 11 competitors felt that the cooperatives had benefited farmers. Differing opinions were voiced regarding whether the cooperatives were price leaders. Eight of the 23

professional agricultural workers, 2 of 10 employees, and 4 of 22 competitors said the two cooperatives were price leaders for some products. Specific benefits from the competitive effect of cooperatives were more favorable prices for farmers, improved dependability of markets, higher quality, more services, and a high rate of innovation.

Factors mentioned by competitors as responsible for the strong position of the cooperatives included storage for grain, patronage refunds, a good reputation, strong financial position, availability of credit to the cooperatives, the bargaining power resulting from size, and income tax advantages.

Data from this and other studies of agribusiness firms in northwest Missouri and opinions of the cross-section of people interviewed in this study lead to the conclusion that there is a healthy competitive environment in the area. The cooperatives have contributed to the situation. A monopolistic competitive environment can foster excess capacity, but there is no evidence that this is the case. A number of small farm supply and marketing firms have gone out of business. Former owners of these were interviewed, and opinions of bankers and chamber of commerce officials were solicited on the subject. Most of the former firms were owned and operated by individual proprietors unable or more likely unwilling to invest the money and effort to keep modern. Cooperatives did not believe they were responsible for the demise of these firms, and apparently the cooperatives have filled any void that might have been created.

### **Developing Markets for Farm Products And Sources of Supplies**

The major means of expanding markets of business firms in the United States has been developing new branded products and national or regional advertising techniques not available to a small local—either cooperative or investor-oriented. The two cooperatives have tapped these resources through affiliation with Farmland and MFA.

All managers and present and former directors indicated the cooperatives had worked at and achieved some degree of success in market development. The same opinion was shared by 56 percent of the agricultural workers and one-third of the community leaders. The following were mentioned as specific ways cooperatives developed new or larger markets: providing a market for milo; selling water-damaged beans; marketing grass and clover seed; promoting soft winter wheat, which commands a premium price; barging grain; making available the "Pro-mark" grain-exporting program of Far-Mar-Co, Inc., a grain marketing subsidiary of Farmland Industries; obtaining a special freight rate for grain for export; and, in the case of Ray-Carroll, engaging in limited poultry feeding to expand the local grain market. Obviously, the large amount of grain storage provided by the two cooperatives has stabilized,

strengthened, and enlarged the market for local farmers, lengthened the period locally produced grain is available for feed, and made year-round sales possible.

A major means the local cooperatives have used to improve sources of farm supplies has been affiliation with the two regional cooperatives, Farmland and MFA. These regionals, as dependable sources of supply, have made new products available. While the two locals make heavy use of the regionals, they have helped ensure supplies locally by doing business with investor-oriented firms.

Glasgow is the only source in the area for a special tobacco fertilizer. Both cooperatives use their buying power and expertise to help members secure items not regularly stocked.

In the competitive situation in the area, the innovator plays a critical role, and the cooperatives were credited with starting the use of anhydrous ammonia. Other cooperative innovations mentioned by professional agricultural workers included tire repairs or replacement in the field, spreading fertilizer, and fertilizing based upon soil sample analyses and crop expectations. Present and former directors identified as innovations of the cooperatives application of fertilizers and chemicals, formulating feeds to individual farmer specifications, making available higher analysis fertilizer, and mixing fertilizer to individual farmer specifications. All groups interviewed believe the two cooperatives are major innovators in both farm supply and marketing.

### **Improving Access to Markets and Supplies**

Prices are important but access to markets and supplies is critical. The two cooperatives are perceived by management, present and former directors, and professional agricultural workers as improving access. Several specific examples were mentioned to support this perception. In 1974, at the time of the last oil embargo, the cooperatives were the only major source of high analysis nitrogen fertilizer. At times in other years, they were the only source of anhydrous ammonia. The same is true for propane gas in Ray-Carroll's trade area. The cooperatives have been the only local market for milo, grass, and clover seed. For many farmers, the cooperatives are the only source of grain storage, and they tend to be the residual storers for the areas.

Another aspect of market access is ready availability. This becomes important in critical seasons. Both cooperatives stock a wide variety of supplies. The inventory is managed so needed items are available immediately or on short notice. Access to grain markets is improved by lengthening the work day and staying open every day of the week during peak harvest seasons. The cooperatives have continually found ways to speed grain handling and improve access in peak seasons.

## Providing a Full Line of Services

A basic cooperative objective is service to members. The two cooperatives follow that principle. It was previously mentioned that the cooperatives offer a full line of services for each product line. In grain marketing, these include drying, storing, cleaning and processing for individuals. For feed and fertilizer, services include mixing to individual requirements, delivery of feed in bulk, and spreading fertilizer. The most visible and capital-requiring service is grain storage and associated handling.

Providing services is perceived by professional agricultural workers, community leaders, and particularly by competitors as a unique and strong feature of the two cooperatives. Competitors indicate the large array of services are attributable to ready access to capital and to income tax laws. Managers and former and present directors give response to the needs and desires of members as the reason for the services. Regardless of the reason, the cooperatives are unique in the area by virtue of their array of services offered.

Farmers in the cooperatives' trade areas recognize the services and place a value on them. Of the 92 members surveyed, 56 percent cited services as a major reason for patronizing the cooperatives, 18 percent cited facilities (which are a factor in services), and 55 percent mentioned convenience. One aspect of convenience is physical proximity to the cooperative. A strategy of Ray-Carroll for serving members has been conveniently locating facilities. A second aspect of convenience quite important during grain harvest is "turn around" time for farmers' trucks. The cooperatives have done all that is economically feasible to reduce "turn around" time.

The percentage of members using the cooperatives for a *majority* of specified services were: fertilizer bulk blending, 55 percent; fertilizer spreading, 28 percent; pesticide application, 13 percent; bulk feed delivery, 21 percent; LP gas delivery, 32 percent; grain drying, 17 percent; grain cleaning, 16 percent; and grain storage, 27 percent. Almost all members use these services occasionally and support their availability for use in case of an unplanned situation.

The concept of service to members is deeper than the visible evidence. Managers and directors indicate the decisions regarding investment in services and facilities have been guided by the principle of member service rather than profit maximization for the cooperative enterprise. This condition is reflected to some extent in corporate records.

The dedication to service is reflected in many small actions. Ray-Carroll, for example, started a credit union primarily to provide short-term investment opportunities for members. The retirement plan of Ray-Carroll provides a service valued highly by many members and a rational plan for revolving allocated equity capital. Glasgow will assist individuals in

forward contracting grain. Glasgow, and to a lesser extent Ray-Carroll, use their economic strength and technical skills to assist individual members in obtaining products or services not regularly provided by the cooperatives. The manager of a branch of Ray-Carroll articulated a philosophy that seemed to generally prevail—namely, promote only those supplies that help the farmer even if it means lower immediate sales.

## Quality Improvements

The competitive situation in the area is such that all major firms handle high-quality supplies. The farmers know quality and demand it. The farmers receive national and regional advertising, and information on quality is available from the Extension Service. Farmers do have brand name preferences, particularly for chemicals and seed. In such an environment, innovation is important.

Professional agricultural workers perceive the cooperatives as innovators in providing quality supplies. Management states expected performance in the geographic area is a major factor in the decision regarding the handling of a supply. MFA and Farmland, which exercise some influence on the decisions of the locals, have "in-house" research programs and keep well informed about research findings nationally. The locals, however, do not have to carry a product promoted by the regionals. At times, they exercise the option of not handling a product at all or they go to investor-owned corporations for supplies. The farmers believe this independent situation places management of the cooperatives in a position to handle the highest possible quality consistent with prices.

The cooperatives are generally credited with starting customized feed mixing to individual requirements. They also promote farmers mixing their own grain with purchased supplements or purchasing only feed supplements and mixing on the farm. Unless a member specifies otherwise, the cooperatives stay with a particular mix even though some substitution could be done without harm to the level of nutrition and still increase net returns.

The cooperatives are credited with innovating high analysis of fertilizers. They also introduced custom blending to give farmers the mixture dictated by soil tests and planned performance. Soil testing has been strongly promoted and facilitated by the cooperatives.

The cooperatives stock seeds known to perform well; although they exercise less influence on seed selection than on other farm supplies, primarily because some farmers in the area are also seed dealers.

The thrust in the highly competitive field of chemicals has been to stock those which give good results in average situations and are reasonably priced. Considerable attention has been given to proper and safe use.





Elevators and Missouri River barge loading facilities of Glasgow Cooperative.



Glasgow Cooperative bin storage.



Ray-Carroll facilities at Norborne.



Ray-Carroll facilities at Carrollton.

Traditionally, local elevator operators have paid relatively little attention to quality in grain produced locally. The two cooperatives are credited with starting a tough discount policy for high moisture and trash. The cooperatives have also promoted soft winter wheat varieties, which command a premium in the most frequently used terminal markets. While not strictly a qualitative factor, the program of making available and promoting drying and storage in cooperatively owned facilities and on-farms has resulted in more orderly marketing and higher returns to farmers.

### **Improving Farm Production and Marketing Practices**

Farmers in the area are on the average progressive and skilled. They have many sources of information and motivation. While it is far beyond the scope of this study to isolate the specific role of the cooperatives in improving farm production practices, it is perceived they are one force in that direction. Such a role was recognized by 91 percent of the professional agricultural workers and 72 percent of the community leaders as well as by management and directors. Three of the 11 competitors interviewed indicated the cooperatives are leaders in encouraging farmers to improve farm practices. Of the members in the survey, 52 percent said they relied to some extent on the cooperatives for information on farm practices.

The cooperatives influence farm practices by what is said and what is stocked. The significance of stocking the right items was volunteered by 23 percent of present and former directors and by 22 percent of the community leaders. Management states it is policy to make available and promote the use of products compatible with improved farming practices. In the present competitive environment, innovation in making promising or proved products available is critical. As mentioned, the cooperatives are perceived as being innovators; and limited records substantiate this.

Services such as custom blending of feed and fertilizers and timely application of plant foods are directly related to the level of farm production practices. Grain drying, cleaning, grading, and storage have improved grain marketing.

A number of business firms in the area conduct or sponsor educational meetings with farmers. The cooperatives are more apt than others to do educational work on farm practices not directly related to a specific product. This is accomplished not only through farmer meetings but by cooperative employees who talk to farmers about farm practices. The cooperatives support the efforts of extension, vocational agriculture, and other agricultural agencies by publicizing activities, endorsing programs such as soil testing, disseminating information in cooperative publications, and referring members to the agricultural agencies.

A subtle point was mentioned by several people contacted—namely, the cooperatives' first interest is the farmer. This

means advice is accepted in the sale of products with less skepticism than usual. One extension worker volunteered that the cooperatives were more likely than other farm supply and marketing firms to have products of proved performance for the area. Another veteran extension worker indicated the local cooperative manager understood the information adoption process and consciously used it to promote better farming.

### **Assistance to Young Farmers**

The cooperatives do not have an identifiable program for young farmers, and management feels this needs to be explored. Normal operations, however, are often slanted in favor of young farmers. For example, the cooperatives tend to be more lenient with credit for young farmers and give them priority when farm visits are initiated by employees and management. Both cooperatives sponsor young farmers to attend programs established by the regionals. They are willing participants in young farmer meetings organized by others and active supporters of 4-H and Future Farmers of America programs. The only reason advanced for not doing more with young farmers was most are involved in some sort of family partnerships, which have continued to support the cooperatives.

### **Benefits to Rural Communities**

The two cooperatives studied are local community institutions. One of their goals has been to help improve the economic situation and the quality of life in the communities of which they are a part. A successful cooperative obviously increases the level of economic activity. It can serve also as a good corporate citizen and contribute to the pool of local leadership.

### **Impact of Cooperative Economic Activity**

A cooperative obviously has economic impact on a community through its payroll and the goods and services purchased in the community. Cash patronage refunds and estate and equity retirements are also considered direct financial benefits to the community. Schaars states the rationale for this position as follows: "Savings of cooperatives declared as patronage refunds are disbursed among many persons and not concentrated in the hands of a few as profits of non-cooperative businesses generally are; in addition, such refunds are kept and spent in the community."<sup>4</sup>

All theories of economic development agree the impact of an expenditure by a firm or individual in the community is larger than the initial expenditure. The extent of the impact depends

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<sup>4</sup> Marvin A. Scharrs, "Cooperative Principles and Practices," *Cooperative Extension Programs*, University of Wisconsin, Madison, Wisconsin, 1971, p. 89.





Dowell Kincaid, Ray-Carroll, Richmond, working with member Russell Strickler, Rt. 1, Camden, on an order. Gary Small, also of Ray-Carroll, posts prices in background.

Gary Small checks bulk feed delivery schedule with Dowell Kincaid, Ray-Carroll.

Marvin Alexander ready to deliver bulk-mixed fertilizer from Norborne facilities, Ray-Carroll.

Grain unloading facilities at Ray-Carroll, Norborne.



on the type of expenditure and the stage of economic development. Braschler and Scott developed multipliers for several types of industries and expenditures in Missouri using data for 1950, 1959, 1965, and 1970. The methodology and results are given in UMC Research Bulletins 996 and 998.<sup>5</sup> The multipliers developed for the wholesale and retail trade category in counties with less than 15,000 in population were used in the analysis of the two cooperatives. The values used are: cash dividends and equity estate retirement, 1.17; salaries and wages, 2.42; and employment, 2.51. Values for multipliers for other expenditures were not available.

Returns to local communities over the 10-year period, 1968-77, are given in table 8. The actual cash value of patronage refunds and retired equities, salaries and wages, and other goods and services purchased in the community by the Glasgow cooperative was \$12.7 million.<sup>6</sup> By using the multipliers described above, the value to the community becomes \$17.5 million. Actual average employment by the cooperative for the 10-year period was 29.9 persons. Using the multiplier of 2.51, total employment generated in the community is 75.5 staff years annually.

The actual expenditures for the Ray-Carroll cooperative in the communities it serves was \$21.6 million. The multipliers increase the ultimate expenditure in the communities to \$32.9 million. Actual average employment was 83.5 persons, thus total employment generated was 210 annual staff years.

The cooperatives are major business enterprises in the communities they serve. Management indicates it is policy to employ local residents and to purchase everything possible in these communities. All employees of both cooperatives were natives of the area; and Glasgow spent 90.6 and Ray-Carroll, 84.2 percent of total cooperative expenses locally. The bankers and Chamber of Commerce representatives interviewed saw the cooperatives as important community businesses that contributed substantially to the local economy.

<sup>5</sup> Curtis Braschler, "Regional Growth Models—An Analytical Approach in Missouri, 1950 to 1970," University of Missouri-Columbia, College of Agriculture, Agricultural Experiment Station, Research Bulletin 996, Columbia, Missouri, March 23, 1973, p. 24.

Donald F. Scott and Curtis Braschler, "Estimation of Industry Labor Income Multipliers for County Grouping in Missouri," University of Missouri-Columbia, College of Agriculture, Agricultural Experiment Station, Research Bulletin 998, Columbia, Missouri, July, 1975, p. 20.

<sup>6</sup> For detailed information on methodology and other information for each cooperative by years, see William R. Todd, *op cit*.

**Table 8—Total returns to communities served by Glasgow and Ray-Carroll cooperatives for fiscal years ending in 1968-77**

Item	Glasgow	Ray-Carroll
<i>Million dollars</i>		
Actual cash:		
Cash patronage refunds	4.8	1.3
Equities retired	1.1	0.4
Salaries and wages	2.7	7.8
Supplies & services purchased locally (except labor)	4.1	12.1
Total	12.7	21.6
Value with multipliers:		
Patronage refunds and equity retired	7.0	2.0
Salaries and wages	6.5	18.8
Non-labor expenses	4.0	12.1
Total	17.5	32.9
<i>Number</i>		
Actual average employment: (1968-77)	29.9	83.5
Total employment generated	75.5	210.0

### Participation in Community Activities

As organizations, the cooperatives are minimally involved in community activities; but they do participate in the Chamber of Commerce, United Fund Campaigns, and similar activities. The cooperatives permit, but do not strongly encourage, employees to be active in community affairs. Active involvement in political activities is discouraged. Activities where employees tend to be most highly involved are related to agriculture, such as Farm-City Week. The two general managers are involved in community projects and activities but clearly place top priority in making the organizations more useful to farmers. Their attitude is reflected throughout the organizations.

### Development of Leadership

The cooperatives present a mixed image in the area of exercising and developing leadership. The managers are recognized as leaders in both the general and agricultural communities. Neither are "pushy" but do effectively respond when the situation calls for help. Both managers have been elected by their peers to the board of the Missouri Institute of Cooperatives and are recognized as leaders in dealing with affiliated regional cooperatives.

The directors are not perceived as cooperative leaders, although several are general community leaders. This situation is likely due to board policy of maintaining a low profile. The boards are effective but visible only at annual meetings.

Neither cooperative has a deliberate program of leadership development for employees, directors, or members. The professional agricultural workers were about evenly split on the question of whether the cooperatives had contributed to the leadership pool in the community. Some indicated the election process and service as directors did develop leaders, while others stated the selection process picked persons already developed as leaders.

Former directors had served in many leadership roles in addition to the cooperative directorship. Two-thirds had or were serving on some agency committee such as ASCS, Soil Conservation Districts, or Extension Councils. Half had served on church boards at some time and a third on some type of planning board and school board. Current directors did not have nearly as strong a record. Part of this may be because of age, present directors averaging 48.7 years and former directors, 61 years.

Both present and former directors were modest about their role as leaders and reluctant in the interviews to dwell on the subject. The interviewer did get some indication, however, that service on the cooperative boards had increased the motivation and self-confidence required to seek and accept other leadership roles.

## **Factors Contributing to the Cooperatives' Success**

### **Glasgow Cooperative, Inc.**

Many factors have contributed to the success of this cooperative. The physical location was a coincidence but has proved to be a great asset with the advent of grain barging. It serves a stable, relatively prosperous, and progressive farming area.

A major factor has been continuous strong management since 1924. The succession of boards are due credit for employing and supporting strong and capable management. The turnover in employees has been kept sufficiently low to enhance operations.

The members, through the board, have been willing for the cooperative to make investments for expansion and improvement in facilities and services. During the 10-year period, 1968-77, the cooperative invested an average of \$188,630 in physical plant; in 1977, it invested \$328,270. The three basic strategies identified in the description of the cooperative have been followed for many years. They obviously work for this cooperative; although such strategies

as restricting the geographic area served and product lines carried, and maximizing patronage refunds are somewhat unusual in Missouri.

The human element, the single most important factor, is evident in many ways. The management style is informal, with the manager and most members knowing each other on a first-name basis. The board members and patrons know each other, also. Everyone's understanding and support of the cooperative's objectives is truly outstanding. Communication, although largely informal, is excellent.

The cooperative has earned an excellent reputation, an asset in several ways. Members trust it and buy the supplies it handles. Also, the cooperative encourages the policy of pricing that yields a high patronage refund and the belief it will not "fritter away" savings before they are returned. High savings have given the cooperative great flexibility. Loyalty of members also has likely dampened the enthusiasm of would-be competitors.

The tie to two strong regional cooperatives must be one factor in their success. The regionals provide dependable access to many products at good prices. They do much of the advertising of products and have made possible changes such as computerizing records. The research by the regionals keeps the cooperative abreast of its competition in terms of products.

The cooperative has been conservatively innovative. It has introduced many goods and services to the area, but they are offered only after careful study by the board and management. Usually the item has been tried elsewhere and proved successful. The fact that it has had very few unsuccessful ventures contributes to its reputation and members confidence. The same type of conservatism is evident in the financial structure. Never in recent years has it been highly leveraged, yet funds have been available for all desired additions and improvements. The conservative progressive approach of the cooperative reflects the personal attitude of most members.

### **Ray-Carroll Grain Growers, Inc.**

In contrast to the cooperative in Glasgow, the great success of Ray-Carroll is of recent vintage. Starting at the bottom of the Depression on a shoestring, it did not reach a high success plateau until 1973. The turnaround occurred with the advent of present management, which must be given major credit for the current high level of success.

The foundation of the cooperative was firmly set, however, before 1973. The present product lines and services were established as was the trade area. Present management has concentrated on making the cooperative efficient and responsive. Modern management concepts and practices are used. Maximum flexibility is maintained, evidenced by a somewhat different mission in each geographic location.

## Appendix

The cooperative has continued to expand and modernize facilities. During the 10-year period, 1968-77, an average of \$211,040 was invested in the physical plant. More than \$400,000 was invested in 1977. Reasonable use has been made of credit, but retained member savings have been the major source of capital. The physical facilities are not fancy, but quite adequate.

The concept of one firm serving multiple locations has contributed to achievement of the goals of the cooperative. It gives economy of size and low-cost delivery in purchasing and selling, financing, and management. A key to making the concept work is tight management of inventory and a clear organizational and management plan.

A basic strategy has been strict competitive pricing and aggressive merchandising. A large line of services are offered, but they must recover costs. The services are viewed as responding to needs and desires of members and not as a competitive sales tool. The cooperative does not feature "specials."

This cooperative makes extensive use of the regionals with which it is affiliated, yet maintains complete independence. It is not reluctant to go to any firm that will help it give better service to members in the long run. Ray-Carroll depends on its regionals for research, market intelligence, product advertising, and, most important, a dependable supply of quality products. Its working relations with the regionals are excellent.

Communication with members is good. The directors play an important but informed role. Members know their directors and feel quite free to talk with them about the cooperative.

Ray-Carroll is highly respected by the community and by competitors. This has paid dividends in many ways. For example, people like to do business with it, and its advertising is considered creditable. It has invaluable assets that do not show up in the balance sheet.

## Development of the Cooperatives

### Glasgow Cooperative Inc.<sup>7</sup>

The roots of this cooperative are in the early 1920's. In 1923, six farmers in Chariton County, the county to the northwest of Glasgow, joined to purchase a carload of binder twine. The success of this venture resulted in the creation of a cooperative in the same year. The objectives were to secure better prices, better service, and more dependable quality.

The cooperative had two managers in 1923 before it employed Charles Brucks in 1924, who continued as manager until 1968. During his tenure, the cooperative showed net margins every year, even during the Depression. A hard worker and good businessman, Brucks took it upon himself to make the cooperative a successful organization. The cooperative became known as the "farmers' friend." Its expressed goal was to serve the farmer, and to make the cooperative a successful business organization. Brucks often made the statement that he would rather have 1,000 one-dollar customers than one \$1,000 customer. The cooperative also grew to be known as an honest organization—one "on the up and up" serving area farmers.

In the early years of the cooperative's existence (the 1920's and 1930's), it undertook many activities to serve members and make earnings. In the early 1930's, the cooperative purchased carloads of coal at lower prices for residents.

Livestock marketing was the main source of margins in these years. Livestock was assembled and sold through the Farmer's Livestock Commission Co. in St. Louis. Brucks and his assistant, Bernard Johanning, starting in 1929, actively and successfully solicited the business of area farmers. Both believed strongly in cooperatives, and their most important objective was to keep the cooperative a useful organization.

Early in its life, the cooperative entered grain marketing, constructing a 7,000-bushel wood facility. It was a relatively unimportant part of the business until the early 1930's, when a non-cooperative elevator in Glasgow and several others in the area went out of business. The cooperative responded to the situation by increasing grain marketing activities, including storage and necessary handling equipment. In 1938, the cooperative became the first in the State to add the facilities necessary to make use of barge transportation.

The cooperative has not been without its problems. There were losses from fires in 1946 and 1947. Also, a crisis arose when the cooperative changed from a stock to a nonstock cooperative in 1951. Old members did not wish to redeem their

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<sup>7</sup> Most of the early history was supplied by Bernard Johanning, a long-time assistant to the manager, Charles Brucks. Bits and pieces were available from newspapers. All official records were destroyed in a fire in 1946.

stock in the cooperative. Although the cooperative paid \$12,000 for the original \$8,000 invested, members felt that they were not receiving the fair current value of the stock. Brucks, however, was able to sell the plan without the loss of long-time members.

In the post World War II years, an important pattern was established, namely, steady but conservative growth and continual adjustment to the rapidly changing agricultural production situation and desires of members. Harold Uthlaut assumed management in 1968. He continued the basic philosophy and policies initiated by Brucks. He continued in close personal touch not only with the details of the business but also with the membership.

#### **Ray-Carroll Grain Growers, Inc.<sup>8</sup>**

The roots of this cooperative are in the efforts of the Federal Farm Board to stabilize farm prices. It was organized on July 9, 1931, as the Ray County Grain Growers to supply grain to the Farmers National Grain Corporation (FNGC) and the Missouri Grain Growers, cooperative organizations created by the Federal Farm Board to accomplish its purposes. Ray County was a membership organization with lifetime dues of \$10. The Farmers National Grain Corporation purchased two elevators, leased three others, and employed managers at the locations to handle the grain of members of the local.

The Farm Credit Administration was given the job of liquidating the affairs of the Farm Board in 1933. It directed FNGC to sell the elevators it owned to farmers and to become, in fact, a grain terminal marketing agency. In 1934, the members of the local cooperative voted to buy the elevators at Hardin and Richmond, both in Ray County. They were purchased with no cash down and a loan to be paid from a fee of one-half cent per bushel for all grain handled by the elevators.

The cooperative began to take its present shape in 1934, when elevators were purchased at Carrollton and Norborne in Carroll County, the name was changed to Ray-Carroll, the board grew from seven to nine members, and directors became distributed geographically, about in proportion to the amount of business from an area. In 1935, an elevator at Wakenda, Carroll County, was purchased. In 1944, bulk oil and service stations in three locations were purchased from Consumers Cooperative Association (CCA), a move that not only put the cooperative into the petroleum business but began an affiliation with CCA, currently Farmland Industries. In 1963, elevators at Triplett and Sumner in Chariton County were purchased. In 1964, the board was enlarged to add 2 members from Chariton County, making a total of 11.

The cooperative has employed eight managers with three serving 38 of the 46 years of its life. These were: W. R. Miller, 1937-59; Robert Thompson, 1959-70; and Eugene Murphy, 1972 to date. Some of the present board members are sons or close relatives of those serving in the early years.

The corporate records show a steady stream of additional services and equipment. It began mixing feed in 1940, expanded into petroleum and related services in 1944, added feed pelleting in 1950, and anhydrous ammonia in 1954. It started a modernization program in 1946 that continues today with the addition of modern truck scales, building more and better storage, and starting, with the help of CCA, an educational program that indicated an awareness of non-financial concerns for members. It added propane in 1967 and fertilizer spreading in 1973.

The financing has been primarily from retained patronage refunds, the Bank for Cooperatives, and certificates of indebtedness held primarily by members, the first such instruments being issued in 1935. Volume has grown in almost a straight line from zero to the present level. The picture on net savings is not nearly as consistent, because actual losses were incurred in 1937, 1939, 1953, 1959, 1970, and 1971. Really substantial savings were first realized in 1973 and have remained large since then.

The cooperative has had numerous problems. In addition to the financial losses, nine major fires and two major floods have occurred; and it has been affected by years that were either too wet or too dry. But these problems have been overcome, and currently the cooperative is serving farmers better than ever.

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<sup>8</sup> Sources of data were an unpublished history the cooperative had prepared and its corporate records.



# Tables on County Farm and Population Data

**Appendix Table 1—Combined agricultural census data for Carroll, Chariton, Howard, Lafayette, Ray, and Saline counties, in Missouri, 1950 and 1974**

Item	1950	Change from 1950 to 1974	1974
		<i>Number</i>	
All farms	13,169	( 5,354)	7,815
		<i>Acres</i>	
Acreage used for farming	2,429,419	(264,967)	2,164,452
		<i>Dollars</i>	
Value of land and building/acre	89	377	466
Farms by size		<i>Number</i>	
0-99 acres	4,848	( 2,443)	2,405
100-499 acres	7,800	( 3,626)	4,174
500-999 acres	455	508	963
1000 or more acres	66	207	273
Part-time farmers (100 days or more off-farm labor)	1,972	499	2,471
Farms with livestock	7,201	( 1,068)	6,133
Farms with crops	1,425 <sup>1</sup>	4,443	5,868
Cattle and calves	233,470	120,305	353,775
Farms having cattle and calves	11,756	( 6,110)	5,646
Hogs	458,724	(122,989)	353,735
Farms having hogs	10,066	( 7,531)	2,535
Acres of corn	393,481	22,796	416,277
Farms raising corn	10,084	( 5,580)	4,504
Acres of soybeans	32,668	398,772	431,440
Farms raising soybeans	1,102	3,469	4,571
Acres of wheat	190,973	( 97,116)	93,857
Farms raising wheat	5,305	( 2,757)	2,548
Acres of milo	24,641	22,925	47,566
Farms raising milo	326	251	577
		<i>Thousand dollars</i>	
Total farm production expenses	<sup>2</sup>	<sup>2</sup>	157,746
Feed for livestock and poultry	9,872	24,597	34,469
Seed, bulb and plants	1,397	4,992	6,319
Fertilizer	<sup>2</sup>	14,853	14,853
Agricultural chemicals	<sup>2</sup>	6,842	6,842
Petroleum products	2,959	7,011	9,971
		<i>Number</i>	
Farms with sales of \$10,000 or more	1,366	2,742	4,108
Farms with sales of less than \$10,000	11,803	( 8,196)	3,607
		<i>Thousand dollars</i>	
Market value of all agricultural products sold	62,774	166,026	228,800
Market value of livestock sold	49,109	61,463	110,572
Market value of crops sold	13,623	104,253	117,876

<sup>1</sup> Strictly crop farms.

<sup>2</sup> Not available.

**Appendix Table 2—Biographic and demographic data for residents of Carroll, Chariton, Howard, Lafayette, Ray and Saline counties in Missouri, U.S. Census Data, 1960 and 1970**

Item	1960	Increase (decrease)	1970
<i>Number</i>			
Inhabitants—total	103,923	( 855)	103,068
Rural inhabitants	70,229	(7,561)	62,668
Urban inhabitants	33,694	6,706	40,400
Residence in same house as 1965	55,926	( 373)	55,553
Residence still in same county	24,381	(4,942)	20,339
<i>Average</i>			
Median income of experienced farmers and farm managers	\$2,304	\$2,392	\$4,696
Farm laborers: except laborers and farm foremen	\$1,137	\$1,285	\$2,422
Mean income of families	\$2,518	\$5,751	\$8,270
Median income of families	\$4,561	\$2,801	\$7,362
<i>Number</i>			
Occupations			
Total men and women	36,699	2,433	39,181
Farmers and farm managers	8,203	(2,068)	5,135
Farm laborers and foremen	1,664	( 313)	1,351
Employees in agricultural industry:			
Forestry and fisheries	10,680	(3,963)	6,717
Total females	10,651	3,500	14,151
Farmers and farm managers	351	( 245)	106
Farm laborers and foremen	246	( 160)	86
Women employed in agricultural industry:			
Forestry and fisheries	642	( 386)	256
Total men	26,050	(1,019)	25,031
Farmers and farm managers	7,852	(2,823)	5,029
Farm laborers and foremen	1,889	( 524)	1,365
Men employed in agricultural industry:			
Forestry and fisheries	10,038	(3,577)	6,461

## **Other Publications**

**Moroni Feed Company.** Alvin G. Carpenter. FCS Research Report 13. 1979. 34 pp.

**Central Carolina Farmers—Growth and Operations.** Philip F. Brown. FCS Information 103. 1975. 136 pp.

**Riceland Foods: Innovative Cooperative in the International Market.** J. David Morrissy. FCS Information 101. 1975. 136 pp.

**American Crystal Sugar—Its Rebirth as a Cooperative.** David Volkin and Henry Bradford. Information 98. 1974. 36 pp.

**Growth of Cooperatives in Seven Industries.** Lyden O'Day. Cooperative Research Report 1. 1978. 50 pp.

**Statistics of Farmer Cooperatives, 1976-77.** Ralph Richardson. ACS Research Report No. 1. 1980. 52 pp.

**Supply Operations of Major Regional Cooperatives in Years Ending 1974 and 1975.** J. Warren Mather. FCS Research Report 40. 1977. 110 pp.

**The Changing Financial Structure of Farmer Cooperatives.** Nelda Griffin, Roger Wissman, William J. Monroe, Francis P. Yager, Elmer Perdue. FCS Research Report 17. 1980. 172 pp.

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**U.S. Department of Agriculture  
Agricultural Cooperative Service**

Agricultural Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents obtain supplies and services at lower costs and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The agency publishes research and educational materials, and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.