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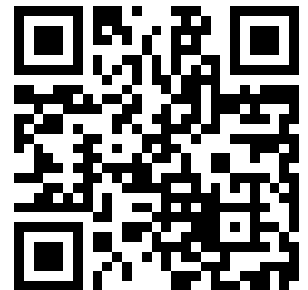
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Top 100 Cooperatives, 1986

Financial Profile

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ABSTRACT

TOP 100 COOPERATIVES, 1986 FINANCIAL PROFILE, by Donald R. Davidson and Michael D. Kane, Cooperative Management Division, Agricultural Cooperative Service, U.S. Department of Agriculture

This seventh edition in a series of annual financial profiles of the 100 largest cooperatives in the United States found total revenues from marketing and farm supply sales plus other income reaching a 6-year low of \$42.6 billion in 1986. Net margins before losses rose 5.2 percent to \$473 million, but plunged 34 percent after deducting losses of \$275 million. Funds generated from operations (cash flow) totaled more than \$1 billion in 1986, down 10 percent from 1985. Working capital dropped 8 percent to \$2.2 billion while equity capital decreased 1 percent to \$5.6 billion. Total assets declined 1 percent to \$15.5 billion. Net worth, as a percent of total assets, was unchanged from 1985 remaining at 35.9 percent. Borrowed capital dropped slightly to \$5.8 billion as long-term debt was reduced for the fourth straight year (3.3 percent in 1986).

Key Words: Farmer cooperative, capital structure, marketing, farm supply, finance, pooling, per-unit capital retains, patronage refunds, members' equity.

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PREFACE

All farmer cooperatives that meet a minimum \$15 million asset requirement and provide adequate financial information are eligible to make the Top 100 list. The Nation's 100 largest cooperatives are then selected based on total revenues (marketing and farm supply sales plus other income). The asset limitation excludes sales agencies with comparatively small capital requirements operating on a commission basis as well as cooperatives almost exclusively involved in bargaining activities. Data for constructing the annual financial profiles are obtained from cooperative associations' annual and audit reports. This seventh edition of the annual profile contains times series as well as comparative analysis. Identical cooperatives are compared between 1985 and 1986 to enhance the overall analysis.

Under these qualifications, the cooperative with the smallest 1986 revenues in the Top 100 had assets of \$39.7 million while the largest reached \$1.4 billion. Fifteen of the 100 largest cooperatives (12 regionals and three interregionals) were included among Fortune magazine's top 500 corporations in both 1986 and 1985. They engaged in a wide range of agribusiness operations--farm supply, dairy, fruits and vegetables, sugar, rice, and grain, or diversified activities. The biggest U.S. industrial company reported 1986 sales of \$102.8 billion--an all-time high, up nearly 7 percent over 1985. The largest farmer cooperative ranked 112th on the Fortune 500 list and posted sales of \$3.5 billion, down 13 percent from 1985.

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HIGHLIGHTS

The 100 largest U.S. agricultural marketing and farm supply cooperatives had 1986 revenues of \$42.6 billion compared with \$47.2 billion the previous year--a decline of \$4.6 billion or 9.7 percent. Revenues fell to their lowest point since ACS began compiling annual Top 100 financial data in 1980.

By commodity group among the Top 100, grain showed the greatest decline in total revenues as sales and other income dropped \$3.2 billion or 32.6 percent. Farm supply group revenues, off by slightly more than \$1 billion (11.5 percent), continued to reflect adverse conditions in agriculture during 1986. Together, the grain and supply groups accounted for 82 percent of total revenue declines posted by five of the nine commodity groups composing the Top 100.

Top 100 revenues, \$42.6 billion, represented 58 percent of total 1986 revenues received by 5,369 U.S. cooperatives. While revenues from the largest cooperatives ranged from \$54.1 million to \$3.5 billion, half of the Top 100 reported revenues less than \$218 million. Only eight cooperatives had 1986 sales greater than \$1 billion. In contrast, 59 percent, or 295 companies on the 1986 Fortune 500 list had greater sales.

Eighty-two cooperatives generated net margins compared with 79 in 1985. Net margins before subtracting net losses were up 5.2 percent to \$473 million. Eleven cooperatives reported losses in 1986 versus 14 in 1985. Seven pooling cooperatives showed neither losses nor margins.

Although fewer cooperatives were in the red, the magnitude of losses incurred by those few caused the dollar loss to average more than twice as much among the losers.

Losses totaled \$274.9 million, much higher than in 1985. After deducting losses, 1986 net margins dropped 33.7 percent to \$198 million. Ninety-five percent of the Top 100's total losses are tied to the farm supply group -- primarily the result of writedowns in petroleum inventories and declines in the market value for fertilizer. This group alone finished 1986 showing a net loss of \$222 million.

Patronage refunds increased 11.8 percent from \$288 million in 1985 to \$321.9 million. Refunds amounted to 65 percent of net margins before losses. Sixty-three cooperatives paid patronage refunds in 1986 compared with 66 in 1985.

Per-unit capital retains, fixed without reference to net margins, reached their highest level in 1986, \$193 million. Twenty-five of the 31 cooperatives that operate primarily on a pooling basis accounted for 71 percent of the Top 100's total retains. In 1985, 28 of 31 pooling associations accounted for 68 percent.

The other 29 percent of the Top 100's total retains were deducted by 20 cooperatives operating principally on a net margin basis. In 1985, 21 nonpooling associations accounted for 32 percent of the total. In both years, only one net margin cooperative (a nondairy marketing association) deducted capital retains.

Funds generated from operations (cash flow) totaled \$1.0 billion, a 10-percent decline from the \$1.1 billion provided by operational sources in 1985. The sharp drop in net margins after losses and noncash expenses--other than depreciation--caused the drop in cash flow. Net margins provided 19.6 percent of cash flow compared with 26.6 percent in 1985.

Although the 1986 Top 100 operated with less cash flow, total inflows increased slightly (1.6 percent) to \$2.1 billion. Funds obtained from nonoperational sources offset shrinkage in operational inflows by more than \$34 million resulting in a slightly greater total inflow of funds.

Capital expenditures rose 4 percent to \$891 million in 1986. It marked the second year funds applied to noncurrent or fixed assets increased after reaching a low of \$800 million in 1984. Funds for equity redemption rose for the third consecutive year. In 1986, redemptions increased to \$217 million, 4 percent more than 1985. For the past 5 years, equity redemption payments have exceeded cash patronage refunds emphasizing the growing importance of redemption plans.

Total assets of the Top 100 cooperatives declined in 1986 to \$15.5 billion after peaking in 1981 at \$17.2 billion. The Top 100's assets represent 58.5 percent of the total assets held by all 5,369 farmer cooperatives in the U.S. Although the Top 100 account for only 2 percent of the U.S. farmer cooperative population, their dominant asset size indicates the influence they can have on the overall financial picture.

In 1986, assets of the Top 100 continued to range widely from \$17.8 million to \$1.35 billion. However, only a relative few continued to dominate the asset picture. Half the Top 100 had assets less than \$82 million. Only two associations showed assets exceeding \$1 billion.

In the combined balance sheet, total borrowed capital, including short- and long-term debt, decreased \$10 million (0.2 percent). Although this marked the fourth year in a row that the Top 100 reduced total debt, the minimal drop didn't compare with the 7- to 8-percent reductions in 1983, 1984, and 1985. Total debt for the Top 100 amounted to \$5.77 billion in 1986, nearly 20 percent below the \$7.18 billion outstanding in 1980.

The Banks for Cooperatives (BC's) share of total debt increased slightly from 48.6 to 48.9 percent after dropping in 1985 to the lowest level on record. BC's supplied 40.2 percent of the Top 100's 1986 total short-term debt load of more than \$2.32 billion. That compared with 41.4 percent or \$2.21 billion in 1985. Long-term debt equaled \$3.46 billion with 54.7 percent supplied by BC's, compared with 53 percent of \$3.58 billion in 1985.

Members' equity fell 1 percent to \$5.57 billion. However, the Top 100's net worth was still 14.5 percent higher than the \$4.86 billion posted in 1980. Equity capital, as a percent of total assets, remained unchanged in 1986 at 35.9 percent. Significantly, seven of the nine commodity groups raised equity capital with rice remaining unchanged. The farm supply group was responsible for the reduction in members' equity.

On the whole, the Top 100's financial position weakened in 1986. Working capital decreased 8 percent. The cash flow/total funds ratio declined 6.3 points to 48.1 percent. The current ratio inched down (1.40 to 1.36). Meanwhile, the total debt/asset and total debt/equity ratios moved up slightly.

TOP 100 COOPERATIVES, 1986 FINANCIAL PROFILE

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OVERVIEW

The Agricultural Cooperative Service (ACS) started its annual studies of the 100 largest farmer-owned cooperatives (Top 100) in 1981 based on fiscal 1980 data. This seventh annual profile centers on significant financial changes of the Top 100 in 1986 compared with 1985. The study also examines trends in major capital elements from 1980-86 while comparing and contrasting certain long-term changes from 16 (1970) and 24 years (1962) ago.

The Top 100 cooperatives basically functioned to market members' products and provide members access to farm supplies. These cooperatives were classified by several basic characteristics: (1) function, (2) tax status, (3) commodities handled, (4) membership structure, and (5) farm credit districts.

The number engaged primarily in marketing activities increased from 62 in 1970 to 68 in 1986 (table 1). After 1980, shrinking export grain markets and depressed agricultural conditions caused restructuring activities and resulted in a decline in the number of cooperatives in the marketing/farm supply sector. The number performing both marketing and supply functions dropped from 22 to 18. The Top 100 cooperatives engaged mainly in farm supplies decreased from 16 to 14 during the 16-year period.

Federal Income Tax Status

Congress enacted Federal income tax legislation over the past 30 years that dealt specifically with farmer cooperatives. Substantial revisions were made in some Federal laws related to the tax treatment of farmer cooperatives and their patrons. These primarily ensured that taxable income received by cooperatives in the course of their business activities with patrons was included in computing the income tax of either cooperative or patron, thus subjecting these amounts to a single tax.

Farmer marketing and supply cooperatives qualifying under section 521 of the 1954 Internal Revenue Code were allowed to deduct from their gross income amounts paid as limited dividends on their capital stock or other equity capital, and amounts of non-patronage income (such as interest and rental income) distributed to patrons on a patronage basis. 1/

Most of the Top 100 were Nonsection 521 cooperatives in 1986 (table 1). In 1970, 62 qualified as Section 521 cooperatives compared with 21 in 1986. Over a 16-year period, nearly a complete reversal occurred in the role of the two tax options.

1/ Section 521 status is not automatic. Cooperatives must apply and meet strict requirements. If qualified, a ruling or determination letter is issued by the Internal Revenue Service.

Table 1--Top 100 cooperatives' major function and income tax status for selected fiscal years

Major function and status	1970	1976	1980	1986
<u>Number of cooperatives</u>				
Marketing:				
Section 521	44	30	29	18
Nonsection 521	18	30	33	50
Subtotal	62	60	62	68
Marketing/farm supply:				
Section 521	13	6	5	3
Nonsection 521	9	20	22	15
Subtotal	22	26	27	18
Farm supply:				
Section 521	5	0	0	0
Nonsection 521	11	14	11	14
Subtotal	16	14	11	14
All cooperatives:				
Section 521	62	36	34	21
Nonsection 521	38	64	66	79
TOTAL	100	100	100	100

Table 2--Long-term trends in composition for Top 100 commodity groups

Group	1970	1976	1980	1986
<u>Number</u>				
Dairy	19	22	24	31
Fruits and vegetables	18	17	18	19
Grain	14	21	22	13
Cotton	6	5	7	6
Diversified <u>1/</u>	14	11	9	5
Sugar	2	3	3	5
Rice	4	4	4	4
Poultry and livestock	5	3	2	3
Farm supply <u>2/</u>	<u>16</u>	<u>14</u>	<u>11</u>	<u>14</u>
Total	100	100	100	100

1/ Marketing/farm supply cooperatives handling several commodities.

2/ Accounts for more than 50 percent of total revenues.

Since 1976, no Top 100 farm supply cooperatives have operated as Section 521 organizations. All but three of the 21 Section 521 associations in 1986 were marketing cooperatives.

Commodity Groups

The generic term, marketing, does not indicate the wide variety of commodities handled by the Top 100 cooperatives. Since 1970, the number of commodity marketing associations has remained fairly stable between 84 and 89. On the other hand, diversified cooperatives (marketing/farm supply associations handling several commodities) steadily declined, decreasing from 14 (1970) to just 5 in 1986.

However, receipts from marketing, compared with farm supply sales and other income, remained quite stable when measured as a percent of total revenues and accounted for 71 percent in 1980 versus 70 percent in 1986. To facilitate the financial analysis, the Top 100 farmer cooperatives were classified into nine commodity groups based on sales level of major products marketed by each association (table 2).

Farm supply numbers dropped from a high of 16 in 1979 to a low of 11 (1980) but grew to 14 by 1986. Much of this change was due to restructuring within the cooperative farm supply sector.

In the other commodity areas, the number of dairy cooperatives in the Top 100 grew noticeably since 1970, from 19 to 31. The grain group showed some fluctuation in the past 26 years. During the 1970's, grain cooperatives climbed to a high of 22 just before the end of the decade. But the decline of foreign markets accompanied with internal domestic changes in the grain market structure reduced that number dramatically by 1986. Only 13 grain cooperatives remained in this group. Some still appear to be repositioning themselves in today's world market.

Poultry and livestock cooperatives have gradually decreased over the years. However, in 1986 ACS added one more to the list. The number of cooperatives in the fruits and vegetables group has remained fairly stable. This is a specialized area, and competition to gain entry into the Top 100 is fairly close. The cotton and rice groups showed the most stability over the years. The firms in these two categories changed very little.

Membership

Considering membership structure, 65 cooperatives were centralized in 1986, 6 more than in 1980 (table 3). During the same period, federated cooperatives declined from 28 to 20 while mixed (a combination of the two) dropped from 16 to 15. Most of the Top 100 are regional associations with 80 falling in this category in 1980 versus 70 in 1986.

Other changes during the 6-year period occurred in the number of locals and interregionals. Local cooperatives listed in the Top 100 grew from 13 in 1980 to 18 in 1986, while interregionals declined from 7 to 3. Four of the five local grain marketing associations also operated substantial farm supply divisions. The other 13 locals included 8 marketing fruits and vegetables, 4 dairy, and a farm supply cooperative engaged in substantial poultry marketing activities.

Farm Credit Districts

The 100 largest associations obtain a major portion of their borrowed funds from the 13 Banks for Cooperatives--12 Farm Credit District Banks and 1 Central Bank.

Table 3--Type and membership structure by commodity group of the 100 largest farmer cooperatives, 1986

Type of Cooperative	Membership structure			
	Centralized <u>1/</u>	Federated <u>2/</u>	Mixed <u>3/</u>	Total
	<u>Number</u>			
Local: <u>4/</u>				
Grain and soybeans	5	0	0	5
Fruits and vegetables	8	0	0	8
Dairy	4	0	0	4
Farm supply	1	0	0	1
Subtotal	18	0	0	18
Regional: <u>5/</u>				
Dairy	25	1	1	27
Grain and soybeans	1	6	1	8
Fruits and vegetables	7	2	2	11
Diversified	0	0	5	5
Farm supply	0	5	5	10
Cotton	3	2	1	6
Sugar	5	0	0	5
Rice	4	0	0	4
Poultry and livestock	2	1	0	3
Subtotal	47	17	15	79
Interregional: <u>6/</u>				
Farm supply	0	3	0	3
TOTAL	65	20	15	100

1/ Individual farmers make up the membership.

2/ Membership composed of two or more local, regional, or interregional associations.

3/ Has both individual farmers and cooperatives as members.

4/ Provides cooperative services in a local area or community or one or several counties. The association has individual farmers as members and may be affiliated with a regional or other cooperatives.

5/ Serves a district consisting of a number of counties or, in some cases, a number of States. Regionals include all federated cooperatives, centralized associations serving more than 8 or 10 counties, and cooperatives with large volumes that are neither strictly federated nor strictly centralized.

6/ One whose members are mainly regional cooperatives and is owned and controlled by these organizations.

Figure 1 shows the number of 1986 Top 100 cooperatives headquartered in each district. The Sacramento District had 24, followed by St. Paul with 12, and St. Louis and Springfield with 10 each.

CO-OP RESTRUCTURING

Restructuring of operations increased in 1986 as cooperatives sought to cut duplication, reduce excess capacity, and improve operating efficiencies. They merged with other organizations, acquired assets of associations having serious financial problems, or divested themselves of unwanted facilities. More emphasis was placed on core business activities. Some of the Top 100 formed joint ventures and partnerships with other cooperatives or private and investor-owned firms while adapting to the rapidly changing agricultural environment.

In establishing the 1986 roster, restructuring eliminated 7 of 10 cooperatives dropped from the 1985 list. This was the highest number of changes in any 1 year since the Top 100 series began in 1980. In some cases, the change was dramatic. The biggest cooperative in the Carolinas sold its marketing and farm supply assets to other Top 100 associations. A large, diversified Michigan regional combined operations with a major grain marketing/farm supply cooperative in Ohio.

Five other changes involved dairy associations. In Wisconsin, two consolidated their operations while a third merged with a Texas-based Top 100 organization. One in Pennsylvania sold its processing facilities to a Canadian-based noncooperative. Another in New York went out of business.

Three that dropped from the Top 100 were not related to restructuring. One association's assets fell below the \$15 million minimum. Another had insufficient sales while the third was dropped because of inadequate data.

SALES AND OTHER INCOME

After peaking in 1981 at \$57.8 billion, total revenues from marketing and farm supply sales plus other income dropped the next 2 years, but rose about 9 percent in 1984 (fig. 2). However, revenues fell by almost 11 percent in 1985, and then sagged once again to \$42.6 billion in 1986. The \$42.6 billion represents a \$4.6 billion or almost a 10-percent revenue decline from the 1985 level. Total revenues in 1986 reached their lowest level since the Top 100 annual profile series began in 1980. The general trend over the past 6 years was downward.

Top 100 Cooperatives vs. Fortune 500 Corporations

By comparison, sales of the 500 largest U.S. industrial corporations decreased 4.6 percent in 1986. Fifteen Top 100 cooperatives (12 regionals and 3 interregionals) ranked among Fortune magazine's 500 corporations in both 1986 and 1985. Activities of the 15 covered a wide range of operations--4 farm supply, 3 diversified, 3 dairy, 2 fruits and vegetables, 1 sugar, 1 rice, and 1 grain.

General Motors Corporation (GM), the biggest U.S. industrial company, reported 1986 sales of \$102.8 billion, up nearly 7 percent--an all-time high. Far down that list was Agway, the largest farmer cooperative. It ranked 112th on the Fortune 500 list with sales of \$3.5 billion, down 13 percent from 1985. To put things in perspective, GM sold more than twice as much as the entire Top 100 and had nearly \$30 billion more sales than the gross business volume of all cooperatives.

Figure 1--Distribution of Top 100 Cooperatives by Farm Credit District, 1986

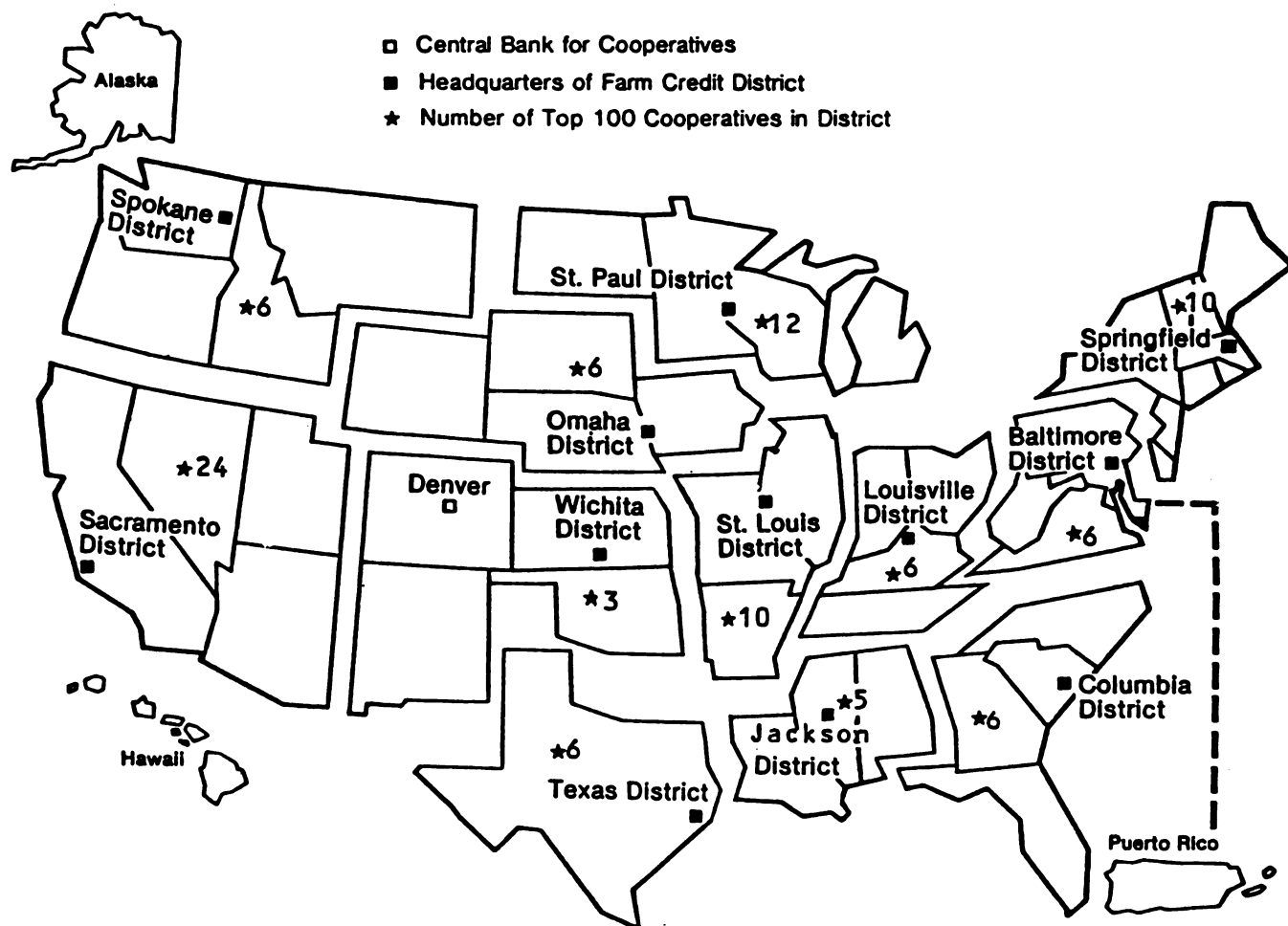
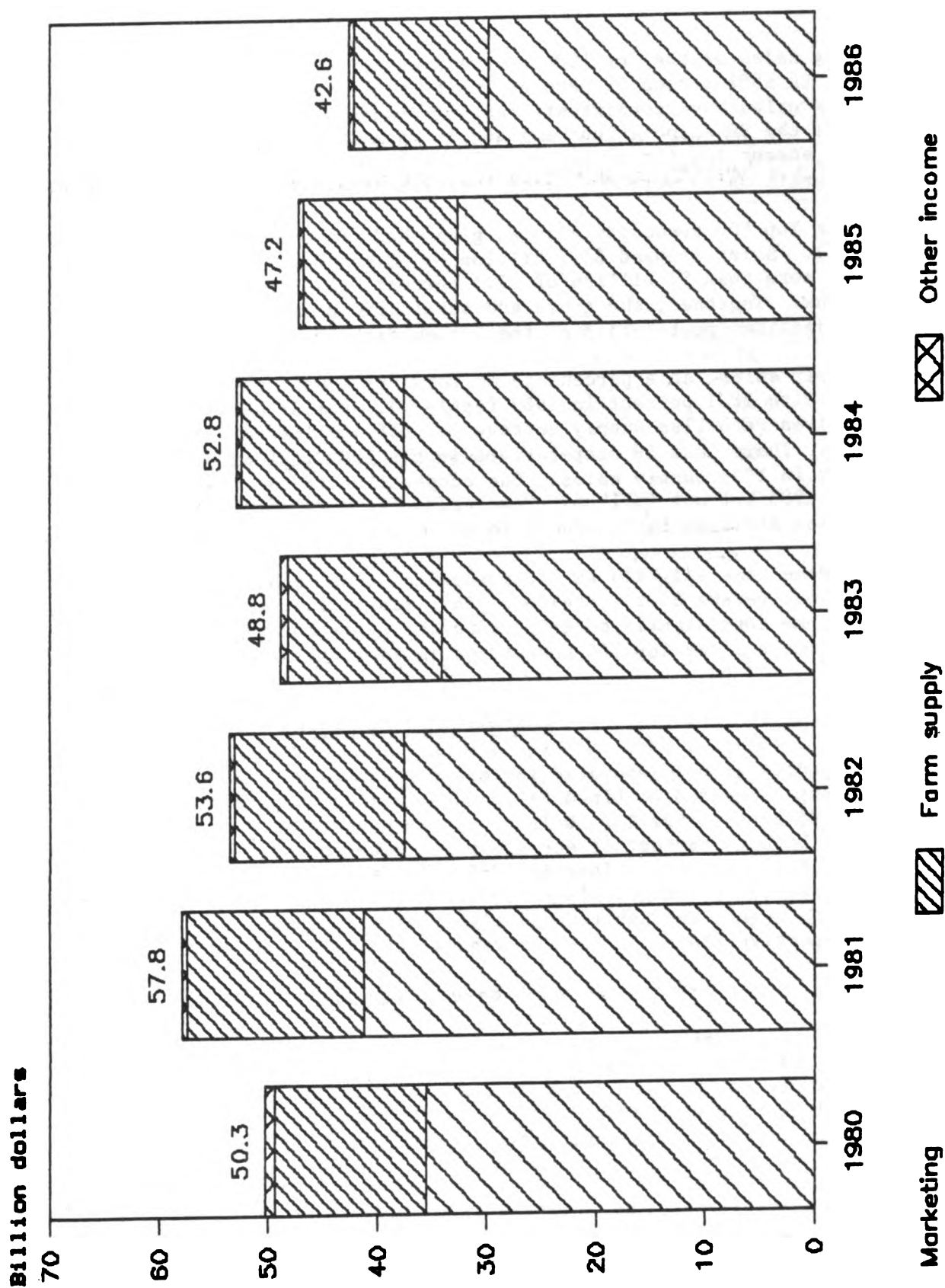


Figure 2--Sources of Revenue for Top 100, 1980-86



Sources of Revenue

Marketing sales of the Top 100 cooperatives accounted for 69.9 percent of total revenues in 1986 versus 69 percent the previous year (table 4). Over the years, marketing sales have consistently contributed about 70 percent to total revenues. Volume of the 90 associations engaged in marketing dropped \$2.8 billion or 8.5 percent, accounting for 60 percent of the \$4.6 billion decline in total revenues. Sagging grain sales were the major factor behind the drop in total marketing sales.

Among the Top 100 commodity groups, grain had the biggest decline in revenues (table 5). Sales dropped \$3.2 billion or 32.6 percent. Farm supply sales, off by slightly more than \$1 billion or 11.5 percent, also reflected adverse industry conditions. Together, the grain and supply groups accounted for 82 percent of revenue declines posted by 5 of the 9 commodity groups.

Farm supply sales, as a percentage of total revenues, represented 28.9 percent compared with 30.1 percent in 1985 (table 4). Dollar sales volume of the 38 cooperatives reporting supply revenue in 1986 declined \$1.9 billion (13.1 percent). There were 39 cooperatives in the 1985 list with most reporting some reduction in 1986 supply sales. One cooperative in the dairy group reported supply sales in 1985 but not in 1986. However, a few farm supply cooperatives showed large sales declines that reduced total farm supply revenues.

Other income rose slightly to 1.2 percent of total revenues reported by 81 associations versus 80 the previous year (table 4). Over the years of analysis, other income consistently contributed about 1 percent of total revenues. (See appendix table 1 for Top 100 sources of revenue for fiscal years ended in 1976, 1980-85.)

Commodity Group Shares

Four commodity groups generated increased revenues in 1986. The 31-cooperative dairy group increased combined sales and other income almost 2 percent, accounting for 29.1 percent of the Top 100's total revenues (fig. 3) versus 25.8 percent in 1985--the highest percent of any group for both years. Grain, second in 1985 (20.4 percent), fell to fourth place in 1986 after a \$3.1 billion decline in revenues. This dropped the grain group's share 5.1 percentage points. The fruits and vegetables, sugar, and poultry and livestock groups expanded sales in 1986 to raise their respective shares of total revenues slightly, compared with 1985.

Revenue Range

Revenues of the 1986 Top 100 cooperatives ranged widely from \$54.1 million to \$3.5 billion. Half reported less than \$218 million in total revenues (table 6). In 1985, revenues ranged from a low of \$53.5 million to \$4.1 billion, with a median of \$207 million. Although there was little difference in the low revenue figure for interregional cooperatives both years, their median and high revenues varied greatly.

Eight cooperatives had 1986 revenues of \$1 billion or more compared with 12 in 1985 (table 7). Since 1981, the number of cooperatives in this range has been on the decline. Revenues of 14 cooperatives topped \$1 billion in 1981, the peak sales year for all cooperatives combined (fig. 2). More Top 100 cooperatives fell into the range of \$100-\$249.9 million than any other class. Since 1980, a majority of the Top 100 (54 in 1986) have reported revenues between \$100 million and \$499.9 million.

Table 4—Top 100 sources of revenue, 1986 vs. 1985 1/

Source	1986			1985 <u>2/</u>		
	Number <u>3/</u>	Million dollars	Percent	Number <u>3/</u>	Million dollars	Percent
Net sales:						
Marketing	90	29,768	69.9	90	32,549	69.0
Farm supply	38	12,317	28.9	39	14,174	30.1
Other income	81	<u>507</u>	<u>1.2</u>	80	<u>444</u>	<u>0.9</u>
Total revenues		42,592	100.0		47,167	100.0

1/ Includes intercooperative business.

2/ Adjusted Top 100 data show comparison with identical cooperatives for 1986.

3/ Cooperative reporting revenue from each source.

Table 5—Comparative revenues of Top 100 commodity groups, 1986 vs. 1985 1/

Commodity group	Number	1986	1985	Amount of change	Increase (Decrease)
		<u>Million dollars</u>			<u>Percent</u>
Dairy	31	12,391	12,183	208	1.7
Farm supply	14	7,763	8,767	(1,004)	(11.5)
Diversified <u>2/</u>	5	7,522	8,187	(665)	(8.1)
Grain	13	6,496	9,643	(3,147)	(32.6)
Fruits and vegetables	19	4,630	4,552	78	1.7
Cotton	6	1,264	1,453	(189)	(13.0)
Sugar	5	1,202	1,099	103	9.5
Rice	4	812	885	(73)	(8.2)
Poultry and livestock	<u>3</u>	<u>512</u>	<u>399</u>	<u>113</u>	<u>28.4</u>
Total	100	42,592	47,167	(4,575)	(9.7)

1/ Identical cooperatives used in 1986 and 1985.

2/ Marketing/farm supply cooperatives handling several commodities.

Figure 3--Share of Top 100 Total Revenues by Commodity Group, 1986

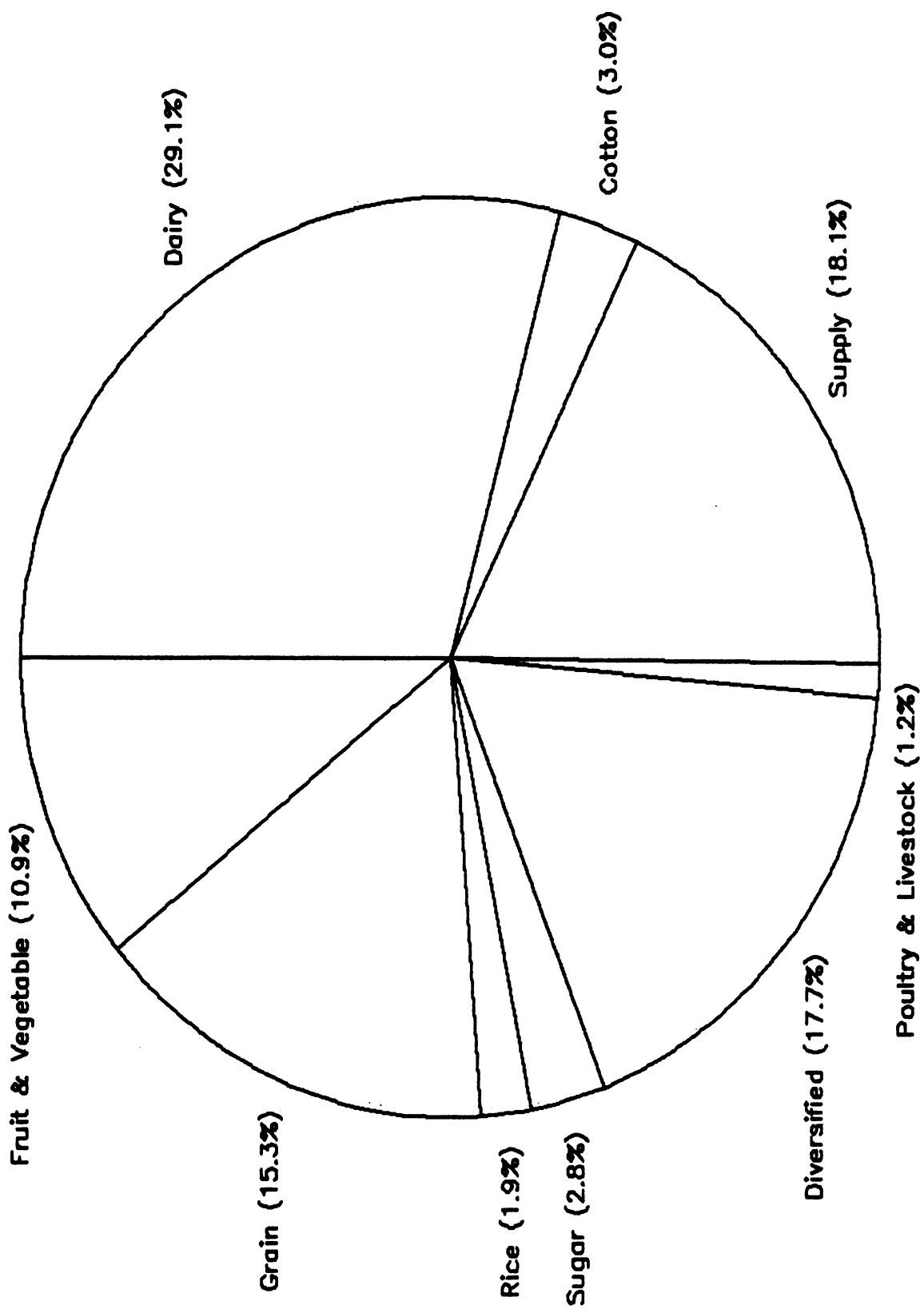


Table 6—Range in Top 100 revenues by type of cooperative, 1986 vs. 1985

Revenues	Locals <u>1/</u> (18)		Regionals <u>1/</u> (79)		Interregionals <u>1/</u> (3)		All cooperatives (100)	
	1986	1985	1986	1985	1986	1985	1986	1985
<u>Million dollars</u>								
High	256.6	252.0	3,540.3	4,078.1	766.1	920.8	3,540.3	4,078.1
Median	76.5	91.3	272.6	274.5	730.5	899.9	217.7	207.3
Low	54.1	54.1	58.4	53.5	320.0	335.9	54.1	53.5

1/ See table 3 for definitions.

Table 7—Distribution of Top 100 by size of revenues, 1980-1986

Sales and other income	1980	1981	1982	1983	1984	1985	1986
<u>Number of cooperatives</u>							
\$1 billion or more	13	14	13	13	12	12	8
\$500-\$999.9 million	10	10	11	11	15	13	16
\$250-\$499.9 million	22	26	20	20	17	20	21
\$100-\$249.9 million	35	39	43	42	40	31	33
Less than \$100 million	<u>20</u>	<u>11</u>	<u>13</u>	<u>14</u>	<u>16</u>	<u>24</u>	<u>22</u>
Total	100	100	100	100	100	100	100

NOTE: Identical cooperatives compared in 1986 and 1985.

Revenue Share by Size

Although more cooperatives were in the \$100-\$249.9 million class than any other, figure 4 shows this group contributed only 10 to 12.3 percent of total revenues in 1985 and 1986. Cooperatives with revenues greater than \$1 billion had the largest share of total revenues. However, in 1986 this share dropped dramatically from 51.2 to just 39.5 percent, reflecting a major decline in sales among the largest Top 100 cooperatives.

The \$500-\$999.9 million size group showed the most growth in share of total revenues because four of the former \$1 billion cooperatives fell back into this category in 1986. The group's share climbed from 19.5 percent to 26.6 percent. The 22 cooperatives with revenues under \$100 million (24 in 1985) contributed only about 4 percent of the total each year.

NET MARGINS AND LOSSES

Among the 1986 Top 100 farmer cooperatives, seven operated as pooling associations and reported neither net margins nor losses. Eleven cooperatives showed net losses for 1986. Consequently, 82 of the Top 100 cooperatives generated net margins in 1986 compared with 79 in 1985, up 5.2 percent -- before subtracting net losses -- to \$473 million (table 8). Eleven cooperatives incurred losses in 1986 versus 14 in 1985. (See appendix table 2 for historical data.) 2/

Although fewer of the 100 reported net losses in 1986, the \$275 million loss was more than twice as much for those operating in the red in 1985. Total dollar losses were 82 percent higher in 1986 (fig. 5). After deducting losses, 1986 earnings dropped almost 34 percent to \$198 million. (See appendix figure 1 for recent Top 100 net operating results.)

Fortune 500 companies also reported lower profits in 1986. Margins fell nearly 7 percent. The magazine called it a year of "writeoffs on plant closings, layoffs, and divestitures in the hope of clearing the way for greater profitability in 1987." Seventy companies lost money for the second year in a row, the largest number in the 33 years of the listing. Proportionately, 14 percent of the 500 reported losses both years, compared with 11 and 14 percent for the Top 100.

Margins by Commodity Group

Only the 14 cooperative farm supply group finished in the red, with losses exceeding net margins by \$222 million (fig. 6). Supply losses accounted for 95 percent of the Top 100's total losses. In 1985, the group had marginal operating results with earnings of \$6 million on assets of \$4.5 billion.

Overcapacity in domestic fertilizer facilities and increased urea imports resulted in depressed prices and losses in fertilizer sales. Petroleum prices took an unprecedented fall in 1986, causing supply cooperatives to write down crude oil inventories

2/ Most of the fruit and vegetable, all of the sugar and rice associations, and a couple in the cotton and dairy groups operated on a pooling basis. Pooling associations rely on per-unit capital retains as their major source of equity capital.

Figure 4--Percent Share of Top 100 Total Revenues by Source and Size Group

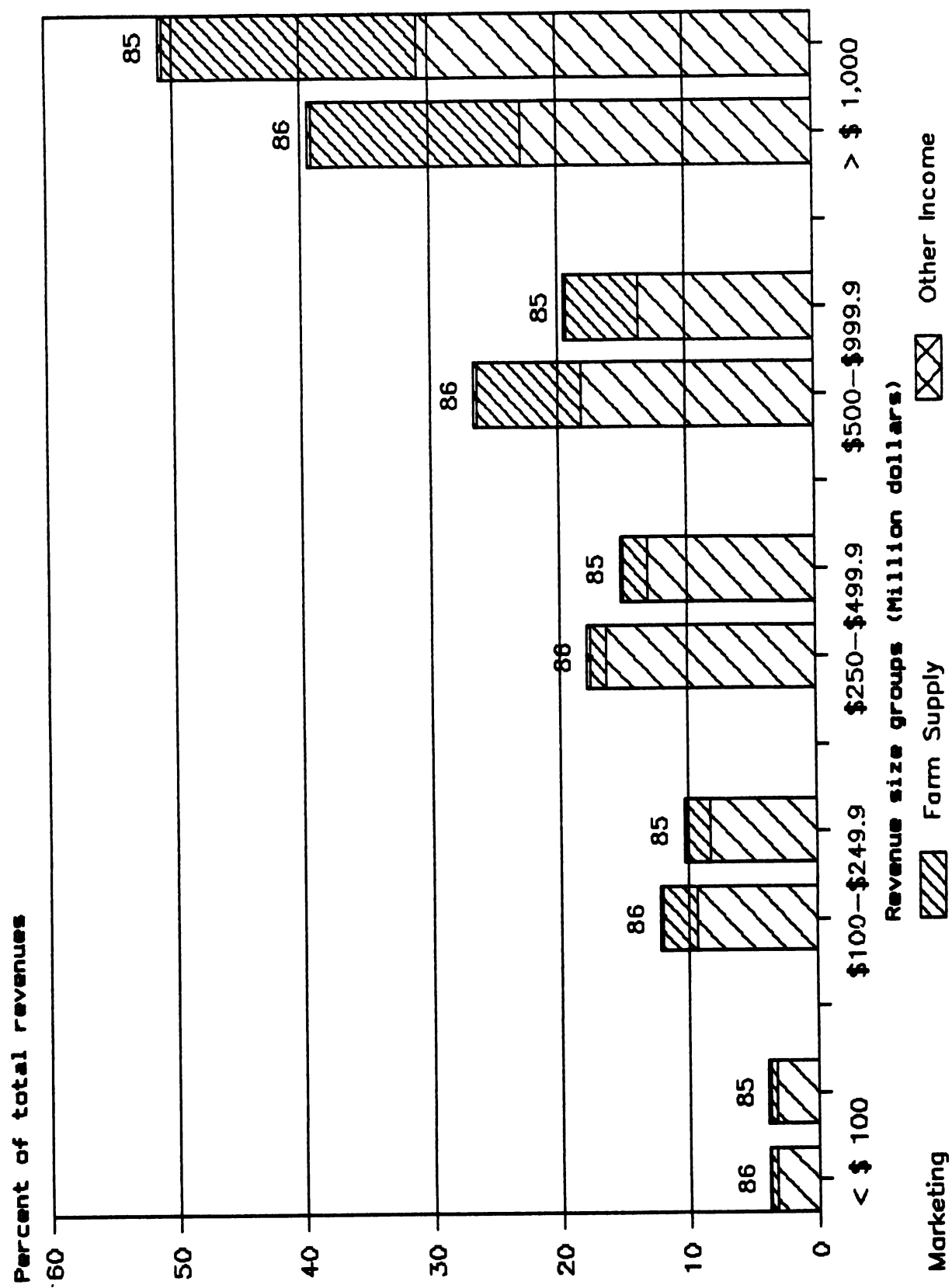


Table 8—Top 100 net margins before and after losses, 1986 vs. 1985

Item	Cooperatives <u>1/</u>		1986	1985 <u>2/</u>	Increase (Decrease)	
	1986	1985				
	----- <u>Number</u> -----		----- <u>Million dollars</u> -----			<u>Percent</u>
Net margins	82	79	472.9	449.5	23.3	5.2
Losses	11	14	274.9	150.9	123.9	82.1
Net margins after losses			198.0	298.6	(100.6)	(33.7)

1/ Seven cooperatives used pool accounting methods both years with no net margin (or loss) activities reported.

2/ Adjusted Top 100 data to show comparison with identical cooperatives for 1986.

Table 9—Distribution of net margins (losses) by commodity group, 1986

Percentage share of net margins (losses)								
Commodity groups	Co-ops	Net margins (loss)	Patronage refunds	Deferred patronage	Common stock	Unallo- cated equity	Income taxes	Dividends
	Number	Mil. dol.	-----Percent-----					
Dairy	31	146.9	82.8	0.0	0.0	8.7	8.1	0.4
Diversified <u>1/</u>	5	70.9	27.2	1.5	0.0	29.7	34.0	7.6
Cotton	5	69.0	97.2	0.9	0.0	(0.3)	2.2	0.0
Fruits and vegetables	15	58.7	45.6	0.0	0.0	25.4	23.7	5.3
Grain	13	40.5	55.2	0.0	0.0	16.5	26.0	2.3
Poultry and livestock	3	14.3	99.4	0.0	0.0	0.0	0.4	0.2
Sugar	3	12.3	14.5	0.0	0.0	80.3	5.2	0.0
Rice	4	6.9	0.0	0.0	0.0	14.8	44.6	40.6
Farm Supply	14	(221.5)	22.1	(39.3)	(62.1)	(23.9)	2.8	0.4
Total	93 <u>2/</u>	198.0	162.6	(43.1)	(69.4)	6.6	36.3	7.0

1/ Marketing/farm supply cooperatives handling several commodities.

2/ Seven associations used pool accounting methods with no net margin (loss) activities reported.

Figure 5--Net operating results, 1986 vs. 1985

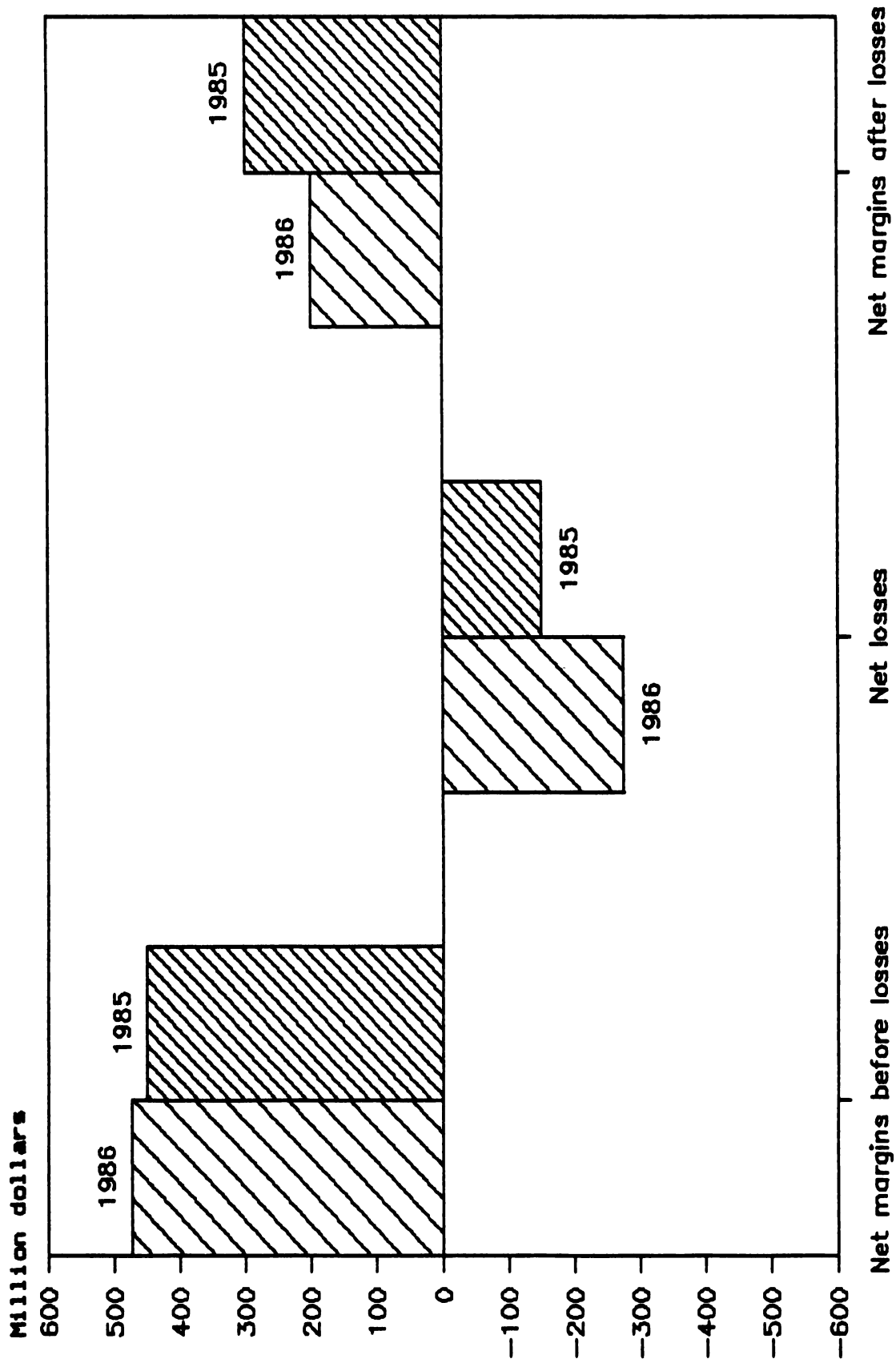
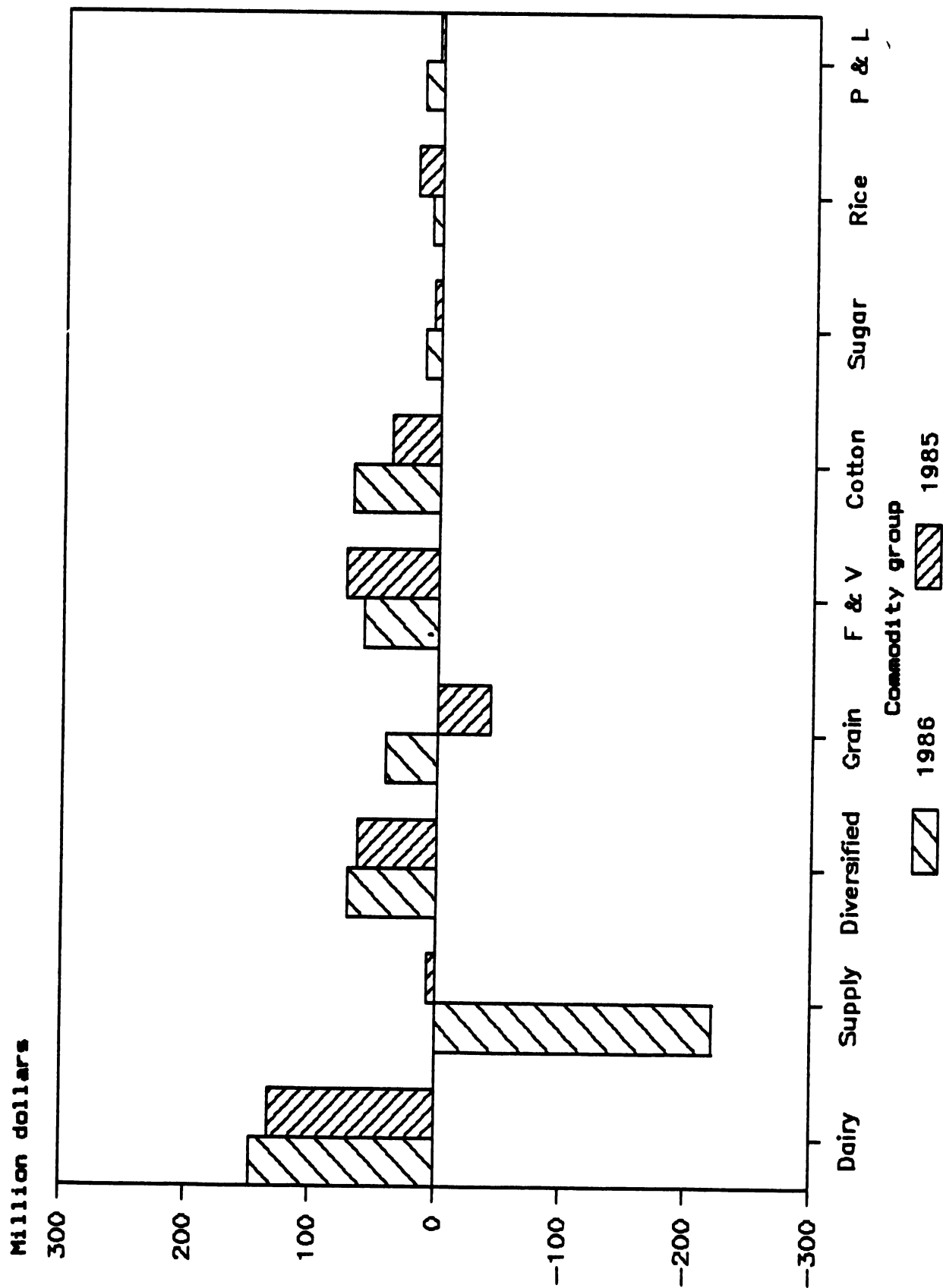


Figure 6--Top 100 Net Margins after Losses by Commodity Group, 1986 vs. 1985



resulting in millions in additional losses. So far in the 1980's, farm supply cooperatives have taken a real economic beating from agricultural conditions beyond their control.

Prospects were beginning to look brighter for the grain group, which also suffered along with farmers following reversals of the bustling grain export markets of the 1970's. The biggest improvement in net operating results occurred in the grain group. Although lower domestic grain prices resulted in reduced grain sales, the 13 cooperative grain group made money. It engineered a significant \$83 million turnaround, replacing a 1985 net loss of \$42.6 million with \$40.5 million in net margins for 1986. Earlier consolidations and sales of unproductive assets put grain cooperatives in a more favorable financial position for 1986.

Except for fruit and vegetable and rice cooperatives, whose margins dropped 21 and 63 percent, respectively, other commodity groups raised net income. The sugar group more than doubled earnings to \$12.3 million on assets of \$674 million. Cotton earnings increased nearly 80 percent to \$69 million on assets of \$682 million. Diversified cooperatives raised their earnings 12 percent to \$71 million on assets of \$2.6 billion. Dairy reported the highest total net margins of any group, up 10 percent to \$147 million with assets of \$2.6 billion. Poultry and livestock showed a sixfold increase to \$14 million on assets of \$82 million.

Distribution of Net Margins (Losses)

Sixty-five percent of net margins before losses were used for patronage refunds, up 1 percent, compared with a year earlier. Unallocated equity accounted for 17 percent of total margins--down from 20 percent. Cash dividends on stock/certificates stayed near 3 percent both years, while income taxes increased from 12 to 15 percent partly due to greater use of nonqualified allocations (figs. 7 and 8).

Adding the 11 net loss cooperatives to the 82 producing net margins--7 pooling associations reported no net margin (loss) activities--provides a more complete picture of 1986 operating results. Despite losses, the loss group accounted for \$16 million (5 percent) of the \$322 million of 1986 patronage refunds. Although the farm supply group accounted for most of the recorded losses in the Top 100, the group's \$49 million of patronage refunds (almost half cash) ranked third largest of any commodity group.

Member equity accounts, deferred patronage and common stock, acquired special significance in 1986 (table 9). Losses are normally charged to unallocated equity. However, in the farm supply group, common stock was hit hard by losses mainly because one large cooperative had insufficient unallocated equity and was forced to pass losses back through charges against stock equity.

Others in the farm supply group chiefly used deferred patronage for recording differences in financial statement and Federal income tax reporting of net margins and patronage refunds. They charged losses affected by these timing differences to deferred patronage instead of unallocated equity. Future reversals of differences (accelerated depreciation, reduction in inventory values, etc.) will eventually offset patronage refunds and deferred patronage accounts. ACS treated deferred patronage accounts as unallocated capital for equity classification on the balance sheet.

Figure 7--Top 100 Distribution of Net Margins before Losses, 1980-86

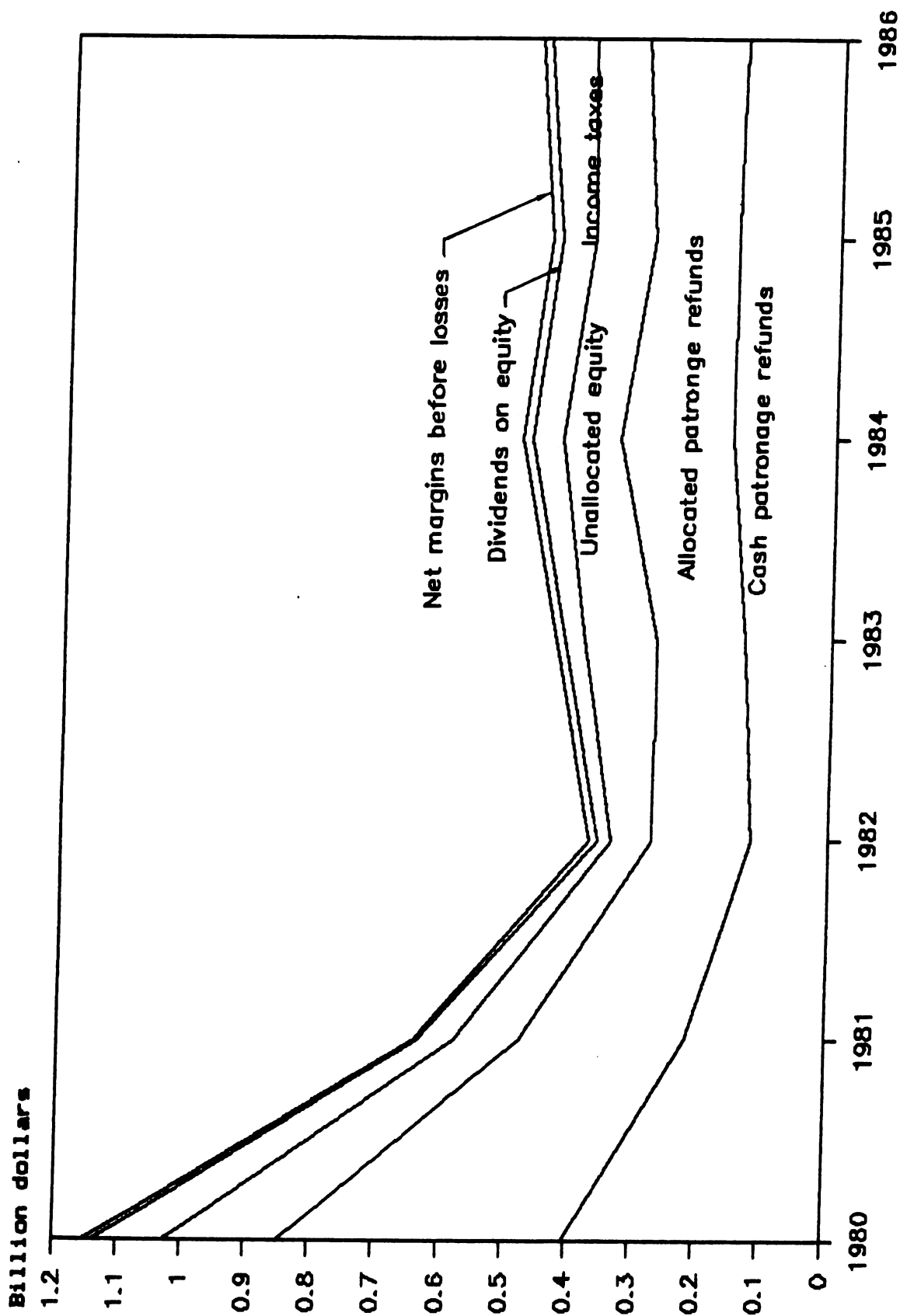
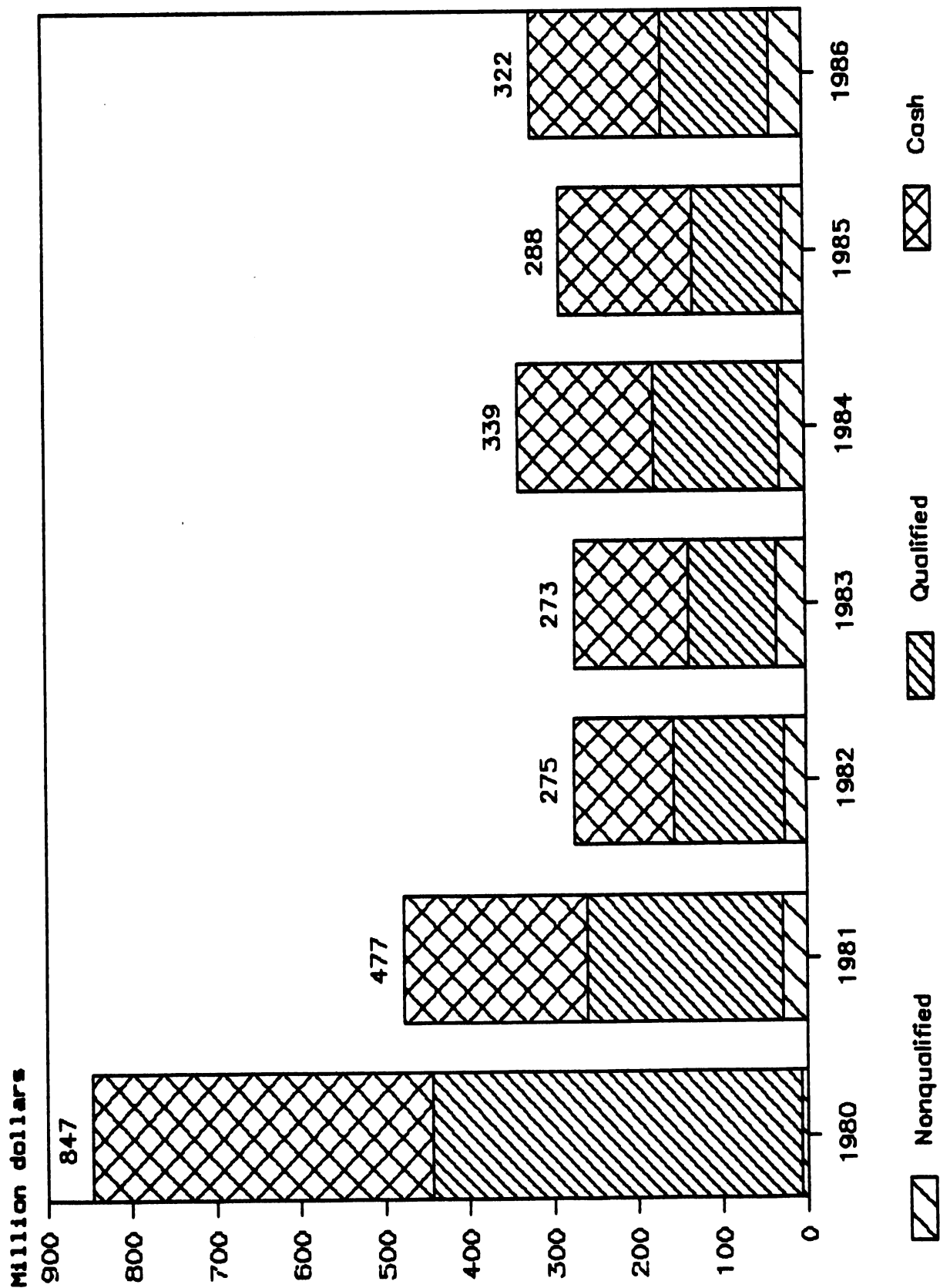


Figure 8--Size and Type of Top 100 patronage refunds



Patronage Refunds

Total patronage refunds (cash, qualified and nonqualified allocations) increased nearly 12 percent from \$288 million to \$321.9 million even though losses dropped 1986 net margins by a third to \$198 million (fig. 8). Patronage refunds were more than 160 percent greater than 1986 net margins after losses (table 9). Sixty-three cooperatives made patronage refunds, compared with 66 in 1985. Patronage refunds by commodity group are illustrated in figure 9.

Top 100 cooperatives issued mostly qualified patronage refunds consisting of all cash or a cash/noncash combination. Qualified payments accounted for 88 percent of total refunds--four percentage points below the 1985 figure. Cooperatives deduct qualified refunds from taxable income and member-patrons include these refunds as taxable income in their personal tax returns. While the tax code requires at least 20 percent of such refunds be cash payments, the Top 100 paid 55 percent cash, down 5 percent from 1985. Cash patronage refunds on the 1986 funds-flow statement amounted to an outflow of \$155 million.

Nonqualified patronage refunds, noncash allocations a cooperative includes in taxable income, are not taxable to patrons until redeemed in cash. Nonqualifieds were used more in 1986 as 13 associations issued \$38.3 million of these allocations amounting to almost 12 percent of total patronage refunds (fig. 8). In 1985, 11 cooperatives issued nearly \$24 million worth representing just 8.2 percent of total refunds. So while total patronage refunds rose 12 percent, nonqualified allocations jumped nearly 62 percent.

Cooperatives use of nonqualified allocations varied year-to-year, depending on tax situations of individual cooperatives. However, figure 8 indicates that the dollar amount of nonqualified allocations appeared to be growing during the 1980's.

METHODS OF OPERATION

Farmer members market products through cooperatives operating on a net margin (buy-and-sell) and/or pooling basis. More than two-thirds of the Top 100 farmer cooperatives operated solely on a net margin basis, compared with 31 associations using pooling alone or in combination with net margins (table 10).

Most of those operating on a net margin basis were in the dairy, farm supply, grain, cotton, diversified, or poultry and livestock commodity groups. Pooling, on the other hand, was more common to the fruit and vegetable, sugar, and rice groups. However, 24 of these poolers also showed net margins on the operating statement. Only seven cooperatives in the Top 100 could be called pure poolers.

PER-UNIT CAPITAL RETAINS

Capital retains are per-unit deductions for capital purposes (e.g., \$0.10 per box or \$0.05 per hundredweight) fixed without reference to net margins. Per-unit capital retains are a low risk source of equity and, recently, appear to be gaining favor as a means of equity financing.

Since 1980, total dollars in capital retains deducted by the Top 100 fluctuated but reached their highest level in 1986 at \$193 million (fig. 10). In 1984, they were at their lowest level--\$155 million. In 1985, however, the dollar level grew by 5 percent and then leaped above \$31 million in 1986, up nearly 19 percent.

From 1980 to 1986, 42 to 49 of the Top 100 annually reported using per-unit capital retains as a means of raising equity capital. Historically, about 70 percent of

Figure 9--Patronage Refunds by Commodity Group, 1986

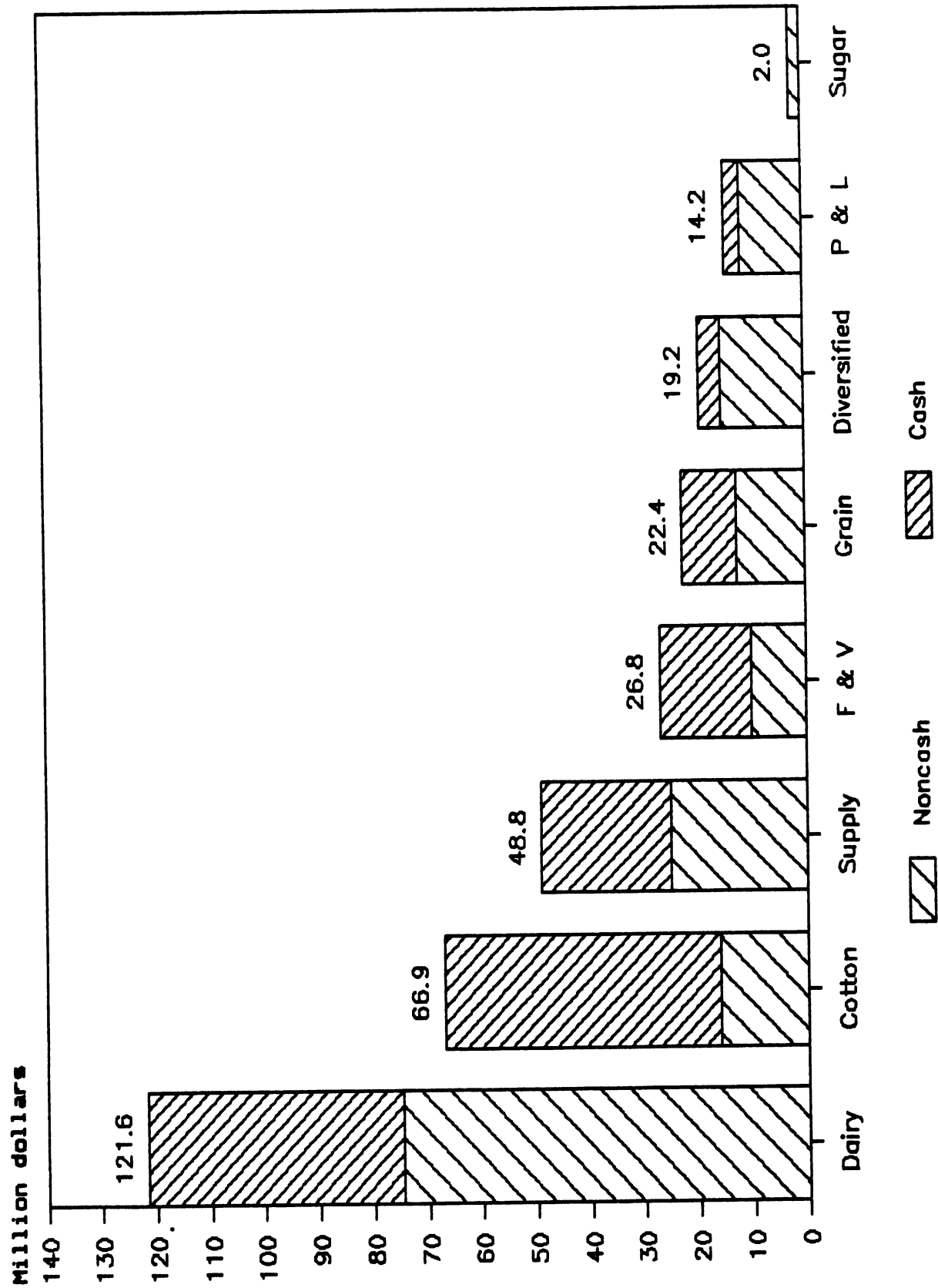


Table 10—Top 100 cooperatives operating on a net margin and pooling basis, 1986

Commodity group	Cooperatives	Net margin basis	Pooling	
			Part net margins	No net margins
			<u>Number</u>	
Dairy	31	29	2	0
Fruits and vegetables	19	1	14	4
Farm supply	14	14	0	0
Grain and soybeans	13	13	0	0
Cotton	6	4	1	1
Diversified	5	5	0	0
Sugar	5	0	3	2
Rice	4	0	4	0
Poultry and livestock	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>
Total	100	69	24	7

Table 11—Top 100 cooperatives deducting per-unit capital retains, 1986 vs. 1985 ^{1/}

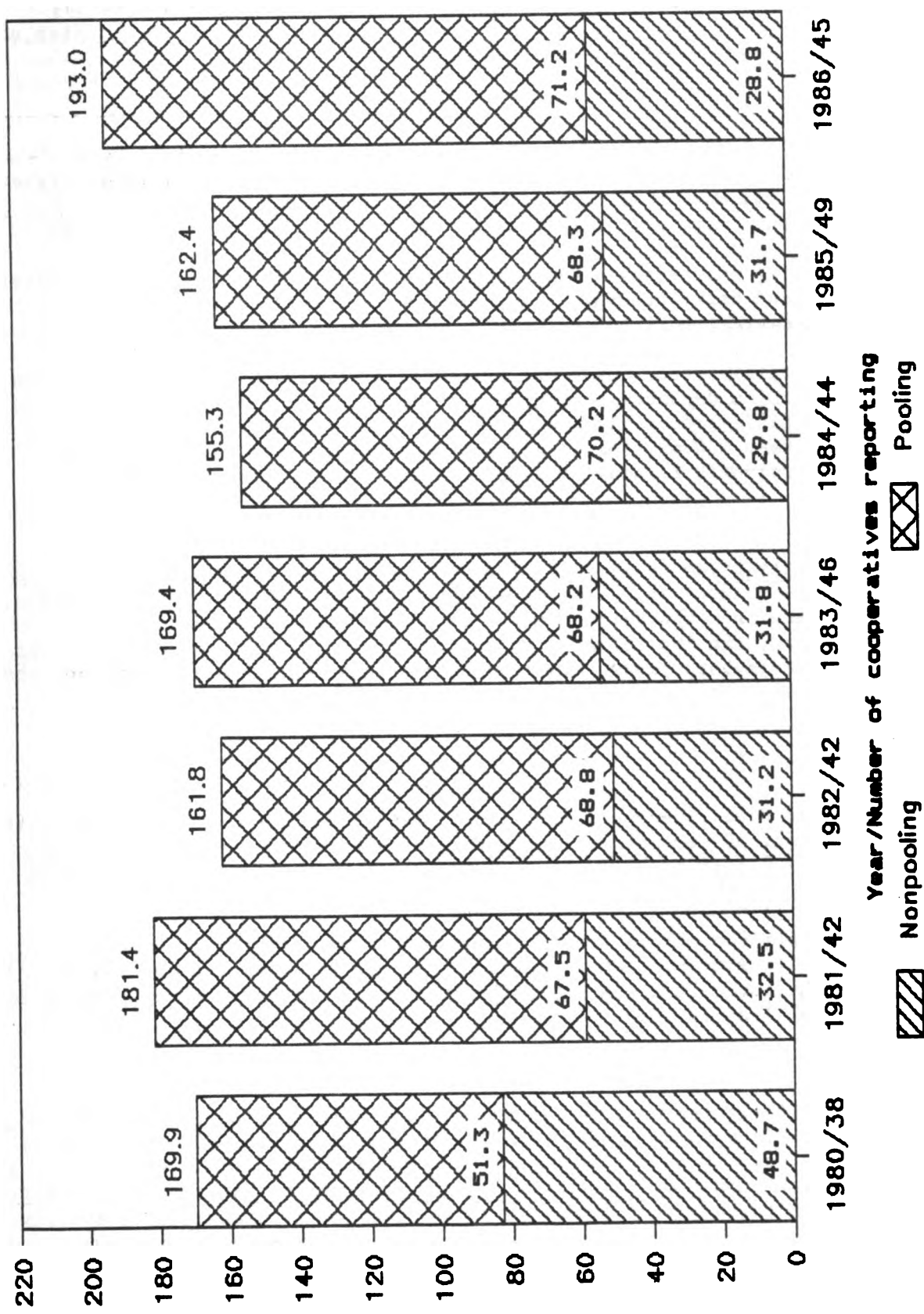
Operation	1986			1985		
	Number	Mil. dol.	Percent	Number	Mil. dol.	Percent
Pooling basis:						
Fruits and vegetables	14	106.0	54.9	16	74.8	46.0
Sugar	4	11.8	6.1	4	10.0	6.2
Rice	3	7.3	3.8	4	13.1	8.1
Other cooperatives ^{2/}	<u>4</u>	<u>12.4</u>	<u>6.4</u>	<u>4</u>	<u>13.0</u>	<u>8.0</u>
Subtotal	25	137.5	71.2	28	110.9	68.3
Net margin basis:						
Dairy ^{3/}	<u>20</u>	<u>55.5</u>	<u>28.8</u>	<u>21</u>	<u>51.5</u>	<u>31.7</u>
TOTAL	45	193.0	100.0	49	162.4	100.0

^{1/} Deductions for capital purposes fixed without reference to net margins.

^{2/} Two cotton and two dairy associations.

Figure 10---Top 100 Capital Retains, 1980-86

Million dollars



the Top 100's total retains are deducted from members belonging to pooling associations. Since almost all poolers deduct capital retains, it is often useful to discuss retains in that context: poolers versus nonpoolers.

Pooling Associations

In 1986, 25 of the 45 cooperatives deducting capital retains operated on a pooling basis (table 11). Most retains came from the fruit and vegetable commodity group that accounted for more than half of total retains deducted by the Top 100. This was a significant increase, compared with this group's share of 1985 retains.

The other pooling cooperatives deducting retains in 1986 belonged to the sugar, rice, cotton, and dairy groups. Together, they accounted for 16 percent of total 1986 retains, down from 22 percent the previous year.

Fig. 11 shows retains from sugar and dairy poolers rose slightly in 1986. On the other hand, retains deducted by cotton and rice pooling cooperatives declined. The fruit and vegetable group, all poolers, reported a significant growth in retains--more than \$30 million. (See appendix table 3 for 1980-85 data on deductions of per-unit retains by type of operation and commodity group.)

Nonpooling Basis

Sixty-nine cooperatives in the 1986 Top 100 operated on a net margin or nonpooling basis (table 10). However, 20 of these associations deducted capital retains, and all but one came from the dairy group. Capital retains from nonpoolers accounted for 29 percent of the Top 100's total retains in 1986, compared with a 32-percent share in 1985. In both years, the nonpooler group, mostly dairy, had the second largest share of total capital retains.

CASH FLOW

Funds generated from 1986 operations (cash flow) amounted to more than \$1 billion but represented a 10-percent decline from 1985 and caused a significant drop in working capital (table 12). The sharp drop in net margins, after losses, and noncash expenses--other than depreciation--caused the drop in cash flow.

Net margins comprised nearly 20 percent of cash flow (fig. 12), compared with 26.6 percent in 1985. Although depreciation (including amortization and depletion) was the major contributor, the rise in per-unit capital retains was responsible for sustaining cash flow in 1986.

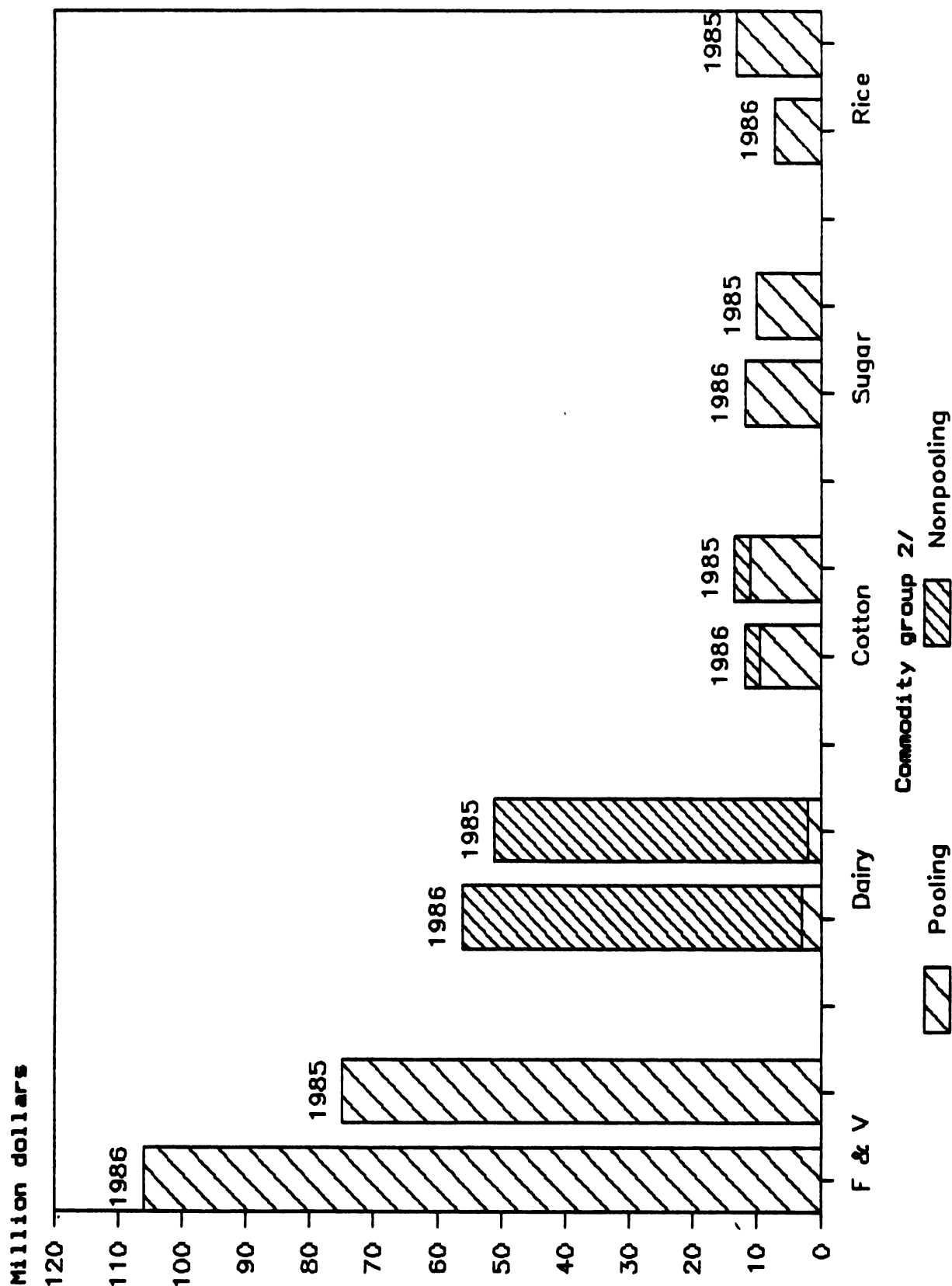
Capital Retains

In fact, capital retains have continually bolstered operational cash flow over the years. Figure 13 shows changes in the 100 largest cooperatives' cash flow since 1980, illustrating two major components, net margins and capital retains. The dollar amount of cash flow contributed by capital retains has remained relatively constant albeit the recent increase in 1986. Capital retains added stability to the Top 100's overall cash flow, which was greatly influenced by the ups and downs of net margins (losses) each year.

Commodity Group Performance

From a commodity standpoint, the farm supply group was the primary cause for the slump in combined cash flow of the Top 100. Although the rice contingent

Figure 11--Per-unit Capital Retains by Commodity Group, 1986 vs. 1985 1/



1/ Per-unit capital retains are deductions for capital purposes fixed without reference to net margins.
 2/ The grain, diversified, poultry and livestock, and farm supply groups reported no per-unit capital retain deductions either year.

Table 12--Funds flow statement of Top 100 cooperatives 1/

Item	1986	1985
	<u>Million dollars</u>	
FUNDS PROVIDED		
Operational sources:		
Net margins <u>2/</u>	198	299
Per-unit capital retains	193	162
Add items not affecting working capital:		
Depreciation <u>3/</u>	617	604
Other, net	<u>2</u>	<u>58</u>
Total (cash flow)	1,010	1,123
Nonoperational sources:		
New long-term borrowing	598	504
Property, plant, and equipment disposals	111	230
Redemption or sale of investments	109	112
Other noncurrent asset declines	37	42
Capital stock/certificate issues <u>4/</u>	29	28
Other sources	14	27
Decrease in working capital	<u>192</u>	<u>--</u>
Total	<u>1,090</u>	<u>943</u>
Total inflows	<u>2,100</u>	<u>2,066</u>
FUNDS APPLIED		
Long-term debt payments	717	701
Capital expenditures:		
Additions to property, plant, and equipment	706	705
Investments in other co-ops, joint ventures, etc.	99	93
Other noncurrent asset increases	86	58
Cash payments to patrons:		
Equity redemption	217	209
Patronage refunds	155	158
Dividends on capital stock/certificates	14	16
Payment of income taxes	72	48
Other uses	34	16
Increase in working capital	<u>--</u>	<u>62</u>
Total outflows	<u>2,100</u>	<u>2,066</u>

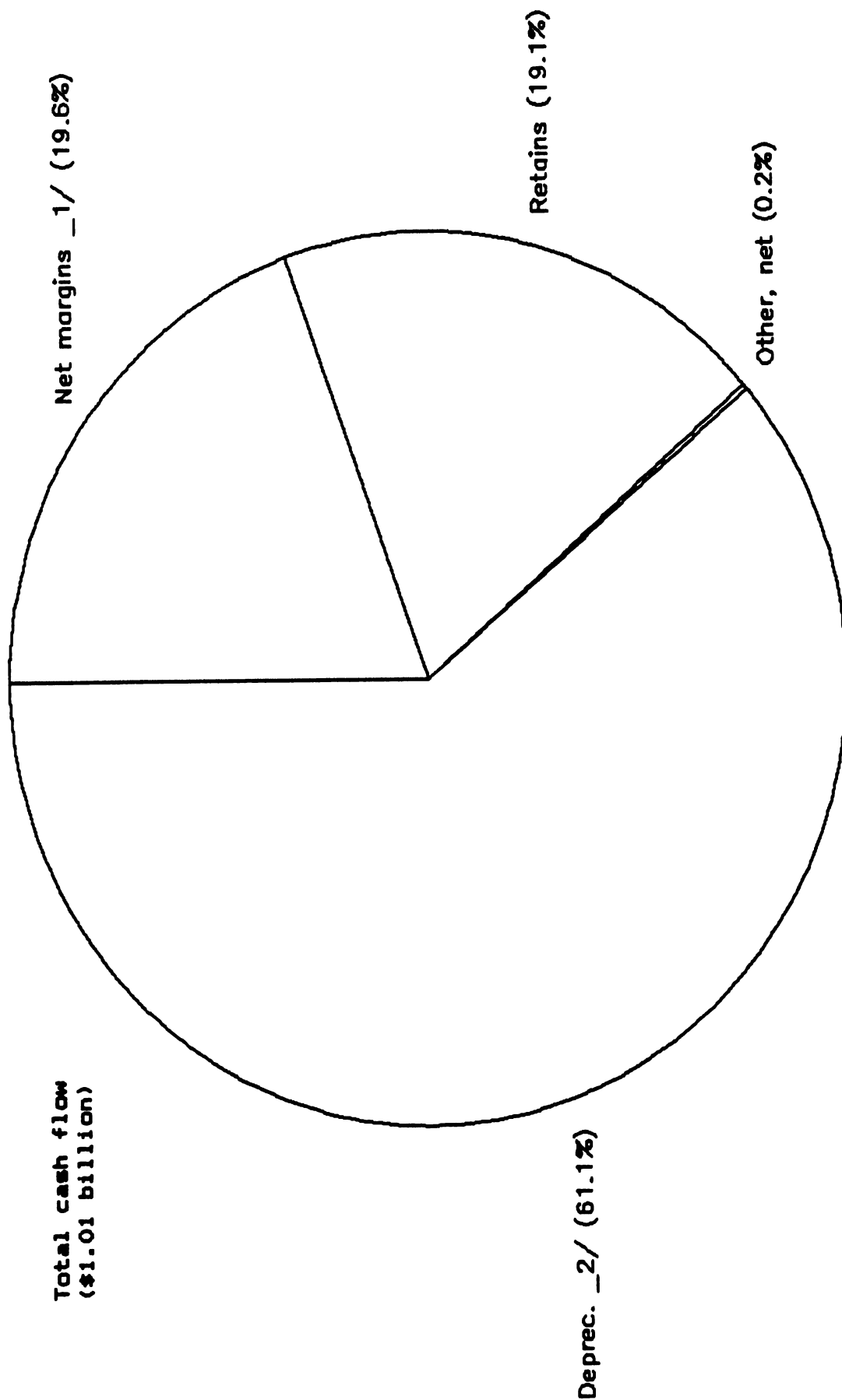
1/ Same cooperatives used in 1986 and 1985.

2/ Pre-tax net margins (losses) after extraordinary items.

3/ Includes amortization and depletion.

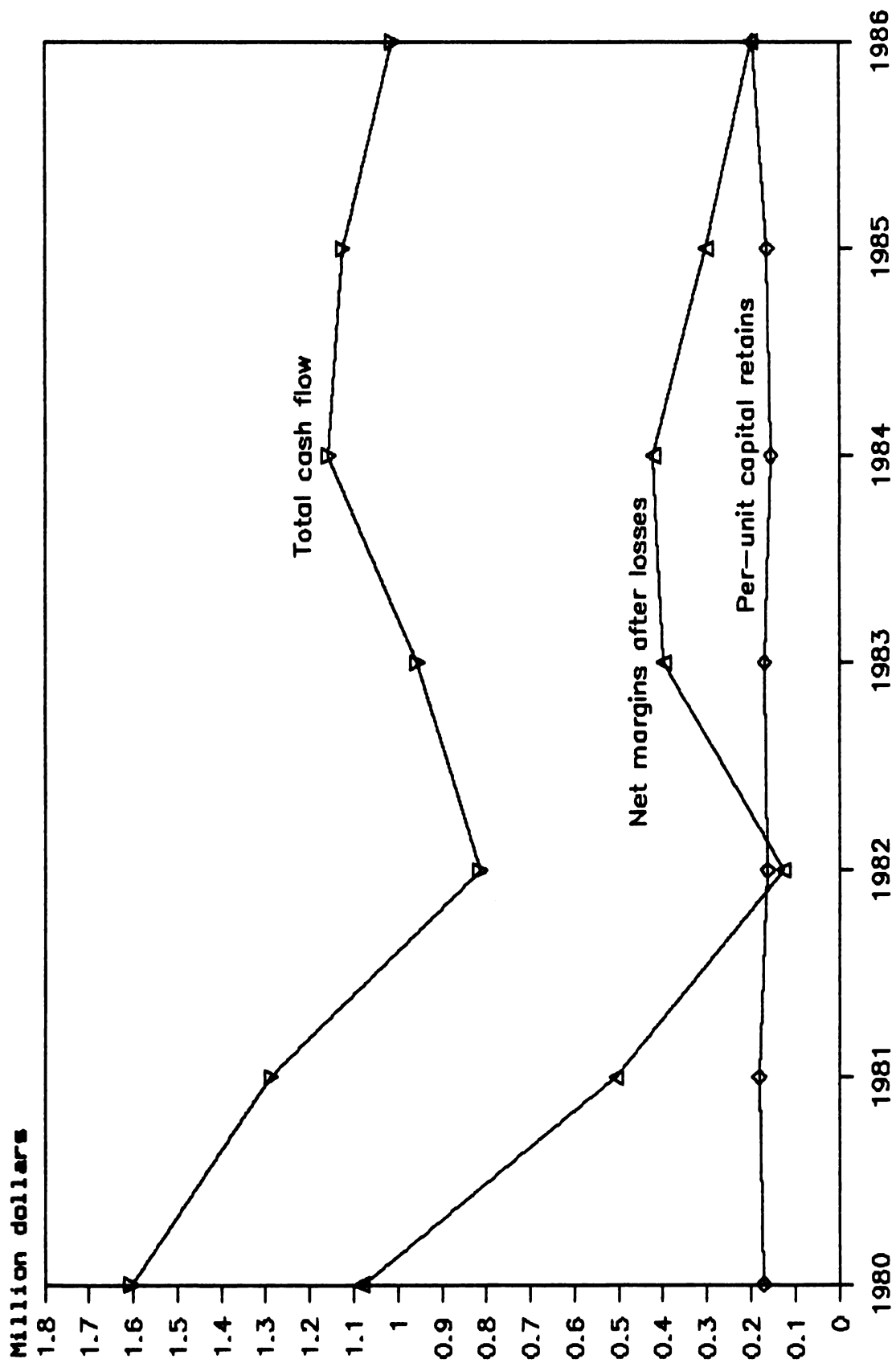
4/ Includes other equity increases.

Figure 12--1986 Cash Flow Elements



1/ Pre-tax net margins (losses) after extraordinary items.
 2/ Includes amortization and depletion.

Figure 13--Cash Flow, Net Margins, and Capital Retains of Top 100, 1980-86



experienced a small drop (\$4 million), the supply group's cash flow plunged from a positive \$236 million in 1985 to a negative \$11.5 million, too much for other commodity group increases to offset.

Cash Flow Performance

Although the Top 100 operated with less cash flow, total inflows rose slightly (1.6 percent) to \$2.1 billion. Funds obtained from nonoperational sources offset the shrinkage in operational inflows by \$34 million resulting in the greater inflow (table 12). (See appendix table 4 for 1980-85 funds flow data.)

The ratio of "cash flow to total inflows" is one useful measure of financial strength. Generally, a higher proportion of operational sources (cash flow) relative to total funds provided implies a stronger financial position. Based on this, figure 14 shows that the Top 100 lost ground for the second year in a row. However, they still bettered their 1982 and 1983 performances.

Working Capital

Two major nonoperational sources of funds, long-term borrowing and working capital reserves, compensated not only for the 1986 cash flow slump but also for the 52-percent decline in property, plant, and equipment disposals (fig. 15). As a result, the 1986 total funds inflow was slightly greater than 1985. The Top 100 increased long-term borrowing to \$598 million, a rise of 18.7 percent. And cooperatives tapped working capital reserves for \$192 million, lowering them by 8 percent.

However, utilizing these two sources did not interfere with their continuing efforts to reduce long-term debt while maintaining liquidity. Payments of \$717 million on term debt (table 12) exceeded new term borrowing by \$119 million, lowering term debt outstanding on their combined balance sheet (table 13) by 3.3 percent. This was a rather large drop in just 1 year and, more importantly, marked the fourth straight year term debt has declined.

Utilizing working capital in lieu of adding more term debt to the balance sheet points to the recent high priority the Top 100 have placed on strengthening their financial position (fig. 16). Apparently, the Top 100 considered working capital reserves large enough to handle the withdrawals without overly reducing liquidity.

Although total funds provided in 1986 (fig. 17) were 25 percent below those used in 1980, working capital of \$2.2 billion totaled 2.4 percent more than 6 years ago.

Capital Expenditures

Funds applied to noncurrent or fixed assets rose 4 percent above 1985, amounting to \$891 million. It marked the second year capital expenditures increased after reaching a low of \$800 million in 1984 (fig. 18). Recent capital expenditures are the largest element in the application of funds, claiming more than 40 percent of total outflows. However, capital expenditures since 1983 remained far below the levels obtained in the early 1980's.

Six of the nine commodity groups reported spending more for capital expenditures than in 1985. The biggest dollar increases occurred in the dairy, farm supply, and diversified groups. Poultry and livestock nearly doubled capital outlays while cotton was up 60 percent and rice increased its investments by 44 percent. Three

Figure 14---Cash Flow/Total Funds Ratio, 1980-86

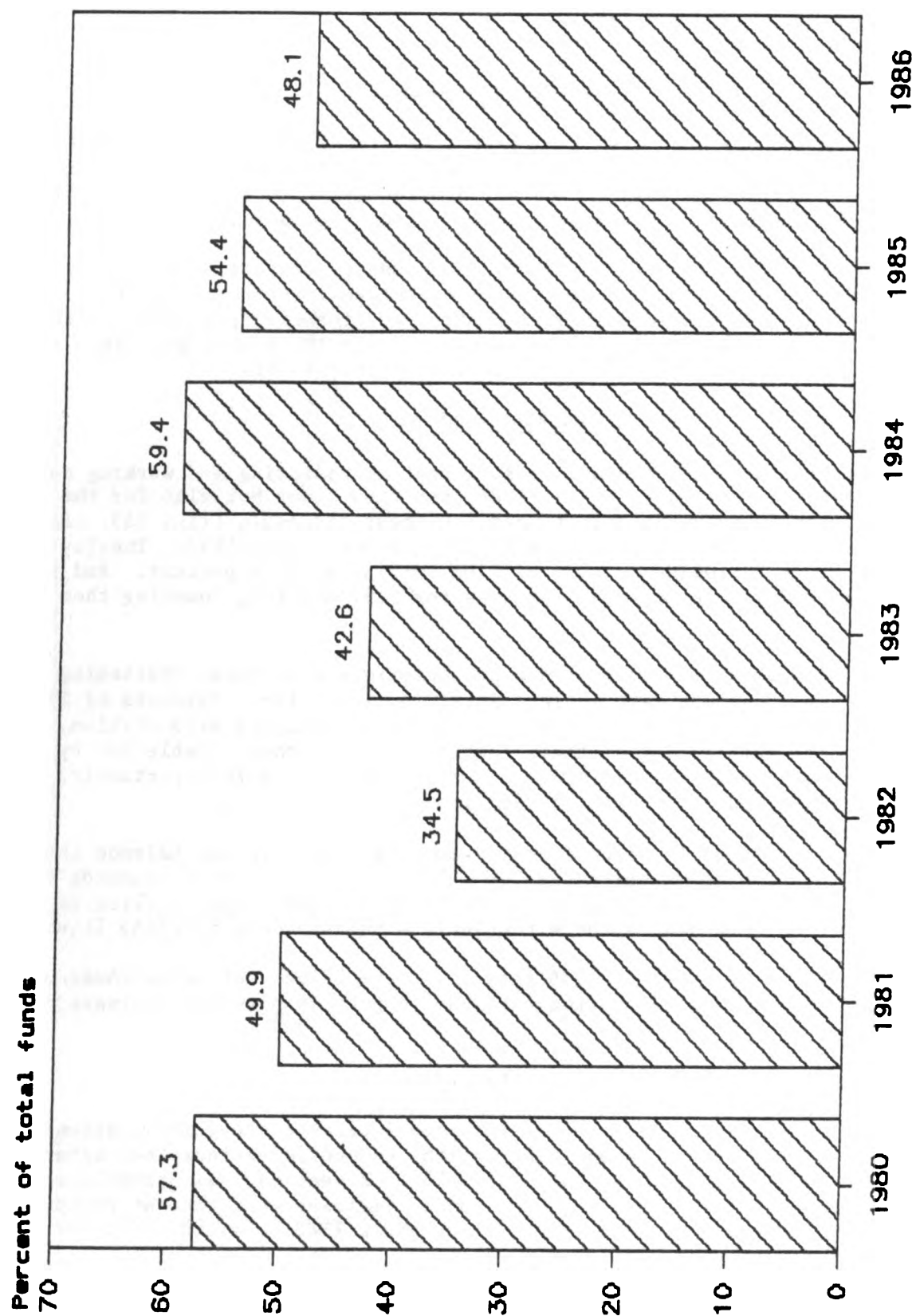


Figure 15--Property, Plant, and Equipment Disposals, 1980-86

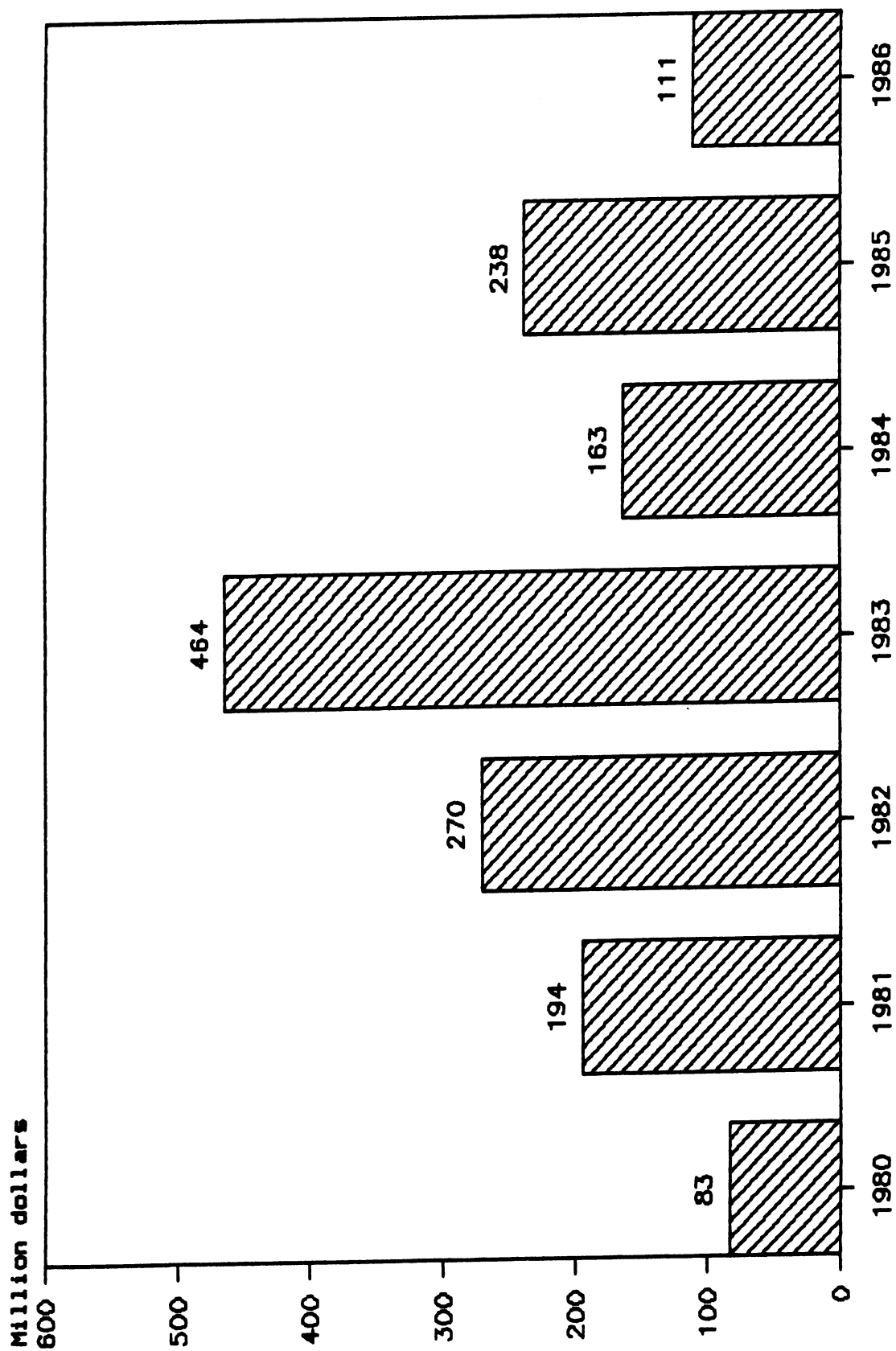


Table 13—Combined balance sheet of Top 100 cooperatives 1/

Item	1986	1985	Increase (Decrease)
	<u>Million dollars</u>		<u>Percent</u>
Current assets	8,280	8,472	(2.3)
Noncurrent assets:			
Investments:			
Banks for Cooperatives	459	476	(3.6)
Other cooperatives and businesses:			
Under 20 percent ownership	646	621	4.0
20 percent or more <u>2/</u>	447	497	(10.1)
Other investments	<u>63</u>	<u>51</u>	<u>23.5</u>
Total	1,615	1,645	(1.8)
Property, plant, and equipment, net <u>3/</u>	5,178	5,164	0.3
Other assets	<u>418</u>	<u>362</u>	<u>15.5</u>
Total assets	<u>15,491</u>	<u>15,642</u>	<u>(1.0)</u>
Current liabilities:			
Short-term debt	2,316	2,207	4.9
Other liabilities	<u>3,758</u>	<u>3,867</u>	<u>(2.8)</u>
Total current liabilities	6,074	6,074	0.0
Noncurrent liabilities:			
Long-term debt	3,456	3,575	(3.3)
Other liabilities	<u>395</u>	<u>373</u>	<u>5.9</u>
Total noncurrent liabilities	3,851	3,948	(2.5)
Members' equity:			
Allocated:			
Equity certificates and credits <u>4/</u>	2,797	2,620	6.8
Preferred stock	1,221	1,223	(0.2)
Common stock	764	890	(14.2)
Unallocated capital	<u>784</u>	<u>887</u>	<u>(11.6)</u>
Total equity	<u>5,566</u>	<u>5,620</u>	<u>(1.0)</u>
Total liabilities and equity	<u>15,491</u>	<u>15,642</u>	<u>(1.0)</u>

1/ Identical cooperatives used in 1986 and 1985.

2/ Includes investment in unconsolidated subsidiaries, affiliated (or associated) companies, and joint ventures (or partnerships).

3/ Includes direct financing leases of \$130 million.

4/ Includes allocated retained earnings and per-unit capital retains not evidenced by preferred or common stock.

Figure 16---Top 100 Working Capital, 1980-86

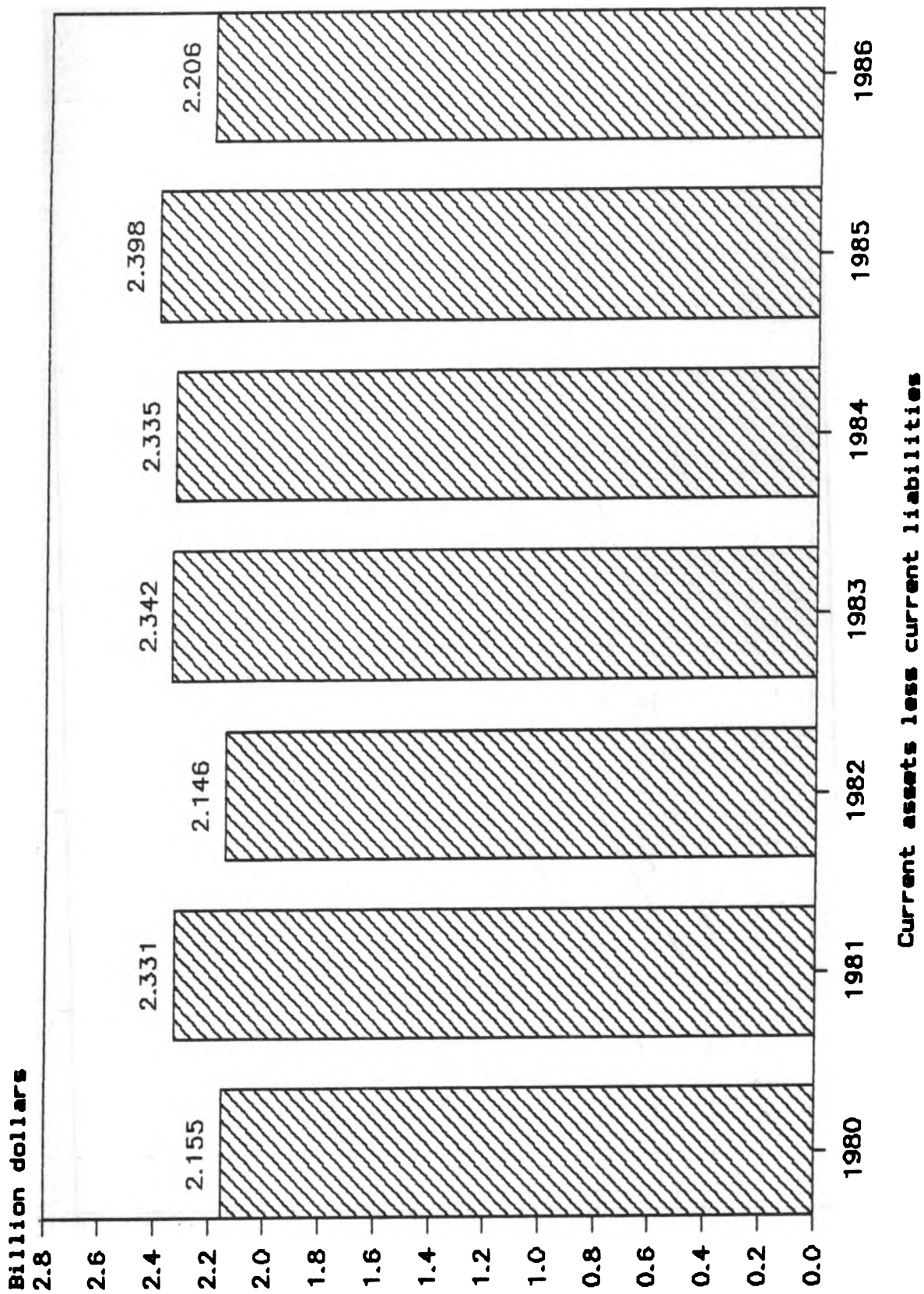


Figure 17---Top 100 Funds Provided, 1980-86

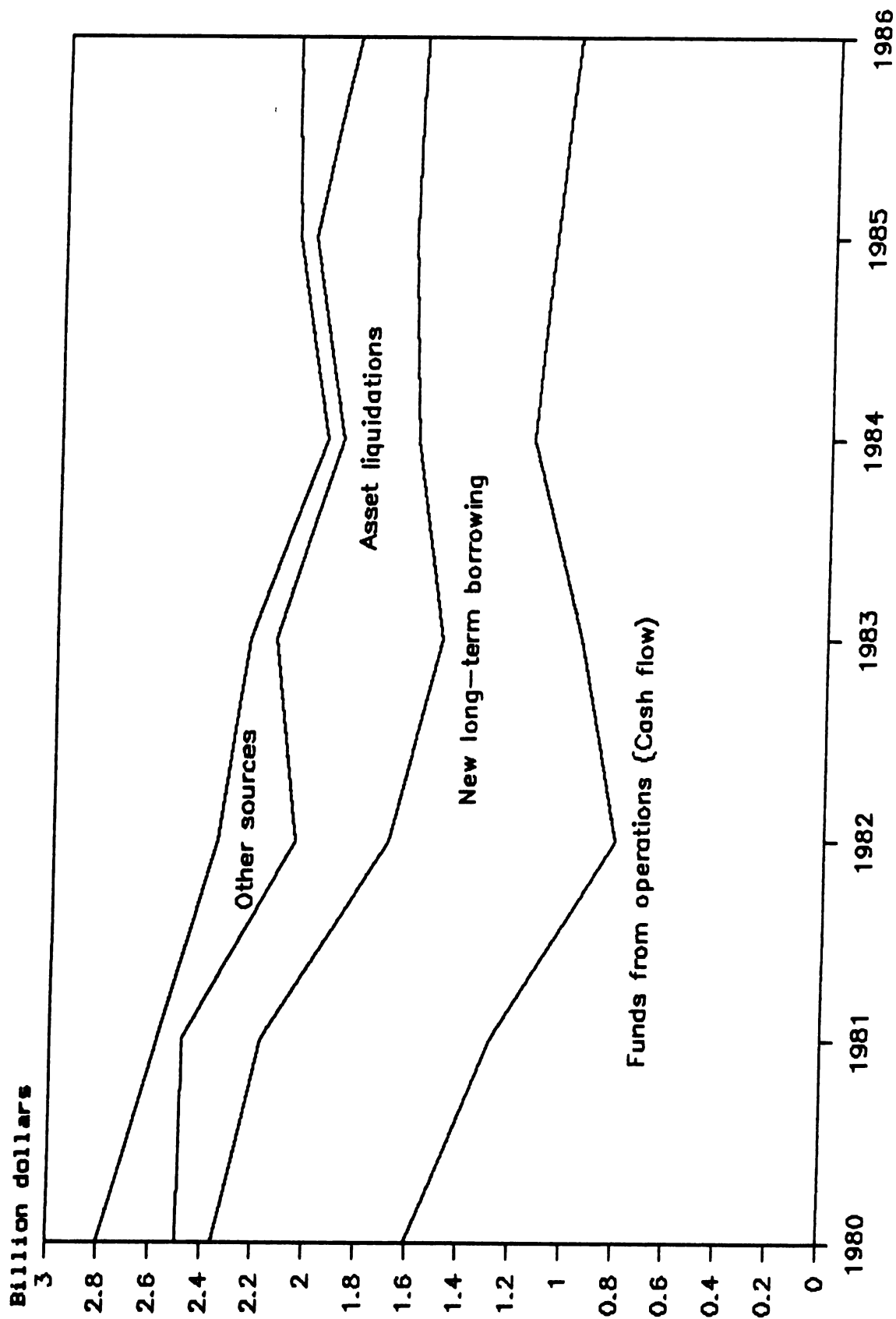
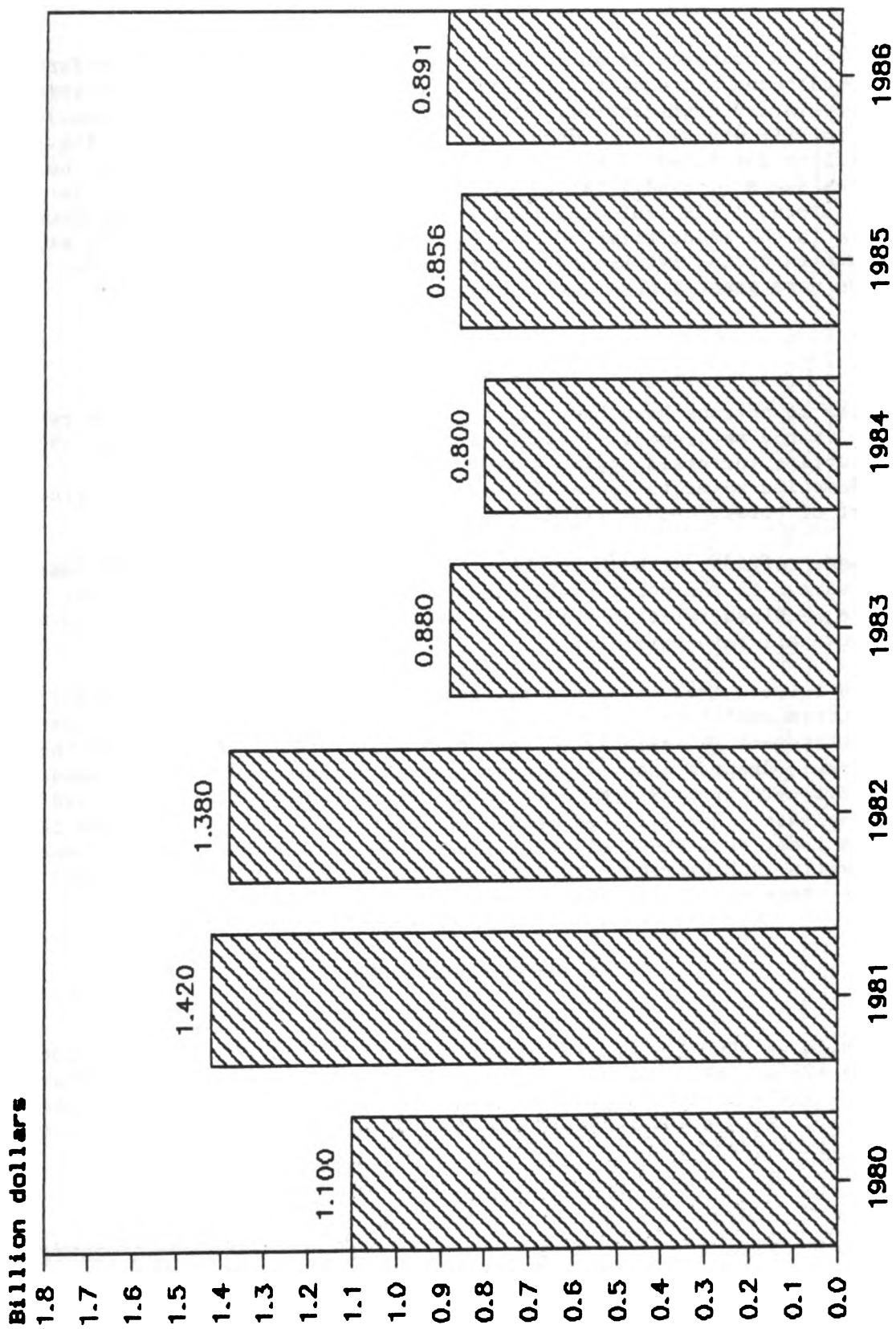


Figure 18--Top 100 Capital Expenditures, 1980-86



of the commodity groups lowered capital expenditures. Grain accounted for more than 67 percent of the reductions while the fruits and vegetables group and sugar group made up the balance.

In 1986, there is evidence of an important turnaround. The outflow of funds for capital expenditures exceeded the inflows from property, plant, and equipment (PP&E) disposals and depreciation. (See discussion on Asset Composition.) The sharp drop in PP&E disposals of more than 50 percent to \$111 million (fig. 15) allowed outflows for fixed or productive assets to surpass inflows for the first time in three years (appendix table 5). The result was a net increase in productive assets. This indicated that intensive downsizing and restructuring was slowing down in the cooperative sector. From 1983 to 1985, the Top 100 experienced net decreases in productive assets because funds from PP&E disposals and depreciation were greater than capital expenditures.

Equity Redemption

Cash payments to patrons have been rising since 1983, predominately the result of an increase in the retirement of equity invested in earlier years (fig. 19). Equity redemption increased again in 1986 for the third consecutive year. From 1982-86 redemption payments exceeded cash patronage refunds and varied from 6.8 to 10.3 percent of total funds applied (appendix table 4).

Cash patronage refunds, although nowhere near their 1980 total, showed some growth in recent years. On the other hand, dividend payments on stock and other certificates remained relatively stable and continued to account for only a small percent of overall cash payments.

A comparison between 1985 and 1986 cash payments to patrons made by identical Top 100 cooperatives conflicted somewhat with the above long-term trends. (See the funds flow statement in table 12.) Cash patronage refunds, contrary to the long-term trend, dropped about 2 percent to \$155 million. Dividend payments plummeted 12.5 percent to \$14 million, not showing the stability exhibited in the long-term analysis. However, redemption of equity rose nearly 4 percent to \$217 million. In 1986, retirement of prior years' equity accounted for 10.3 percent of total uses while cash patronage refunds amounted to 7.4 percent (fig. 20). 3/ Cash dividends on stock or certificates amounted to less than 1 percent.

ASSET COMPOSITION

Total assets among the 1986 Top 100 cooperatives declined for the fifth consecutive year. Since 1980, assets have dropped steadily to \$15.5 billion after peaking in 1981 at \$17.2 billion (fig. 21). (See appendix table 6 for 1980-85 combined balance sheet.) Most of this change was the result of significant declines in current and fixed assets.

3/ Footnotes to figure 20: 1/ "Asset disposals" includes property, plant, and equipment disposals, redemption or sale of investments, and other noncurrent asset declines, 2/ "Other" includes capital stock/certificate issues, other equity increases, and other sources, 3/ "Other capital expenditures" include investments in other cooperatives, joint ventures, etc., and other noncurrent asset increases, and 4/ "Other" includes dividends on capital stock/certificates and other uses.

Figure 19--Top 100 Cash Payments to Patrons, 1980-86

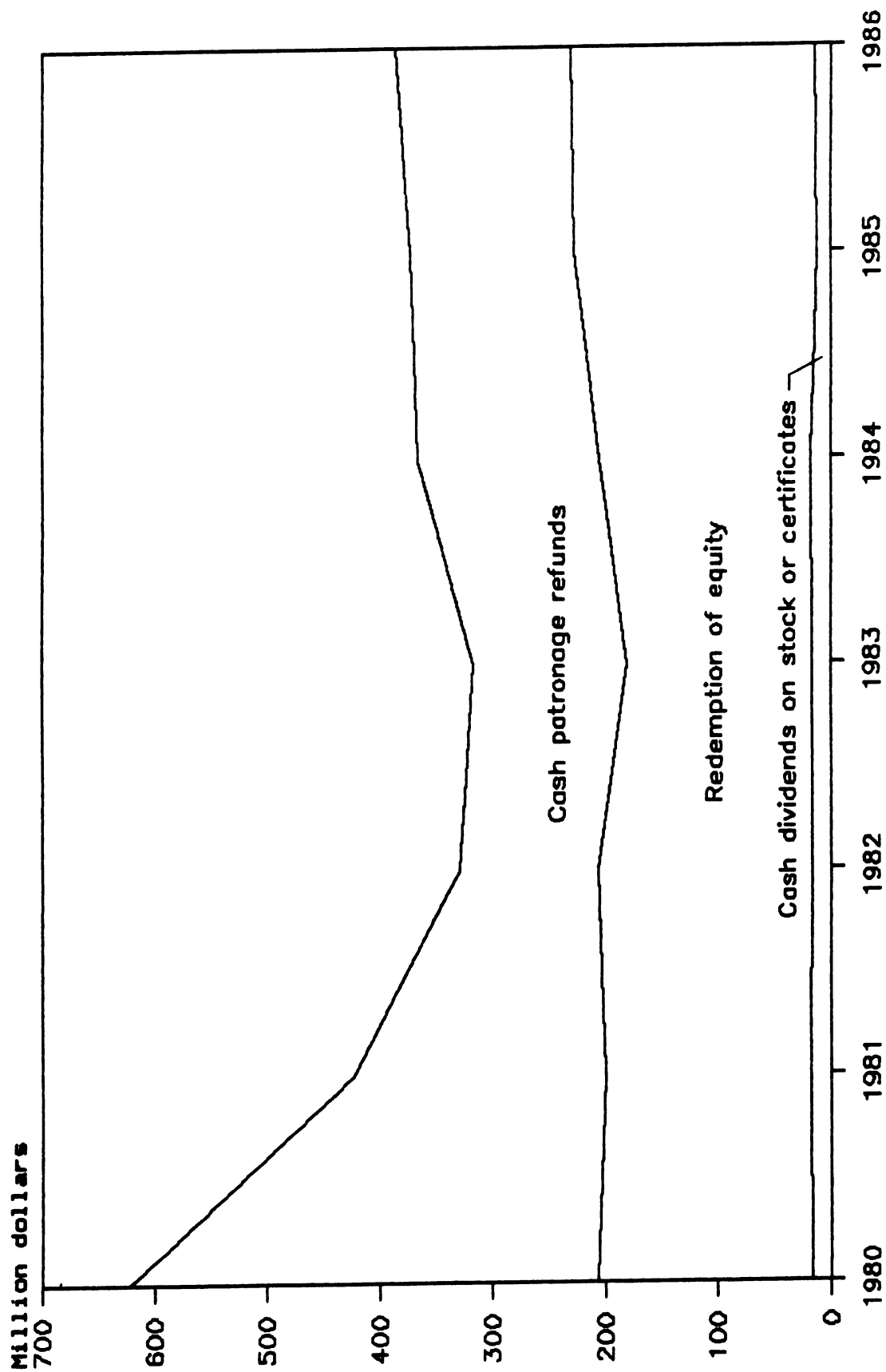


Figure 20--Sources and Uses of Funds, 1986

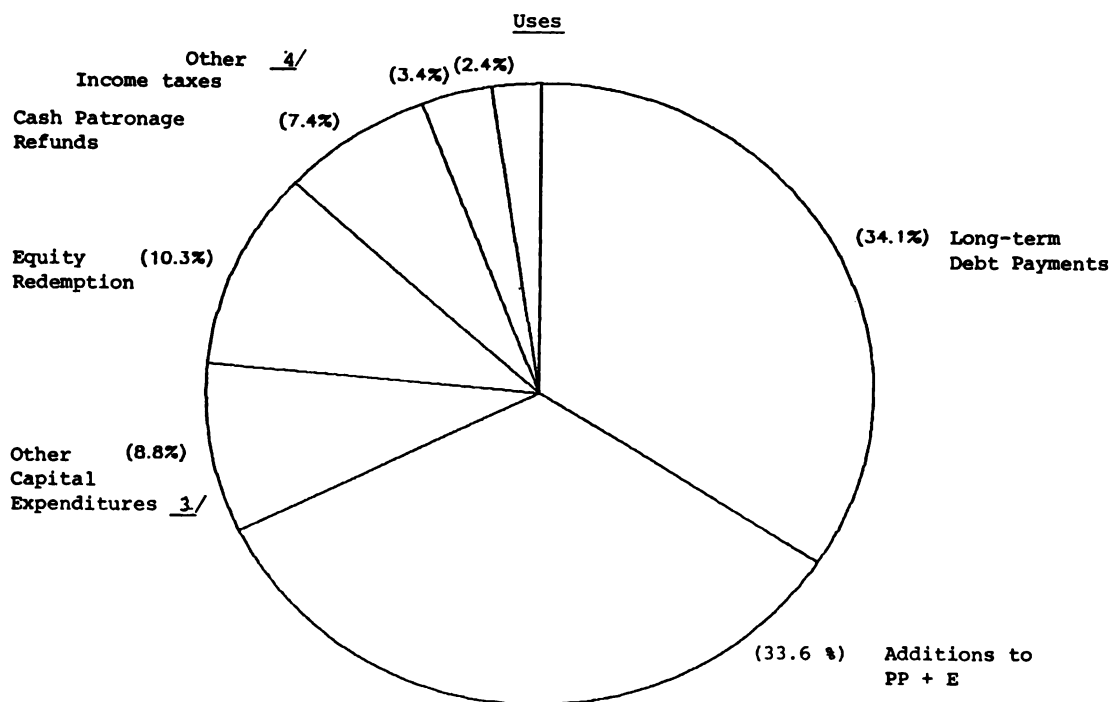
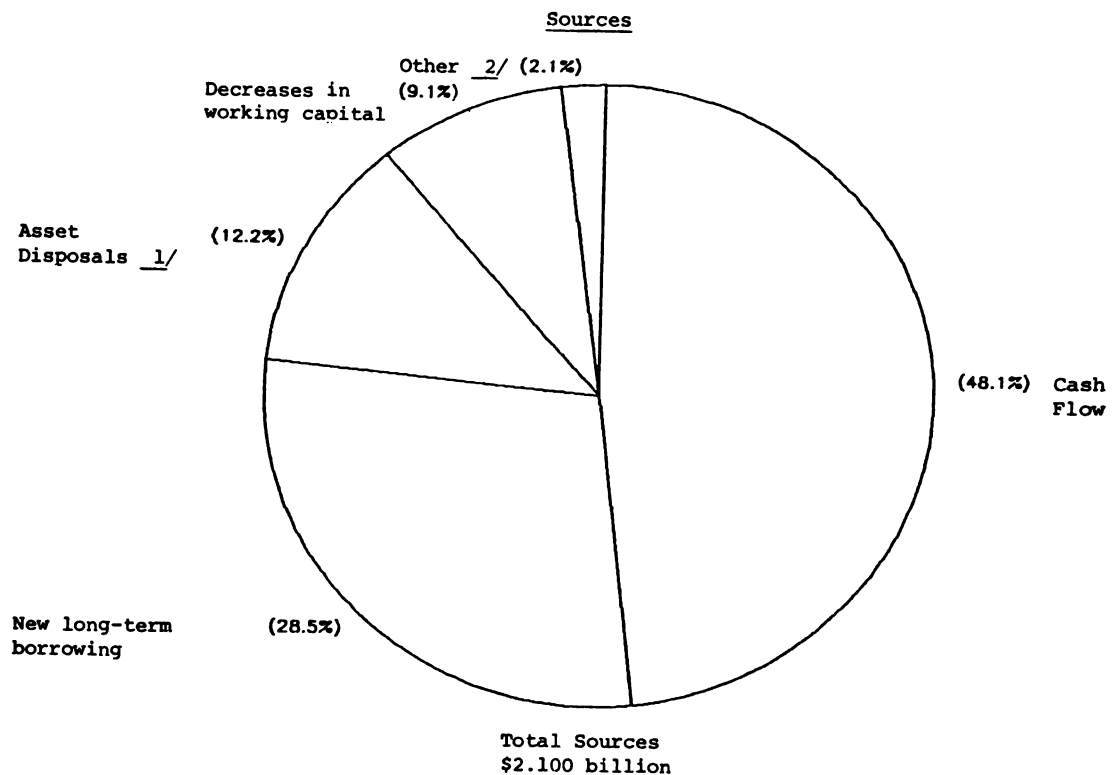
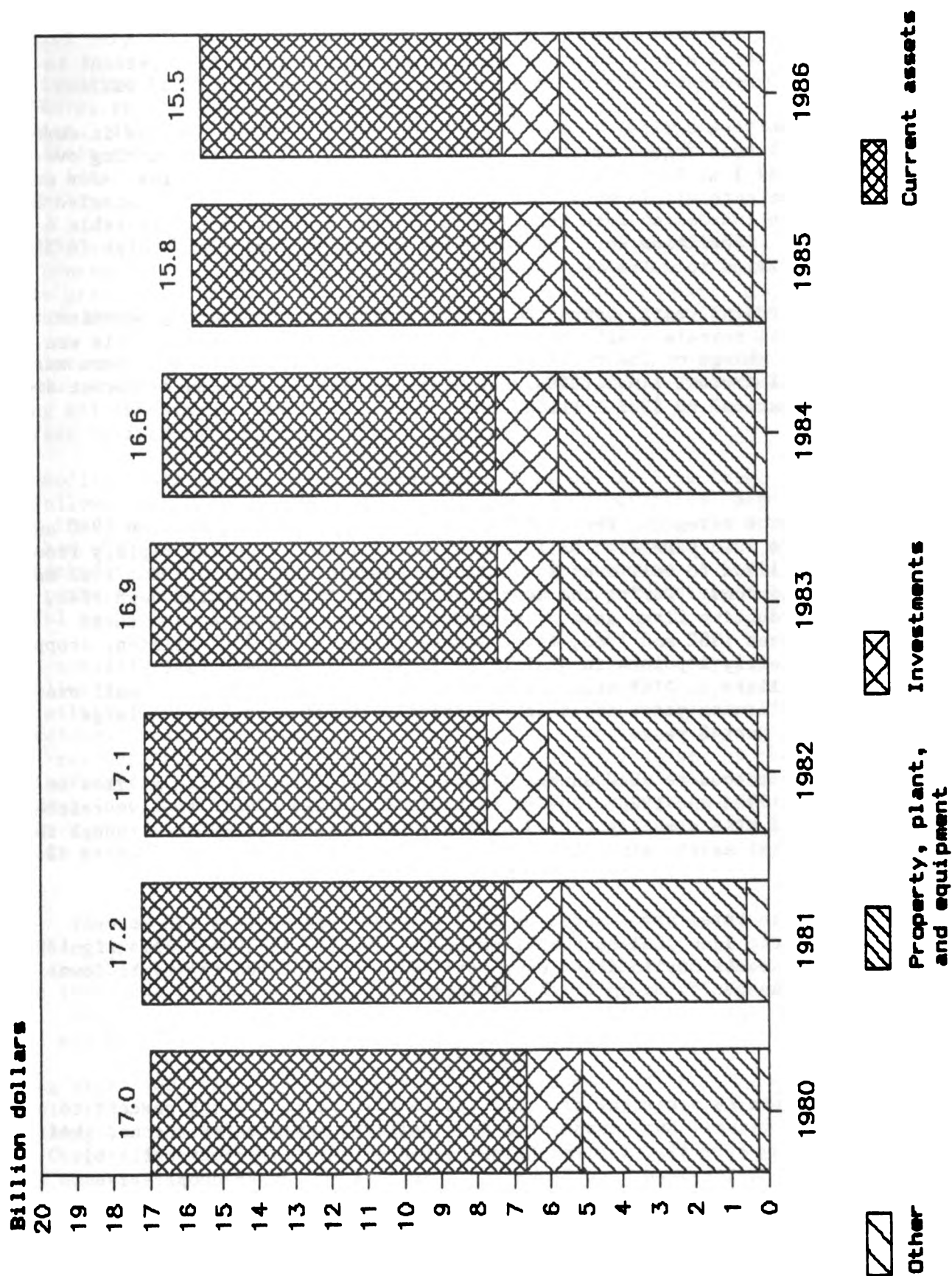


Figure 21--Top 100 Total Assets, 1980-86



Current Assets

The current to total assets ratio dropped from a 1980 high of 61.0 percent to a low in 1986 of 53.5 percent. Current assets declined from \$10.3 to \$8.3 billion.

Fortunately, working capital in the Top 100 did not follow the decline in current assets. Recall that figure 16 showed working capital dollars fluctuating over the years between \$2.1 to \$2.4 billion but with no sign of steady decline. For working capital to fluctuate within this narrow range, current liabilities must also be declining at an increasing rate relative to current assets. Appendix table 6 showed current liabilities were indeed on the steady decline from a high in 1980 of nearly \$8.2 billion to a low in 1986 of \$6.1 billion.

In the 2 most recent years, comparison of the asset structure among identical Top 100 cooperatives reveals a \$192 million decrease in current assets. This was the biggest dollar change on the combined balance sheet. However, since there was no change in total current liabilities, the shrinkage resulted in an 8-percent drop in 1986 working capital to \$2.2 billion.

Fixed Assets

In the noncurrent category, the PP&E to total asset ratio rose between 1980 and 1982 from 29 to 33.6 percent. Dollars in PP&E followed, climbing rapidly from nearly \$4.9 billion to well over \$5.7 billion (appendix table 6). But 1982 marked a year of turnaround. During the next 3 years, the Top 100 scaled down PP&E, shedding unproductive fixed assets in response to the sagging agricultural economy. Between 1982 and 1983, fixed assets plummeted by \$343 million, dropping the ratio by nearly 2 points in just 1 year. This was rather remarkable considering dollars in PP&E stood at \$5.1 billion in 1981, jumped to well over \$5.7 billion the following year, and then fell to \$5.4 billion by 1983--a large fluctuation in just 3 years.

The Top 100 continued to shed unwanted fixed assets, dropping \$211 million in assets between 1984 and 1985. But fixed asset disposals seemed to have reached a lull in 1986 as PP&E actually showed a slight increase over 1985. Although the Top 100 reduced total assets since 1981, the PP&E share has grown from 29.4 to 33.4 percent.

The 1986 PP&E to total asset ratio of 33.4 percent represents a 1.5 percent increase over the identical cooperatives in the Top 100 in 1985. This significant rise in fixed assets may indicate cooperatives have completed the major downsizing justified by the declining agricultural economy.

Investments

Total investments as a percent of total assets have ranged from 9 percent to a 1985 high of 10.7 percent. But, translated into dollars, investments reached their high in 1984, showing over \$1.7 billion on the balance sheet (appendix table 6).

Investments are delineated into Banks for Cooperatives, other cooperative investments of less than 20 percent versus 20 percent or more, and other.

Top 100 investments in the Banks for Cooperatives declined slowly through most of the 1980's. From a 1982 high of \$501 million, investments in the BC's dropped by \$40 million through the end of 1986--less than 10 percent. Since most of the BC system operates on a base capital equity redemption plan (i.e., investments are

directly related to loan volume), this drop in BC investments by the Top 100 is perhaps not very surprising considering the economic circumstances in agriculture.

Top 100 investments in other cooperatives and businesses climbed slowly in the early 1980's, reaching \$1.16 billion by 1984. Since then, this figure dropped by \$63 million. It took 2 years to wipe out 3 years' worth of investment gains. Much of this disinvestment occurred as the Top 100 disengaged from interests in which they held less than 20-percent ownership. These noncontrolling interests have been on the decline since 1982, from \$714 million to \$646 million.

Through 1985, Top 100 financial interests in cooperative investments of 20 percent or more ownership grew steadily. In 1982, such investments stood at \$393 million, rising to nearly \$500 million in 1985. But, in just under 2 years, these investments dropped by \$50 million (10 percent) to \$447 million in 1986.

Top 100 interests in what is classified as "other investments" fluctuated over the long term. However, these investments grew during 1986 while the others declined. Regarding all investments, the 1.8 percent reduction in total investments was more than offset by increases in other assets and PP&E.

On a commodity basis, sugar cooperatives had the highest PP&E to total assets ratio, followed by the farm supply group (table 14). Diversified cooperatives, although they had the highest average assets and revenues among the commodity groups, had the third lowest PP&E ratio. The grain, farm supply, and diversified groups ranked far above the others with respect to investments to total asset ratios--perhaps indicating the necessity or importance of investments to assure successful marketing of these particular commodities.

In 1986, total assets in the Top 100 declined by \$151 million compared with 1985. This decline actually represented a drop of \$687 million netted against an increase of \$536 million. Farm supply cooperatives accounted for two-thirds of the total asset decline. Grain and rice made up the balance, dropping 30 percent and 3 percent, respectively. Excepting sugar (no change), total assets of the other five groups increased. Cotton's doubling of current assets to \$537 million represented the largest jump (nearly 60 percent) in total assets of any group. Next largest was poultry and livestock, whose 70 percent hike in current assets to \$68 million raised its total assets more than 50 percent.

Asset Range

Individual cooperatives among the 100 largest reported a wide range of assets varying from \$17.8 million to \$1.35 billion, with a median of \$82.2 million (table 15). In 1985, the range was \$15.6 million to \$1.36 billion with a median of \$78 million. Surprisingly, the association with the smallest assets each year was a regional and not a local as might be expected.

Beginning with 1980, three cooperatives reported assets of \$1 billion or more each year until 1985 and 1986, when only two reached this level. By contrast, all of the 100 biggest industrial corporations listed by Fortune were in the \$1 billion class. Cooperatives having assets in the \$50 million to \$99.9 million range are the most numerous in the Top 100 (table 16). Since 1980, the number in this range has varied from 25 to 36. In 1986, 27 cooperatives accounted for 13 percent of total assets, compared with 25 for 12 percent the year before (fig. 22).

Top 100 cooperatives in the three smallest categories, with assets from \$15 million to \$49.9 million, have varied from 27 to 36 since 1980 (table 16). In 1986, 35 associations in these three groups accounted for only 7.1 percent of total assets

Table 14--1986 asset composition by Top 100 commodity groups

Commodity group	Total assets	Current assets	PP&E	Investments	Other assets
	Mil. dol.	Percent			
Farm supply	4,015	41.1	41.6	13.9	3.4
Fruits and vegetables	2,716	63.0	29.3	3.9	3.8
Dairy	2,632	58.6	30.7	8.1	2.6
Diversified	2,622	54.6	28.9	13.8	2.7
Grain	1,695	47.0	34.3	17.5	1.2
Cotton	682	78.7	14.8	6.2	0.3
Sugar	674	50.0	45.7	3.0	1.3
Rice	373	55.8	38.9	4.3	1.0
Poultry and livestock	82	83.0	14.6	2.4	0.0
Total	15,491	53.5	33.4	10.4	2.7

NOTE: PP&E = Property, plant, and equipment, net

Table 15--Range in Top 100 assets by type of cooperative, 1986 vs. 1985 ^{1/}

Revenues	Locals ^{2/} (18)		Regionals (79)		Interregionals (3)		All cooperatives ^{3/} (100)	
	1986	1985	1986	1985	1986	1985	1986	1985
Million dollars								
High	107.0	117.6	1,350.0	1,359.7	841.8	935.7	1,350.0	1,359.7
Median	38.7	38.2	88.0	88.5	299.0	394.8	82.2	78.0
Low	19.0	18.9	17.8	15.6	90.9	81.0	17.8	15.6

^{1/} Cooperatives must have assets of at least \$15 million to be included in the 100 largest cooperatives.

^{2/} See table 6 for definition of locals, regionals, and interregionals.

^{3/} Identical cooperatives used both years.

Table 16--Distribution of Top 100 by size of assets, 1980-86

Assets	1980	1981	1982	1983	1984	1985	1986
<u>Million dollars</u>	<u>Number of cooperatives</u>						
\$200 and more	24	23	22	25	23	21	22
\$100-\$199.9	11	16	15	16	12	18	16
\$50-\$99.9	31	34	36	30	32	25	27
\$40-\$49.9	8	5	3	10	11	12	9
\$30-\$39.9	9	8	9	5	8	11	12
\$15-\$29.9	<u>17</u>	<u>14</u>	<u>15</u>	<u>14</u>	<u>14</u>	<u>13</u>	<u>14</u>
Total	100	100	100	100	100	100	100

NOTE: Cooperatives must have assets of not less than \$15 million to be included in the 100 largest group.

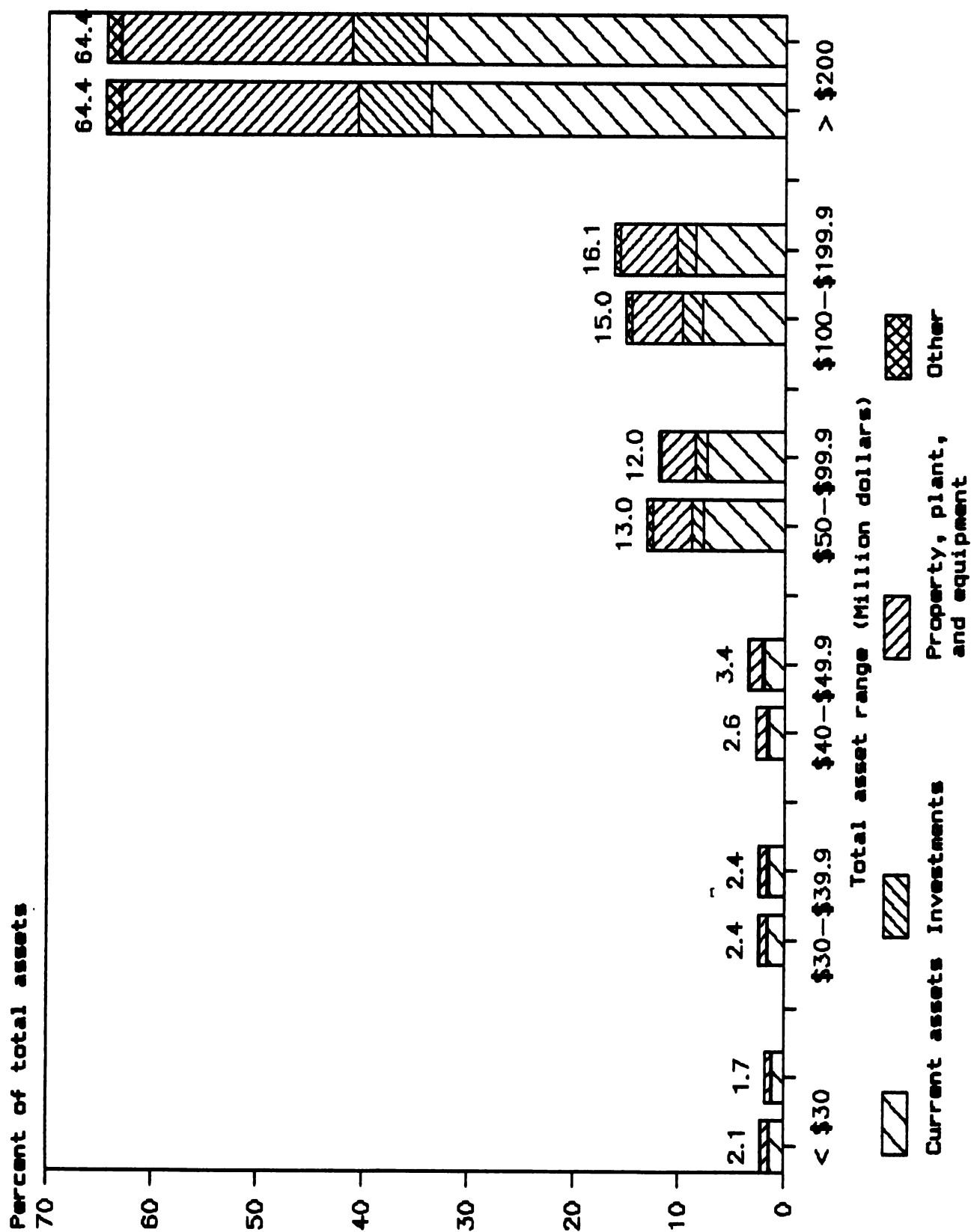
Table 17--Top 100 percent of debt and equity in total assets by commodity group, 1986 vs. 1985

Commodity group	Cooperatives	Total debt <u>1/</u>		Increase (Decrease)	Total equity		Increase (Decrease)
	<u>Number</u>	<u>Percent of assets</u>		<u>Percent</u>	<u>Percent of assets</u>		<u>Percent</u>
		1986	1985		1986	1985	
Dairy	31	20.6	21.3	(0.7)	38.8	38.4	0.4
Farm supply	14	37.6	33.7	3.9	42.3	43.6	(1.3)
Diversified <u>2/</u>	5	41.8	43.1	(1.3)	28.3	27.4	0.9
Grain	13	30.3	33.3	(3.0)	41.9	37.1	4.8
Fruits and vegetables	19	51.6	53.6	(2.0)	28.2	26.8	1.4
Cotton	6	58.2	45.8	12.4	24.3	37.7	(13.4)
Sugar	5	25.2	33.8	(8.6)	37.0	34.0	3.0
Rice	4	30.0	35.8	(5.8)	46.5	44.1	2.4
Poultry and livestock	<u>3</u>	<u>37.0</u>	<u>28.3</u>	<u>8.7</u>	<u>46.2</u>	<u>50.1</u>	<u>(3.9)</u>
Total	100	37.3	37.0	0.3	35.9	35.9	0.0

1/ Includes both short- and long-term borrowed capital but excludes other liabilities.

2/ Marketing/farm supply cooperatives handling several commodities.

Figure 22--Top 100 Percent of Total Assets by Size Group, 1986 vs. 1985



versus 7.5 percent for 36 in 1985 (fig. 22). A significant characteristic of the largest 100 cooperatives is that their assets are highly concentrated in one group that has varied in number since 1980 from 21 to 25.

In both 1986 and 1985, those cooperatives with assets of at least \$200 million accounted for 64.4 percent of the Top 100's total assets. This group also had a strong impact on assets of all cooperatives. For example, in 1986, 22 associations accounted for 37.7 percent of the \$26.5 billion in total assets held by all 5,369 cooperatives.

BORROWED CAPITAL

On the combined balance sheet, total borrowed capital--(short- and long-term debt)--decreased \$10 million (0.2 percent) in 1986 (table 13). Although this marked the fourth straight year the Top 100 reduced total debt, it was small compared with the 7, 8, and 7.2 percent reductions in 1983, 1984, and 1985, respectively (fig. 23). In 1986, total debt was \$5.77 billion, nearly 20 percent below the \$7.17 billion outstanding in 1980. The Top 100 significantly reduced total debt from 1980-86.

Short-Term vs. Long-Term

During 1986, short-term debt rose \$109 million (4.9 percent) to \$2.32 billion while long-term debt declined \$119 million (3.3 percent) to \$3.45 billion. Therefore, the Top 100's slight reduction in total debt occurred because a decrease in long-term obligations more than offset the short-term rise by \$10 million. However, this didn't prevent the short-term increase from raising the total debt/asset ratio slightly from 37 to 37.3 percent (table 17).

By commodity group, total debt/asset ratios of the Top 100 ranged from dairy product's low of 20.6 percent to a high of 58.2 percent for cotton. The cotton group's ratio jumped by 12.4 points reflecting a big increase in short-term borrowing from the Commodity Credit Corporation (CCC) to finance larger inventories. More significantly, six of the nine commodity groups had lower ratios in 1986.

In retrospect, total debt as a percent of total assets declined substantially (4.9 percentage points) from its 1980 level of 42.2 percent (appendix 3). However, total borrowed funds didn't decline until long-term debt began dropping in 1983 (fig. 23).

In dollar terms, four of nine commodity groups reported more total debt outstanding on their balance sheets in 1986 with cotton accounting for 85 percent of this increase (table 18). Five groups decreased total borrowed capital with grain accounting for 48 percent of the reductions.

Since 1980, short-term debt in the Top 100 has fallen every year except 1986. Four commodity groups had more short-term debt outstanding in 1986, with cotton accounting for more than 60 percent of the short-term increase attributable to the CCC financing.

Interest Coverage Ratio

The interest coverage ratio measures the ability to meet current interest payments and take on additional debt--the higher the ratio, the greater the ability to meet additional debt obligations depending on the overall financial situation. Despite a drop in outstanding borrowed capital that lowered interest expense (\$540 million

Figure 23---Top 100 Total Debt, 1980-86

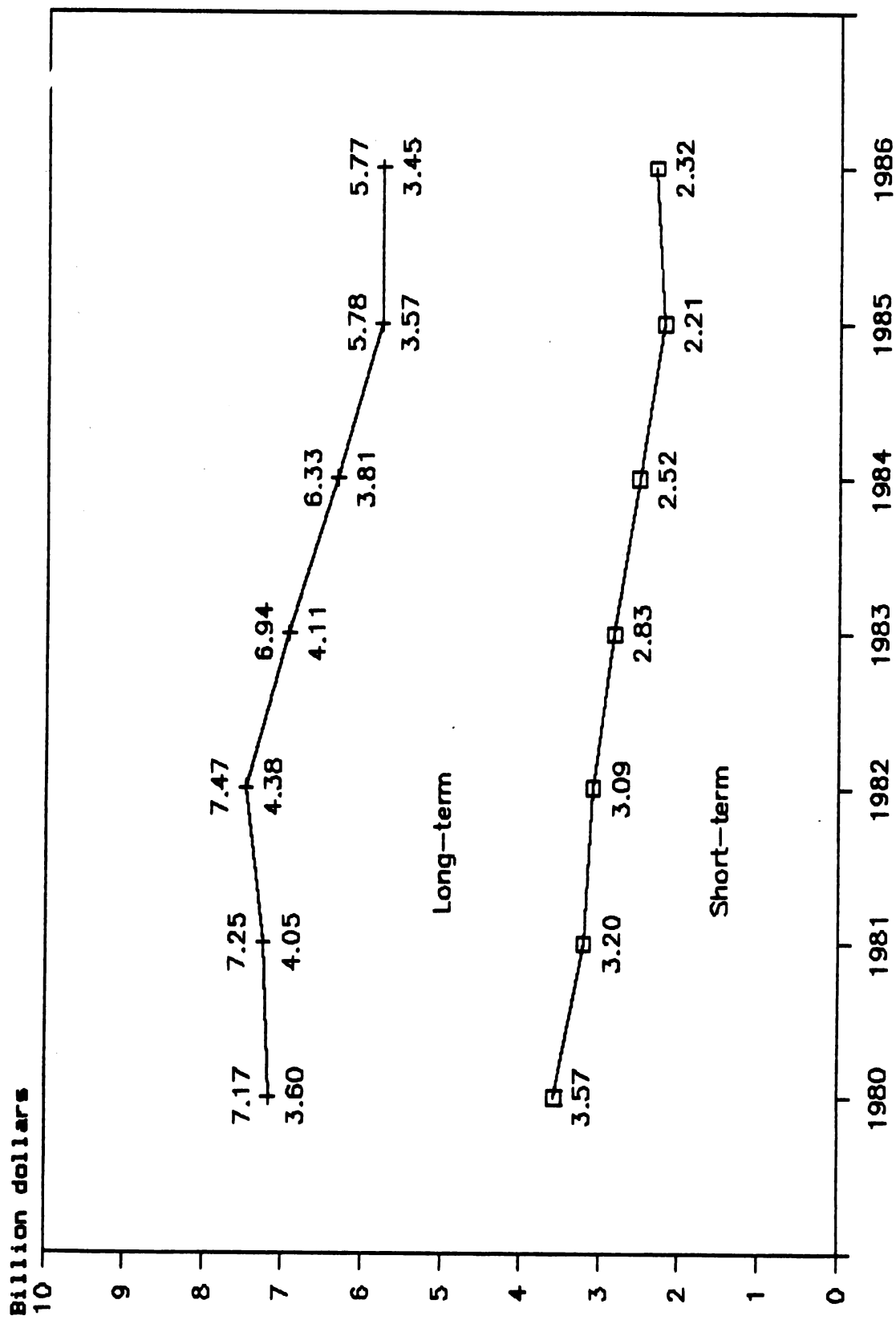


Table 18--Comparative debt by Top 100 commodity group, 1986 vs. 1985

Commodity group	Total debt		Amount of change	Increase (Decrease)
	1986	1985		
	<u>-----Million dollars-----</u>			<u>Percent</u>
Farm supply	1,511	1,507	4	0.3
Fruits and vegetables	1,401	1,409	(8)	-0.6
Diversified	1,095	1,126	(31)	-2.8
Dairy products	542	526	16	3.0
Grain and soybeans	514	633	(119)	-18.8
Cotton	397	196	201	102.6
Sugar	170	229	(59)	-25.8
Rice	112	141	(29)	-20.6
Poultry and livestock	<u>30</u>	<u>15</u>	<u>15</u>	<u>100.0</u>
Total	5,772	5,782	(10)	-0.2

NOTE: Total debt includes short- and long-term borrowed capital but excludes other current and noncurrent liabilities (see combined balance sheet, table 13).

versus \$600 million in 1985), the interest coverage ratio for the Top 100 dropped for the second straight year after rising in 1983 and 1984 (fig. 24). These declines were mainly due to lower net margins after losses. Since significant losses were limited to only a few cooperatives, the opportunity exists for higher interest coverage ratios in the future.

The interest coverage ratio for the Top 100 was 2.18 in 1980, compared with 1.37 times in 1986. Consequently, this indicator of the Top 100's ability to meet additional debt obligations was not as strong in 1986 compared to 1980.

Co-op Banks' Share

After dropping in 1985 to its lowest recorded level, the Banks for Cooperatives' share of total debt increased slightly from 48.6 to 48.9 percent in 1986 (fig. 25). Prior to 1980, appendix figure 4 shows the BC's share as 56.9 percent in 1976, 62 percent in 1970, and 50.5 percent in 1962.

BC's supplied 40.2 percent of the Top 100's total short-term debt of \$2.32 billion (table 19) versus 41.4 percent of \$2.21 billion in 1985. Over 54 percent of the 1986 long-term debt equaling \$3.46 billion came from BC's compared with a 53-percent share of \$3.58 billion in 1985. Although Top 100 total debt was down \$10 million (0.2 percent) in 1986, borrowed capital from the BC's rose \$11 million or 0.4 percent (table 20). The BC's continued to be the major supplier of both long- and short-term debt for the Top 100.

Other Debt Sources

Second in importance as a source of debt capital were bonds, notes, and certificates (debt certificates) issued by cooperatives. They accounted for 15.4 percent of total borrowed funds versus 17 percent in 1985 (fig. 25). The amount of outstanding debt from this source on the Top 100's combined balance sheet decreased nearly 10 percent (\$95 million) in 1986 (table 20). Table 19 shows that 16 cooperatives used this type of debt for short-term funds and 27 for long-term. Commercial banks, although primarily used by just a few of the Top 100, increased their share of total debt from 5.4 to 5.8 percent. Leases and industrial development bonds dropped from 13.8 to 13.1 percent.

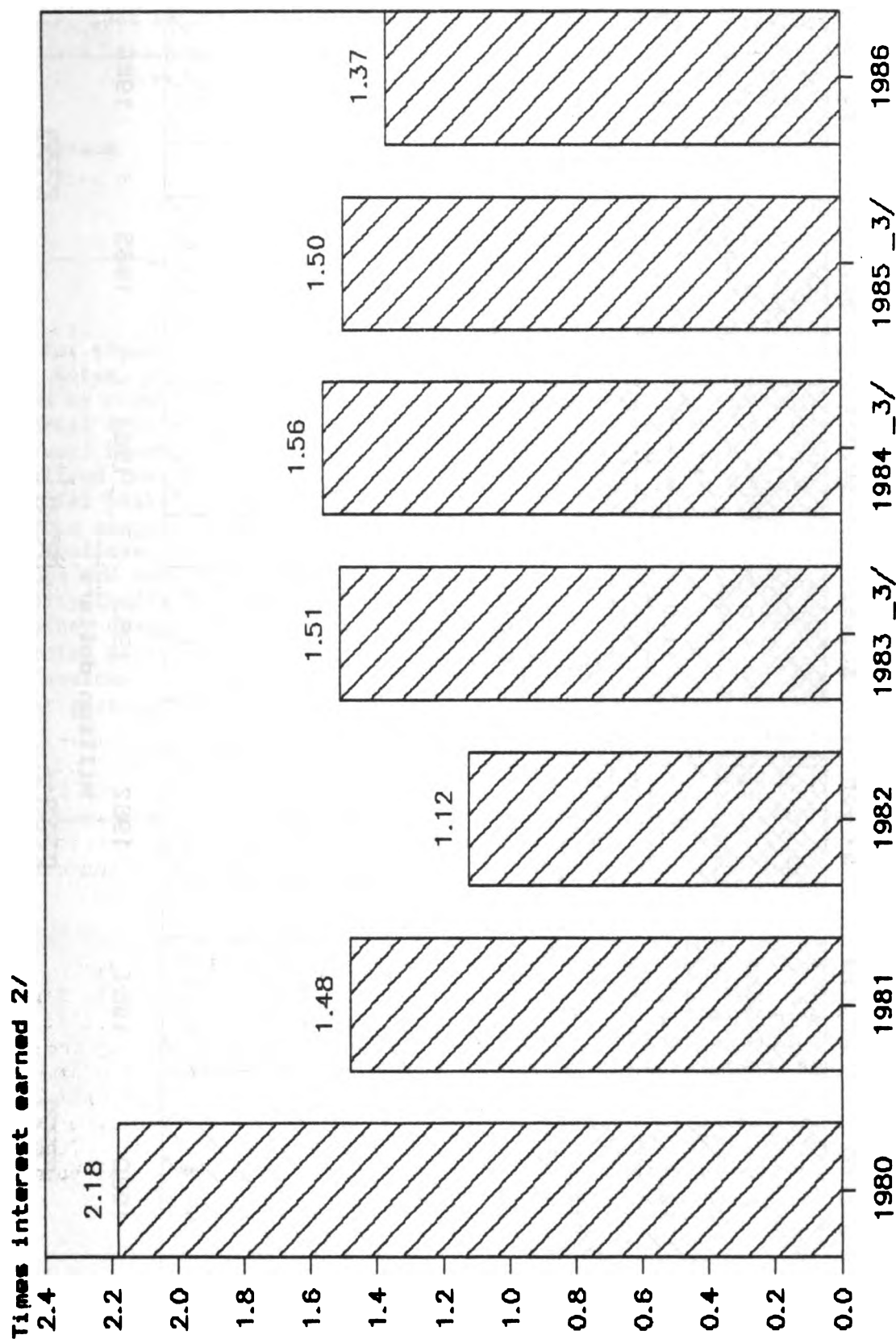
Five items (insurance companies, other financial entities, Commodity Credit Corporation (CCC), commercial paper, and other) comprise "Other sources" in fig. 25 and are listed separately in table 19. This source of total debt share was 16.8 percent (compared with 15.2 percent in 1985), the highest on record. Only two items in "Other sources" caused the increase. CCC more than doubled its share of total debt to 5.3 percent because of the large amount of short-term debt used by the cotton group to finance inventories. Table 20 shows funds borrowed from CCC rose nearly 103 percent from \$151 million to \$306 million in just 1 year. Other nonfinancial entities (representing both cooperatives and noncooperatives) boosted their share slightly from 3.3 to 4.3 percent.

MEMBERS' EQUITY

In 1986, members' equity fell 1 percent to \$5.56 billion (table 21). ^{4/} However, the Top 100's net worth remains 14.5 percent higher than the \$4.87 billion posted

^{4/} Members and patron equity (members' equity, net worth, or equity capital).

Figure 24---Top 100 Interest Coverage Ratios, 1980-86 1/



1/ Interest expenses estimated for 1981-84. Actual interest expenses used in 1985 and 1986.

2/ Net margins (net of operating losses) before interest expense and taxes divided by interest expense.

3/ 1983-85 recalculated from previous publications.

Figure 25---Top 100 Sources of Debt, 1980-86

Percent of total debt

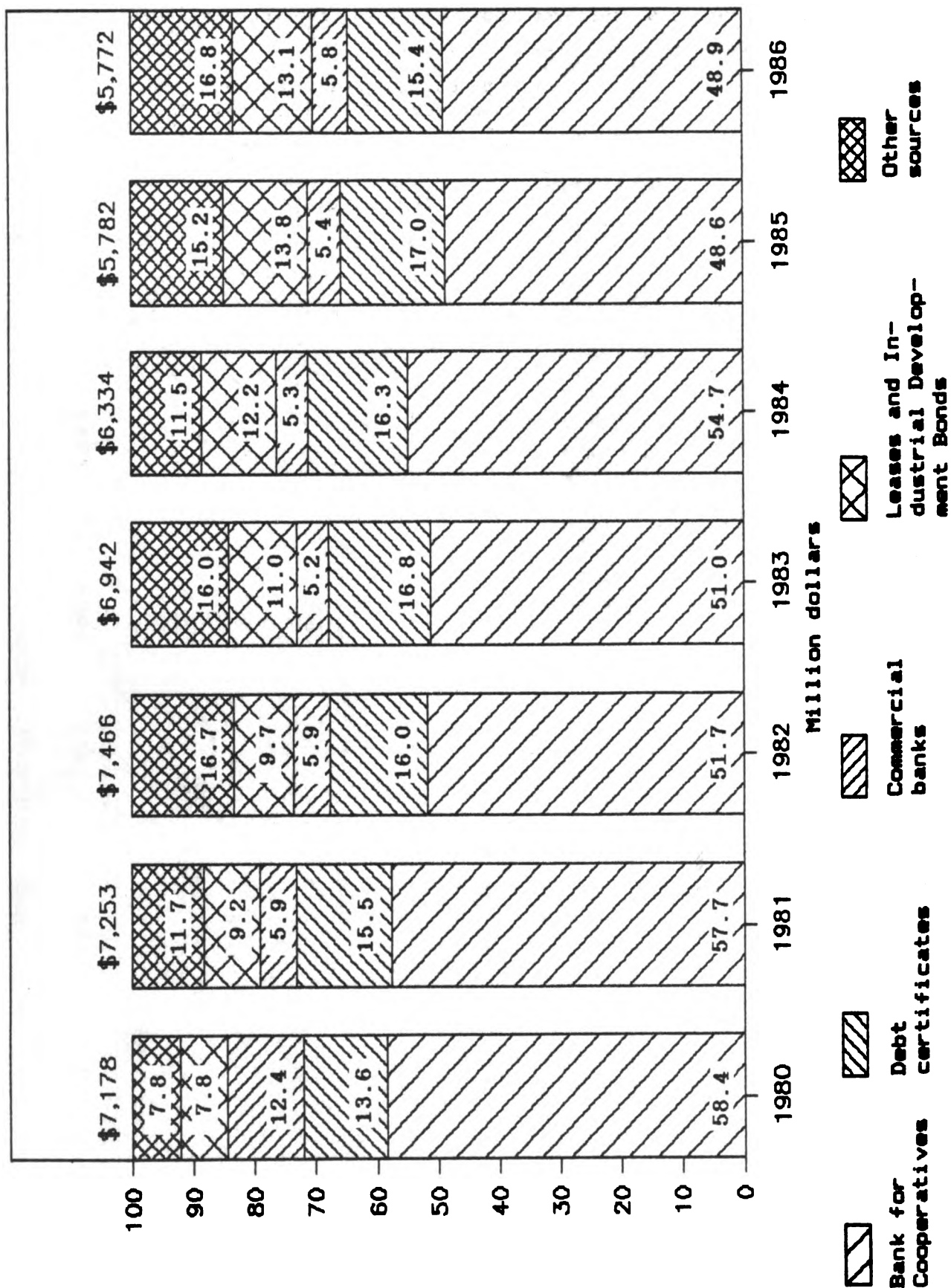


Table 19—1986 sources of borrowed capital for Top 100 cooperatives

Source	Co-ops using each source		Debt outstanding from each source		Total	Percent of total
	Short term	Long term	Short term	Long term		
	<u>Number</u>		<u>----Million dollars----</u>			<u>Percent</u>
Banks for cooperatives	55	78	931	1,890	2,821	48.9
Bonds, notes, and certificates issued by cooperatives	16	27	207	682	889	15.4
Industrial development (revenue) bonds		43		364	364	6.3
Capitalized leases		31		390	390	6.8
Commercial banks	16	15	137	197	334	5.8
Insurance companies		16		291	291	5.0
Other nonfinancial entities (co-ops and non-co-ops)	6	25	111	136	247	4.3
Commodity Credit Corporation and other Government sources	4	5	301	4	305	5.3
Commercial paper	2		43		43	0.7
Other sources	6	44	1	87	88	1.5
Current portion of long-term debt	88		<u>585</u>	<u>(585)</u>	<u>0</u>	<u>0.0</u>
Total			2,316	3,456	5,772	100.0

Table 20--Changes in Top 100 total debt, 1986 vs. 1985

Source	Total debt <u>1/</u>		Amount of change	Increase (Decrease)
	1986	1985		
	----- <u>Million dollars</u> -----			<u>Percent</u>
Banks for cooperatives	2,821	2,810	11	0.4
Bonds, notes, and certificates issued by cooperatives	889	984	(95)	(9.7)
Industrial development (revenue) bonds	364	400	(36)	(9.1)
Capitalized leases	390	398	(8)	(2.1)
Commercial banks	334	310	24	7.8
Insurance companies	291	317	(26)	(8.3)
Other nonfinancial entities (co-ops and nonco-ops)	248	193	55	28.6
Commodity Credit Corporation and other government sources	306	151	155	102.7
Commercial paper	43	121	(78)	(64.3)
Other sources	<u>87</u>	<u>98</u>	<u>(11)</u>	<u>(11.4)</u>
Total	5,772	5,782	(10)	(0.2)

1/ Includes short- and long-term borrowed capital but excludes other current and noncurrent liabilities.

Table 21--Members' equity by Top 100 commodity groups, 1986 vs. 1985

Commodity group	Equity capital		Amount of change	Increase (Decrease)
	1986	1985		
	----- <u>Million dollars</u> -----			<u>Percent</u>
Farm supply	1,699	1,951	(252)	-12.9
Dairy	1,022	951	71	7.5
Fruits and vegetables	766	706	60	8.5
Diversified	742	714	28	3.9
Grain and soybeans	710	706	4	0.6
Sugar	250	230	20	8.7
Rice	174	174	0	0.0
Cotton	165	161	4	2.5
Poultry and livestock	<u>38</u>	<u>27</u>	<u>11</u>	<u>40.7</u>
Total	5,566	5,620	(54)	-1.0

in 1980 (fig. 26). Equity capital as a percent of total assets was unchanged from 1985 remaining at 35.9 percent (fig. 27). Long-term growth in this ratio since 1980 reflects growing strength in the financial position of members relative to creditors.

Allocated vs. Unallocated

Most of the growth in equity capital is related to additions in allocated rather than unallocated equities. Specifically, equity certificates and credits have risen each year to reach a 1986 high of nearly \$2.8 billion, compared with 1980's low of \$2.2 billion. On the other hand, common and preferred stock issues have been on the decline since 1984's high of \$2.15 billion, dropping to \$1.99 billion in 1986. Appendix figure 5 shows how equity composition has changed over selected years.

Note some subtle changes in other related asset ratios. Short-term debt to assets rose from 14.1 to nearly 15 percent. But declines in long-term debt/asset and other liabilities/asset ratios offset the rise in the short-term debt/asset ratio. The change in the long-term debt to asset ratio continues to demonstrate that the Top 100 is replacing long-term borrowed capital with member equity.

Despite the fundamental difference in the business nature of the Top 100 compared with the 100 largest of the Fortune 500, a comparison of their net worth positions proves interesting. The equity position of the 100 largest U.S. industrial corporations declined from 43.8 percent in 1985 to 41.1 percent in 1986. As seen in appendix figure 6, the 5.2 percentage point spread between net worth positions of the two groups is the narrowest since records have been kept by ACS.

Perhaps of more significance, the Top 100 net worth position is improving while the Fortune 100 seems to be declining during the 1980's. This proves more interesting if one considers only a limited number of firms in the 100 largest U.S. industrial corporations are strictly dependent on agriculture--a sector of the economy that has been hardest hit by the major recessions of the 1980's.

Commodity Groups

Significantly, seven of nine commodity groups in the Top 100 raised equity capital in 1986 while one (rice) remained unchanged (table 21). The farm supply group's \$252 million drop in equity was responsible for all of the reduction in members' equity. Equity increases in the seven other groups offset all but \$54 million of this decline, resulting in only a 1-percent net decrease in total equity. Even with the drop, farm supply's 42.3 percent equity/asset ratio ranked third highest of any group, topped only by poultry and livestock's 46.2 percent and No. 1 rice's 46.5 percent (table 17).

FINANCIAL POSITION

The combined financial statements of the Top 100 largest cooperatives showed conflicting signs of both new strength and weakness. Reductions in long-term debt coupled with additional member equity strengthened member ownership during the 1980's. The Top 100 have strengthened their balance sheets (especially since 1982), as evidenced by the decline in the long-term debt/equity ratio (fig. 28). In 1986, this ratio stood at 62.1 percent--1.5 percentage points lower than 1985 and 23.2 points below the 1982 high of 85.3 percent. The continued decline in this ratio during the 1980's indicates the Top 100 reduced long-term debt relative to equity, lowering financial risks for members.

Figure 26---Top 100 Members' Equity, 1980-86

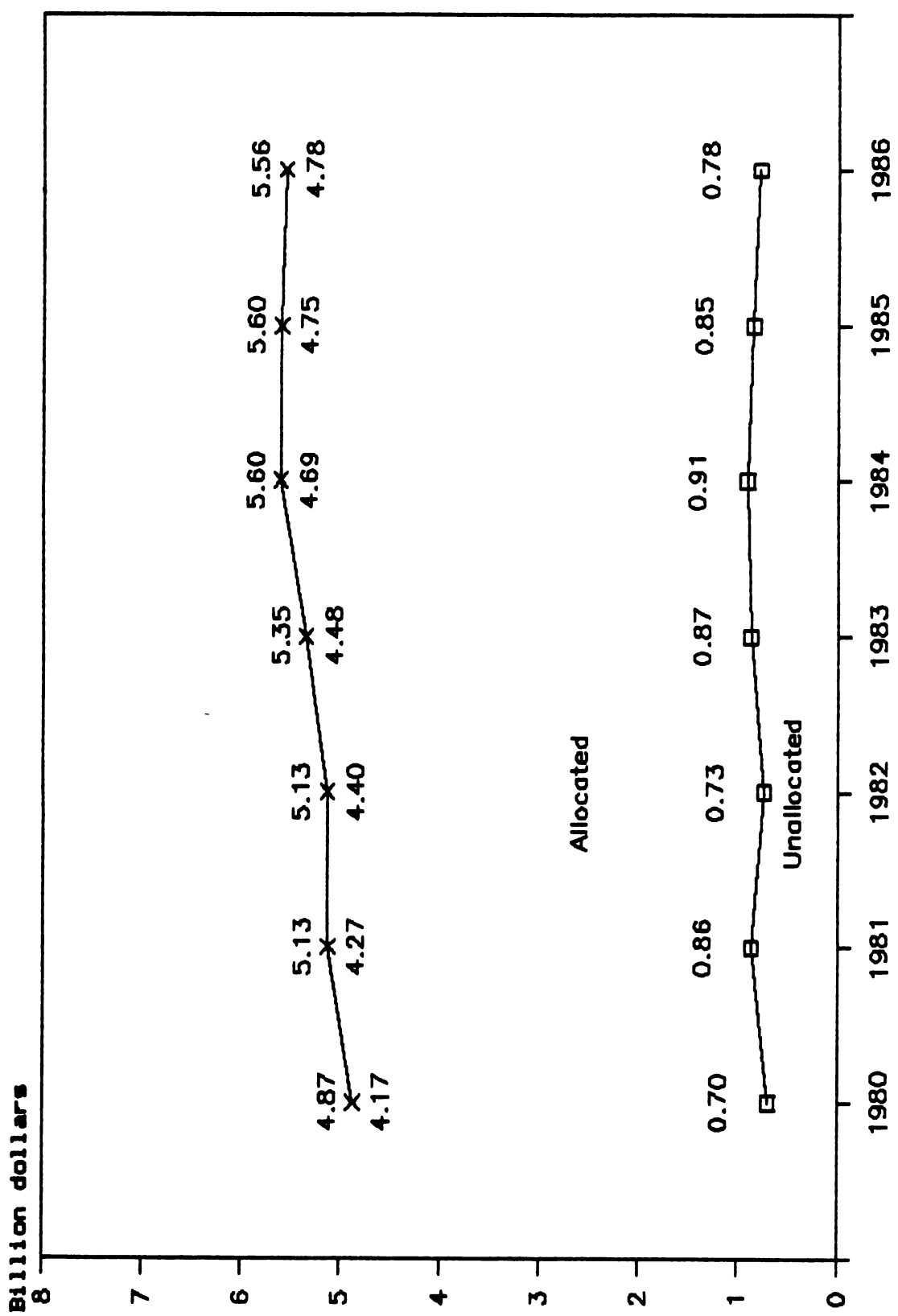
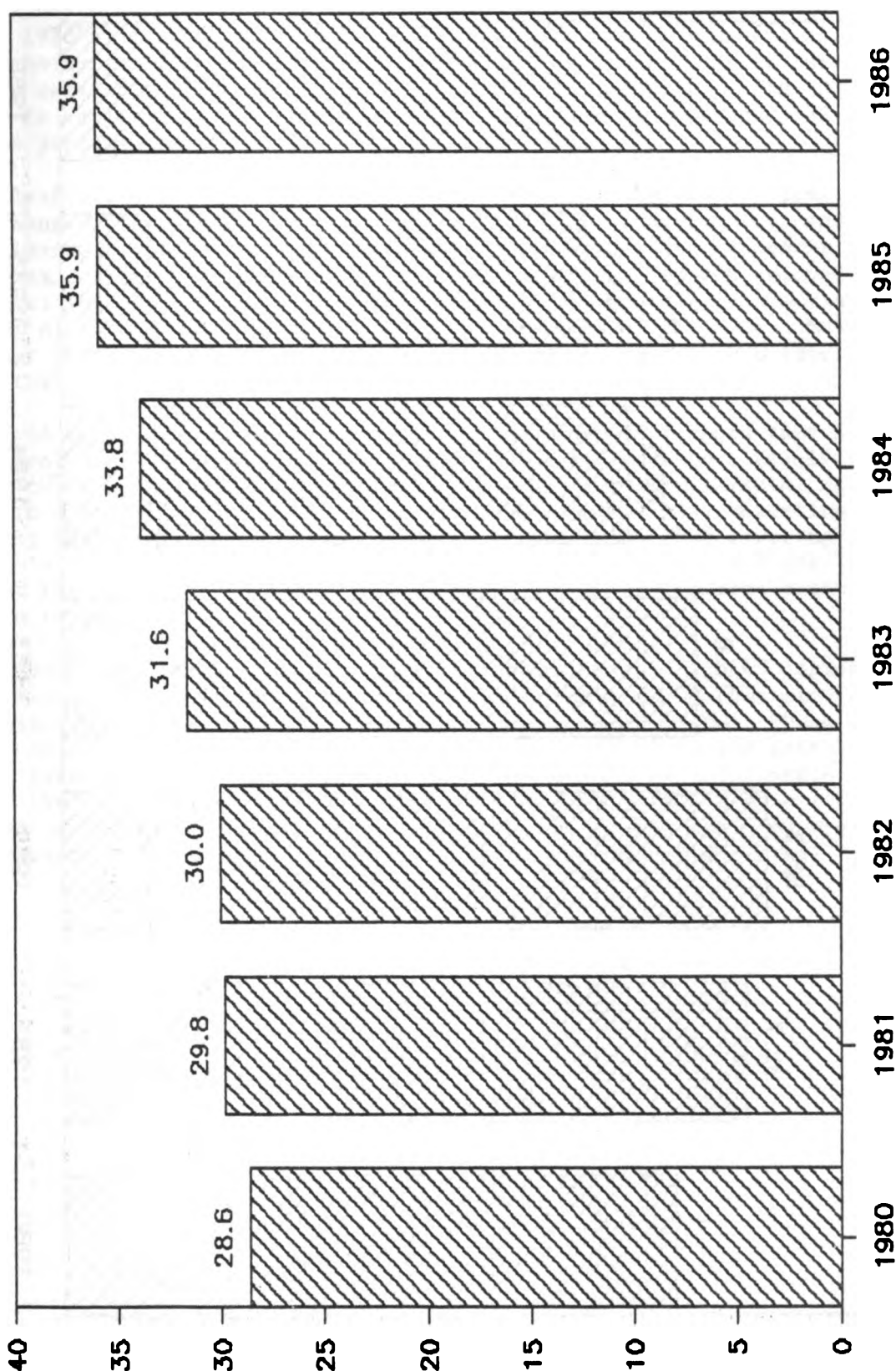


Figure 27---Top 100 Equity/Asset Ratios, 1980-86 1/

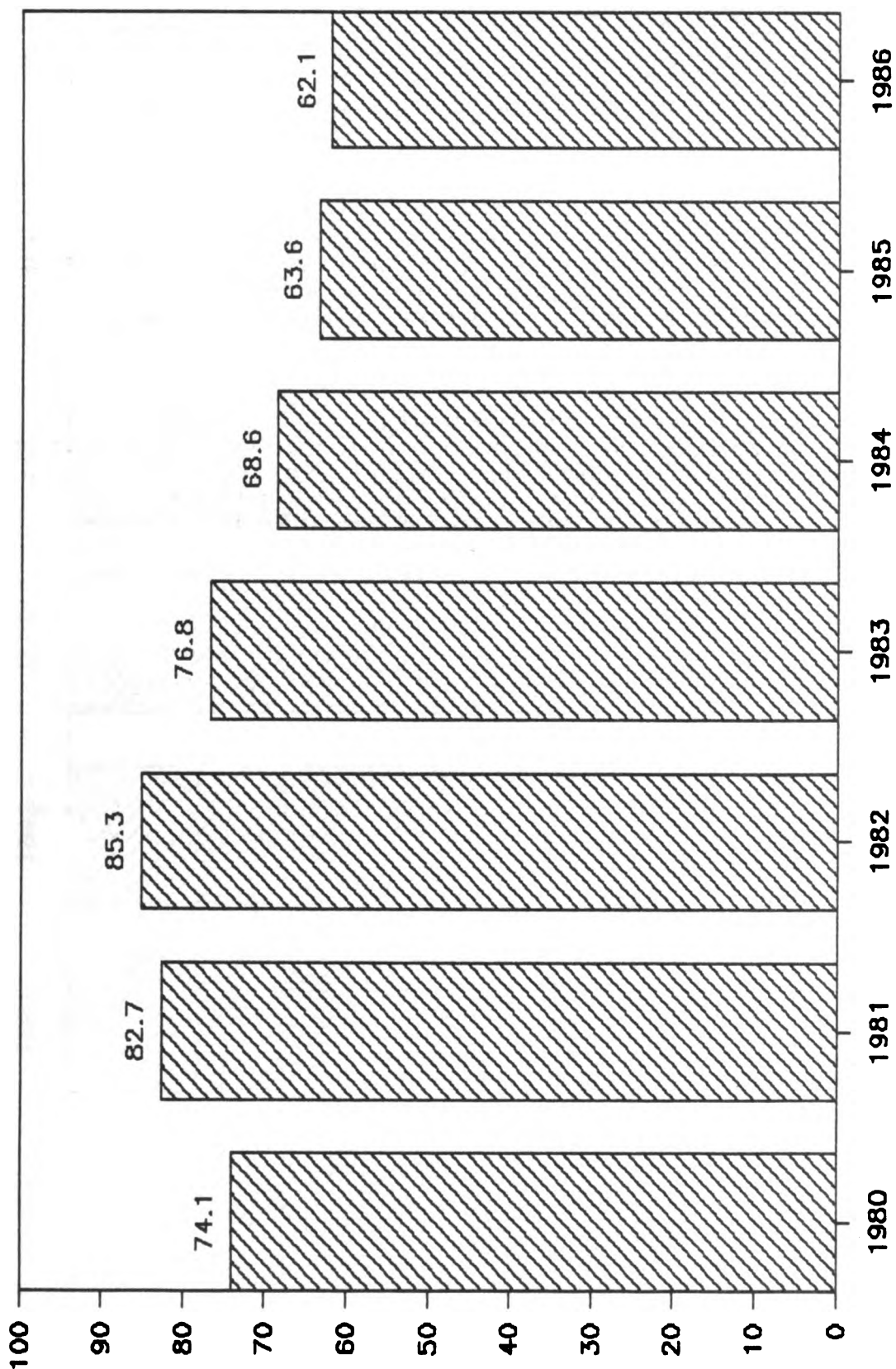
Percent of total assets



1/ Same cooperatives compared in 1985 and 1986.

Figure 28---Top 100 Term Debt/Equity Ratios, 1980-86 1/

Percent of total equity



1/ Same cooperatives compared in 1985 and 1986.

In terms of borrowed capital, the Top 100 showed significant change (fig. 29). During the 1980's, the leverage ratio has shown considerable improvement except for 1986 when short-term debt jumped nearly 5 percent. However, most of this increase is directly related to 1986 developments in the cotton industry. Fig. 29 shows the total debt to equity ratio in 1986 was still far below its 1980 and 1982 highs of 148 and 146 percent, respectively.

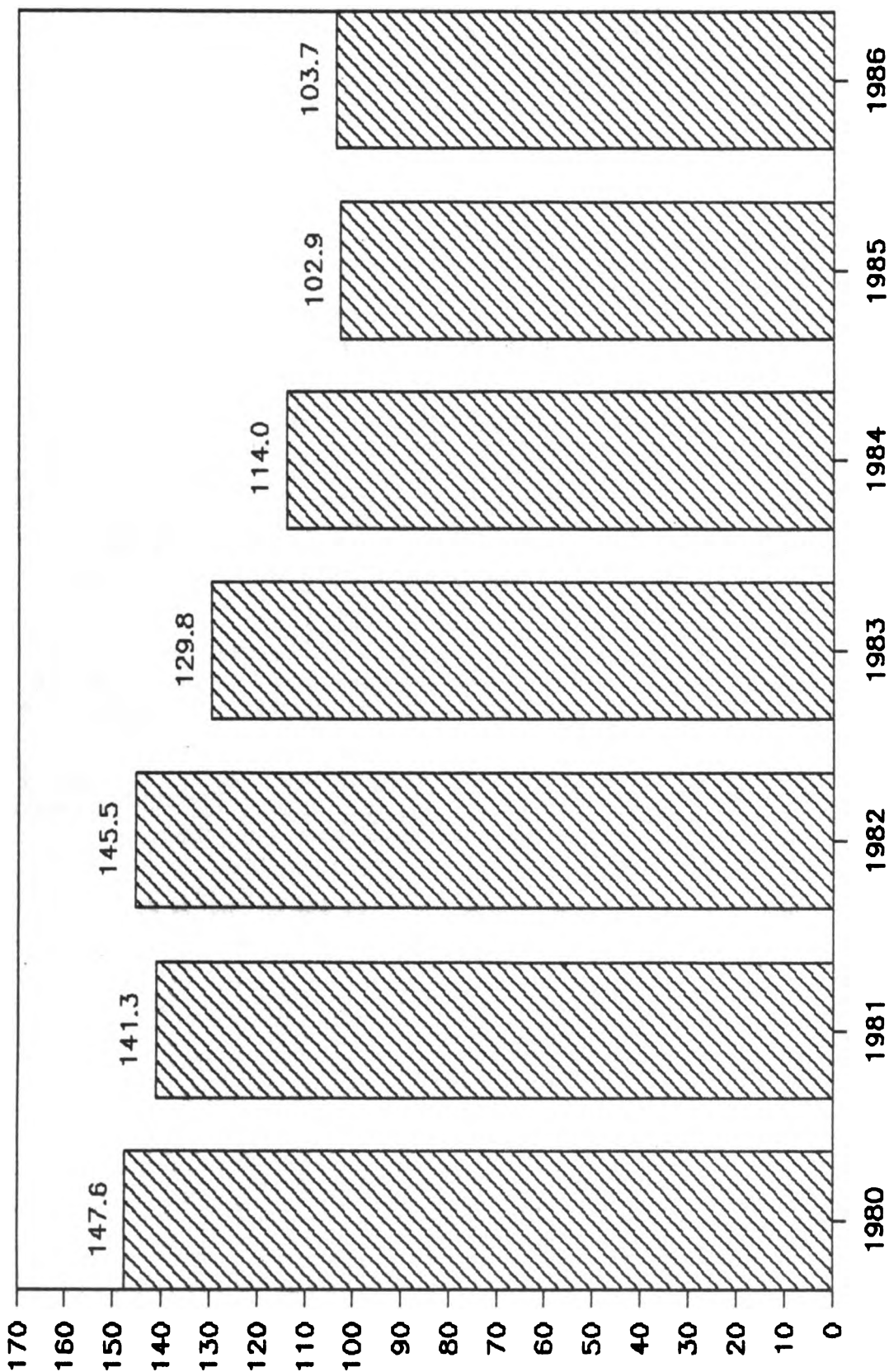
The significance of this improvement is more relevant if viewed in terms of the dramatic changes in financial leverage since 1962. The long-term uptrend in the financial leverage position of the Top 100 reversed after 1980 (appendix fig. 7). Using 1962 as a base, the leverage (risk) position of the Top 100 reached its highest level in 1980. Borrowed capital was used to support growth during the latter half of the 1970's--similar to many corporations of the time. But by 1986, the leverage position had dropped dramatically approaching the 1970 level and improving the financial risk position of the Top 100.

Although 1986 cash flow generated from operations amounted to more than \$1 billion, this represented a 10-percent decline from 1985 and resulted in a significant drop in working capital provided by operational sources. A cash flow/total funds ratio decline of 6.3 points to 48.1 percent continues a 3-year slide, repeating a trend of the early 1980's. Working capital dropped 8 percent in 1986 lowering the current ratio from 1.40 to 1.36, putting additional strain on the liquidity position of the Top 100. However, excepting 1985, the 1986 current ratio was the highest one reached since 1980 (fig. 30).

Prospects for 1987 operations appear more favorable for the Top 100 cooperatives and their farmer member/owners. Most of the 1986 reduction in cash flow was directly attributable to major losses among a few of the Top 100. These losses resulted from the significant economic problems encountered in the petroleum and fertilizer industries. Cooperative financial and structural adjustments in these sectors of the agricultural economy appeared to be nearly complete in 1986 or slowed down considerably. Major losses were not anticipated for 1987 operations. Hence, prospects for Top 100 cooperative operations were much improved.

Figure 29---Top 100 Total Debt/Equity Ratios, 1980-86 1/

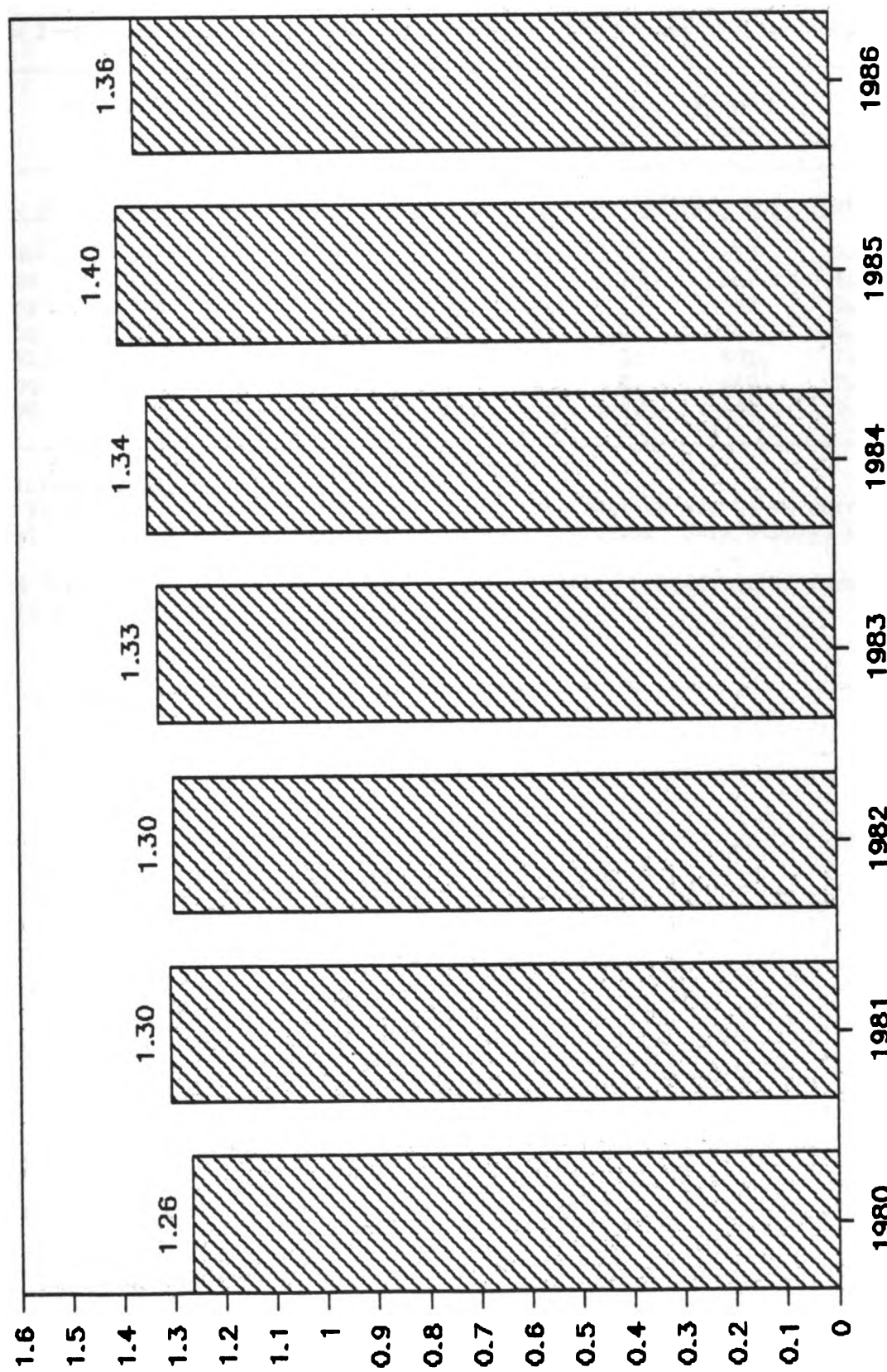
Percent of total equity



1/ Same cooperatives compared in 1985 and 1986.

Figure 30—Trend in Top 100 Current Ratios, 1980-86 1/

**Current assets divided
by current liabilities**



1/ Same cooperatives compared in 1985 and 1986.

APPENDIXES

Appendix table 1--Significance of sources of revenue for 100 largest farmer cooperatives 1/

Year	Marketing sales			Supply sales			Other income			Total
	<u>No. 2/</u>	<u>Mil. dol.</u>	<u>pct.</u>	<u>No. 2/</u>	<u>Mil. dol.</u>	<u>pct.</u>	<u>No. 2/</u>	<u>Mil. dol.</u>	<u>pct.</u>	<u>Mil. dol.</u>
1976	86	29,466	69.9	49	8,599	29.4	49	219	0.7	29,264
1980	89	35,486	70.5	38	13,952	27.7	78	867	1.8	50,305
1981	89	41,158	71.2	42	16,263	28.1	79	427	0.7	57,848
1982	90	37,478	70.0	39	15,571	29.1	75	507	0.9	53,556
1983	91	34,104	69.9	39	14,077	28.8	75	631	1.3	48,812
1984	90	37,825	71.2	41	14,892	28.0	81	440	0.8	53,157
1985 <u>3/</u>	90	32,295	68.5	42	14,419	30.6	80	443	0.9	47,157

1/ Includes intercooperative business.

2/ Number of cooperatives reporting revenue. Total cooperatives add up to more than 100 because several associations reported income from both marketing, farm supply, and/or other sources.

3/ Unadjusted Top 100 data, i.e., data not changed to enable comparison of identical cooperatives in succeeding year.

Appendix table 2--Top 100 cooperatives net margins before and after deduction of net losses, for fiscal years ended in 1976, 1980-85

	Net margins	Net losses	Net margins after losses	Pooling basis <u>1/</u>
1976:				
Number	93	7	100	<u>2/</u>
Million dollars	910.0	17.0	893.0	
1980:				
Number	80	9	89	11
Million dollars	1,150.0	68.9	1,081.1	
1981:				
Number	70	20	90	10
Million dollars	641.6	137.0	504.6	
1982:				
Number	74	18	92	8
Million dollars	372.6	247.8	124.8	
1983:				
Number	77	12	89	11
Million dollars	429.8	32.9	396.9	
1984: <u>3/</u>				
Number	74	19	93	7
Million dollars	489.2	68.3	420.9	
1985: <u>3/</u>				
Number	79	17	96	4
Million dollars	421.6	180.8	240.8	

1/ Cooperatives operating on a pooling basis with no net margin (or loss) activities reported.

2/ Cooperatives not classified as operating on a net margin or pooling basis.

3/ Unadjusted Top 100 data, i.e., data not changed to enable comparison of identical cooperatives in succeeding year.

Appendix table 3—Per-unit capital retained by the 100 largest cooperatives operating on a pooling and net margin basis, for fiscal years ended 1980-85 1/

Operation	1980			1981			1982			1983			1984 8/			1985 9/		
	Number	Mil. dol.	Percent	Number	Mil. dol.	Percent	Number	Mil. dol.	Percent	Number	Mil. dol.	Percent	Number	Mil. dol.	Percent	Number	Mil. dol.	Percent
Pooling basis:																		
Fruits and vegetables	13	74.0	43.6	14	55.3	30.5	14	52.8	32.6	13	50.3	29.7	12	62.6	40.6	12	63.7	38.7
Sugar	2/	11.3	6.7	4	22.0	12.1	4	23.7	14.6	3	9.8	5.8	3	9.7	6.3	3	8.6	5.3
Rice	4	11.3	6.7	4	22.0	12.1	4	23.7	14.6	5	22.8	13.4	5	18.1	11.7	5	18.3	11.1
Other cooperatives	3/ 6	35.9	21.1	9	45.1	24.9	8	34.8	21.5	6	32.7	19.3	5	18.0	11.6	5	21.4	13.0
Subtotal	23	121.2	71.3	27	122.4	67.5	26	111.3	68.8	27	115.6	68.2	25	108.4	70.2	25	112.0	68.1
Net margin basis:																		
Dairy products	4/ 15	48.7	29.7	5/ 15	59.0	32.5	16	50.5	31.2	6/ 19	53.8	31.8	6/ 18	45.9	29.8	7/ 21	52.5	31.9
Total	38	169.9	100.0	42	181.4	100.0	42	161.8	100.0	46	169.4	100.0	43	154.3	100.0	46	164.5	100.0

1/ Deductions for capital purposes fixed without reference to net margins.

2/ To maintain confidentiality of information, so financial data are shown when number of cooperatives is less than three.

3/ Includes cooperatives classified as dairy products, cotton and cotton products, nut and sugar marketing.

4/ Includes five associations not dairy products.

5/ One association not dairy products.

6/ One cooperative in 1984 and two in 1983, not dairy associations.

7/ Two cooperatives not dairy associations.

8/ Unadjusted Top 100 data, i.e., data not changed to enable comparison of identical cooperatives in succeeding year.

Appendix table 4--Top 100's combined statements of changes in financial position,
1980-85 1/

Item	1980	1981	1982	1983	1984	1985
<u>Million dollars</u>						
FUNDS PROVIDED						
Operational sources:						
Net margins <u>2/</u>	1,081	505	125	397	421	241
Per-unit capital retains	170	181	162	169	154	165
Add items not affecting working capital:						
Depreciation <u>3/</u>	491	558	594	602	607	614
Other, net	(137)	43	(67)	(212)	(25)	67
Total (cash flow)	1,605	1,287	814	956	1,157	1,087
Nonoperational sources:						
New long-term borrowing	752	893	882	543	451	544
Property, plant, and equipment disposals	83	194	270	464	163	238
Redemption or sale of investments	57	114	94	106	98	115
Other noncurrent asset declines	N/A	N/A	N/A	78	34	42
Capital stock/certificate issues <u>4/</u>	60	81	102	51	44	35
Other sources	244	11	12	49	8	28
Decrease in working capital	--	--	185	--	6	--
Total	1,196	1,293	1,545	1,291	804	1,002
Total inflows	<u>2,801</u>	<u>2,580</u>	<u>2,359</u>	<u>2,247</u>	<u>1,961</u>	<u>2,089</u>
FUNDS APPLIED						
Long-term debt payments	427	442	557	814	715	775
Capital expenditures:						
Additions to property, plant, and equipment	913	1,219	1,171	687	659	723
Investments in other co-ops, joint ventures, etc.	188	196	210	164	73	94
Other noncurrent asset increases	N/A	N/A	N/A	29	66	51
Cash payments to patrons:						
Equity redemption	191	183	190	165	188	216
Patronage refunds	415	224	124	136	161	145
Dividends on capital stock/certificates	21	17	16	16	17	12
Payments of income taxes	89	61	30	32	49	48
Other uses	196	62	61	8	33	12
Increase in working capital	361	176	--	196	--	13
Total outflows	<u>2,801</u>	<u>2,580</u>	<u>2,359</u>	<u>2,247</u>	<u>1,961</u>	<u>2,089</u>

1/ Top 100 cooperatives unique for each year.

2/ Pre-tax net margins (losses) after extraordinary items.

3/ Includes amortization and depletion.

4/ Includes other equity increases.

Appendix table 5—Replacement of productive assets, Top 100 cooperatives, 1980-86 1/

Item	1980	1981	1982	1983	1984	1985	1986
<u>Million dollars</u>							
Disposals of property, plant, and equipment	83	194	270	464	163	238	111
Depreciation, amortization, and depletion	<u>491</u>	<u>558</u>	<u>594</u>	<u>602</u>	<u>607</u>	<u>614</u>	<u>617</u>
Total	<u>574</u>	<u>752</u>	<u>864</u>	<u>1,066</u>	<u>770</u>	<u>852</u>	<u>728</u>
Additions to property, plant, and equipment	913	1,219	1,171	716	659	723	706
Investments in other cooperat- tives, joint ventures, etc.	<u>188</u>	<u>196</u>	<u>210</u>	<u>164</u>	<u>73</u>	<u>94</u>	<u>99</u>
Total	<u>1,101</u>	<u>1,415</u>	<u>1,381</u>	<u>880</u>	<u>732</u>	<u>817</u>	<u>805</u>
Net increase (decrease) in productive assets	527	663	517	(186)	(38)	(35)	77

1/ Unadjusted Top 100 data, i.e., data not changed to enable comparison of identical cooperatives in succeeding year.

Appendix table 6--Long-term trends of combined balance sheets for Top 100 cooperatives 1/

Item	1976 <u>5/</u>	1980	1981	1982	1983	1984	1985
<u>Million dollars</u>							
Current assets	5,705	10,347	9,991	9,379	9,517	9,141	8,554
Noncurrent assets:							
Investments:							
Banks for Cooperatives	N/A	N/A	N/A	501	479	495	480
Other cooperative and businesses:							
Under 20 percent ownership	N/A	N/A	N/A	714	675	664	659
20 percent or more <u>2/</u>	N/A	N/A	N/A	393	472	496	497
Other investments	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>87</u>	<u>93</u>	<u>82</u>	<u>51</u>
Total	0	1,537	1,573	1,695	1,719	1,737	1,687
Property, plant, and equipment, net	3,437	4,862	5,073	5,742	5,399	5,368	5,177 <u>3/</u>
Other assets	<u>1,118</u>	<u>249</u>	<u>593</u>	<u>284</u>	<u>275</u>	<u>301</u>	<u>337</u>
Total assets	<u>10,260</u>	<u>16,995</u>	<u>17,230</u>	<u>17,100</u>	<u>16,910</u>	<u>16,567</u>	<u>15,755</u>
Current liabilities:							
Short-term debt	N/A	3,577	3,201	3,089	2,836	2,548	2,295
Other liabilities	<u>N/A</u>	<u>4,615</u>	<u>4,459</u>	<u>4,144</u>	<u>4,339</u>	<u>4,257</u>	<u>3,911</u>
Total current liabilities	4,207	8,192	7,660	7,233	7,175	6,805	6,206
Noncurrent liabilities:							
Long-term debt		3,601	4,052	4,377	4,106	3,842	3,584
Other liabilities	<u></u>	<u>341</u>	<u>381</u>	<u>359</u>	<u>282</u>	<u>317</u>	<u>373</u>
Total noncurrent liabilities	2,565	3,942	4,433	4,736	4,388	4,159	3,957
Members' equity:							
Allocated:							
Equity certificates and credits <u>4/</u>	1,470	2,221	2,219	2,342	2,417	2,541	2,606
Preferred stock	1,557	1,108	1,143	1,170	1,161	1,192	1,241
Common stock	N/A	837	911	887	901	961	898
Unallocated capital	<u>461</u>	<u>695</u>	<u>864</u>	<u>732</u>	<u>868</u>	<u>909</u>	<u>847</u>
Total equity	<u>3,488</u>	<u>4,861</u>	<u>5,137</u>	<u>5,131</u>	<u>5,347</u>	<u>5,603</u>	<u>5,592</u>
Total liabilities and equity	<u>10,260</u>	<u>16,995</u>	<u>17,230</u>	<u>17,100</u>	<u>16,910</u>	<u>16,567</u>	<u>15,755</u>

1/ Unadjusted original data used each year.

2/ Includes investment in unconsolidated subsidiaries, affiliated (or associated) companies, and joint ventures (or partnerships).

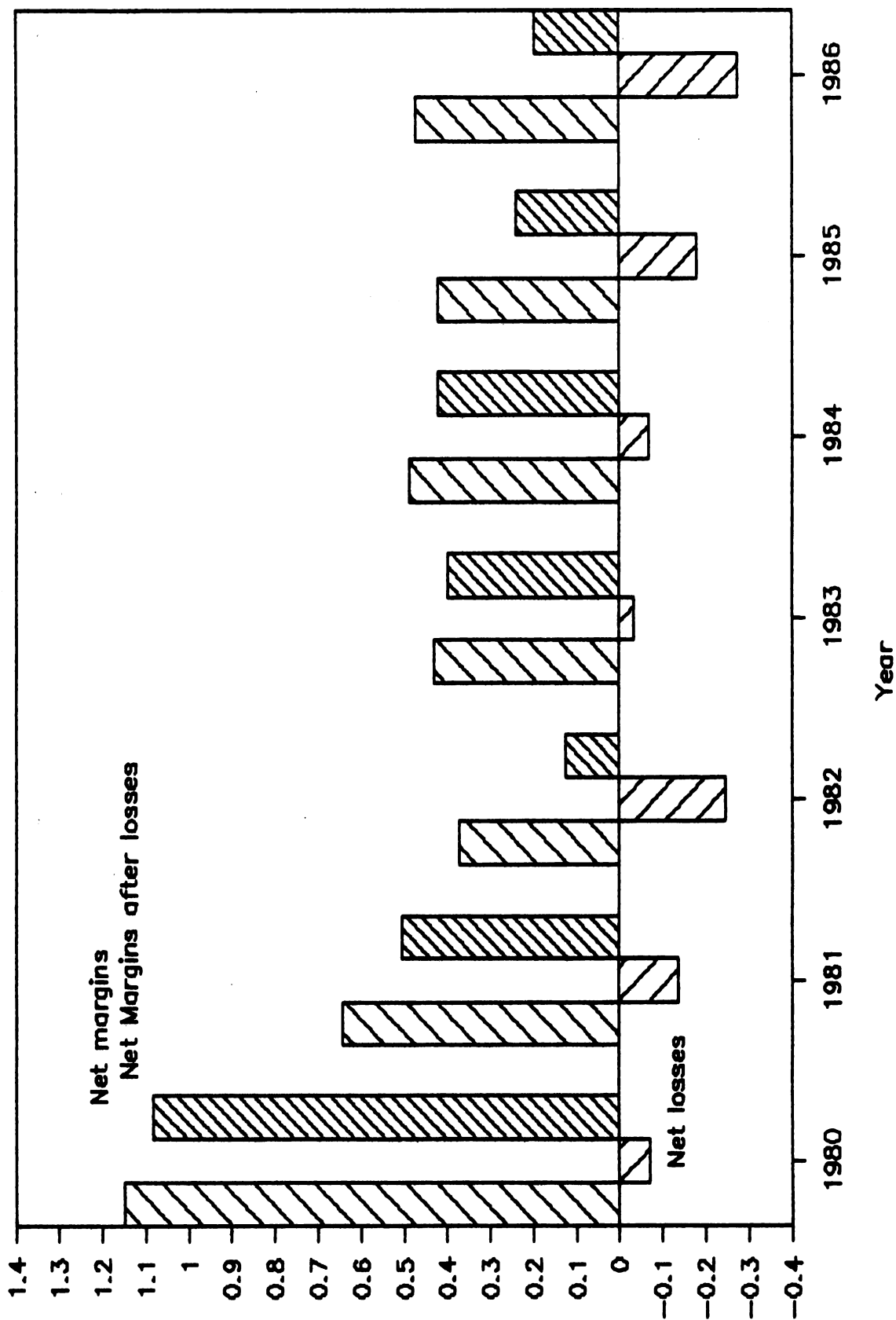
3/ Includes direct financing leases of \$130 million.

4/ Includes allocated retained earnings and per-unit capital retains not evidenced by preferred or common stock.

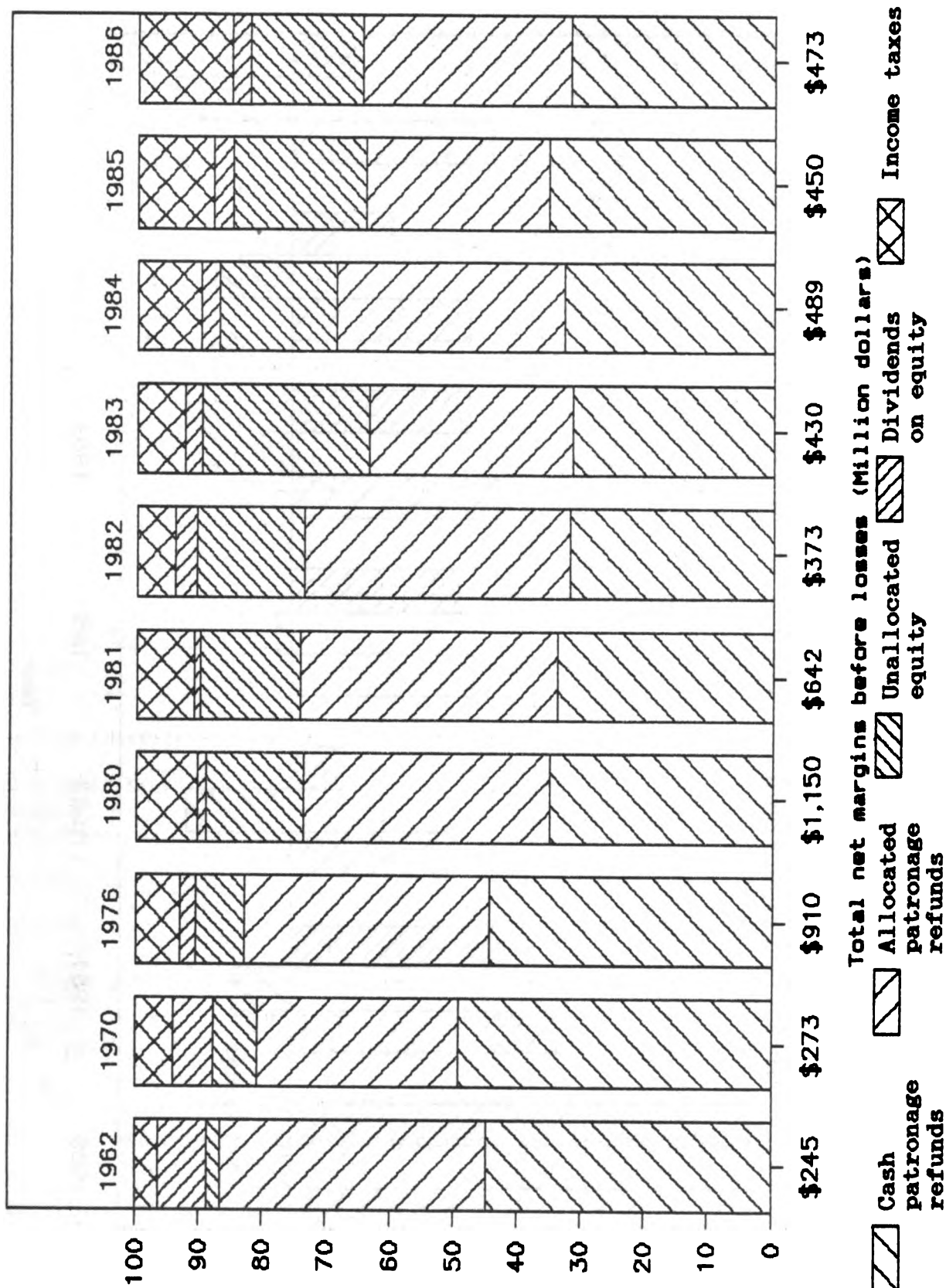
5/ Some details not available. Preferred stock includes common stock figures.

Appendix figure 1--Top 100 Net Operating Results, 1980-86

Billion dollars

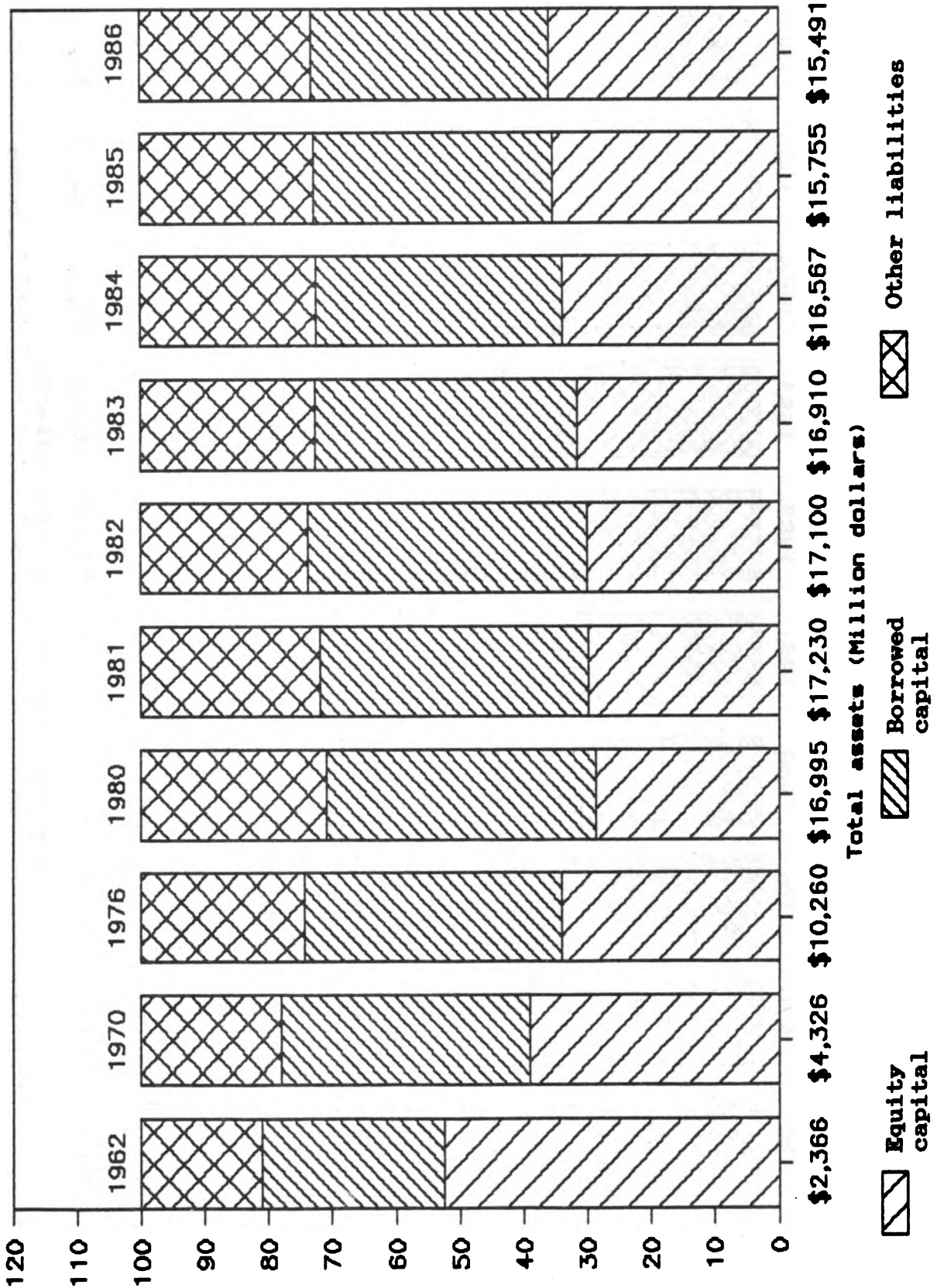


Appendix figure 2--Long-term Trend in Distribution of Net Margins Before Losses
Percent of total net margins



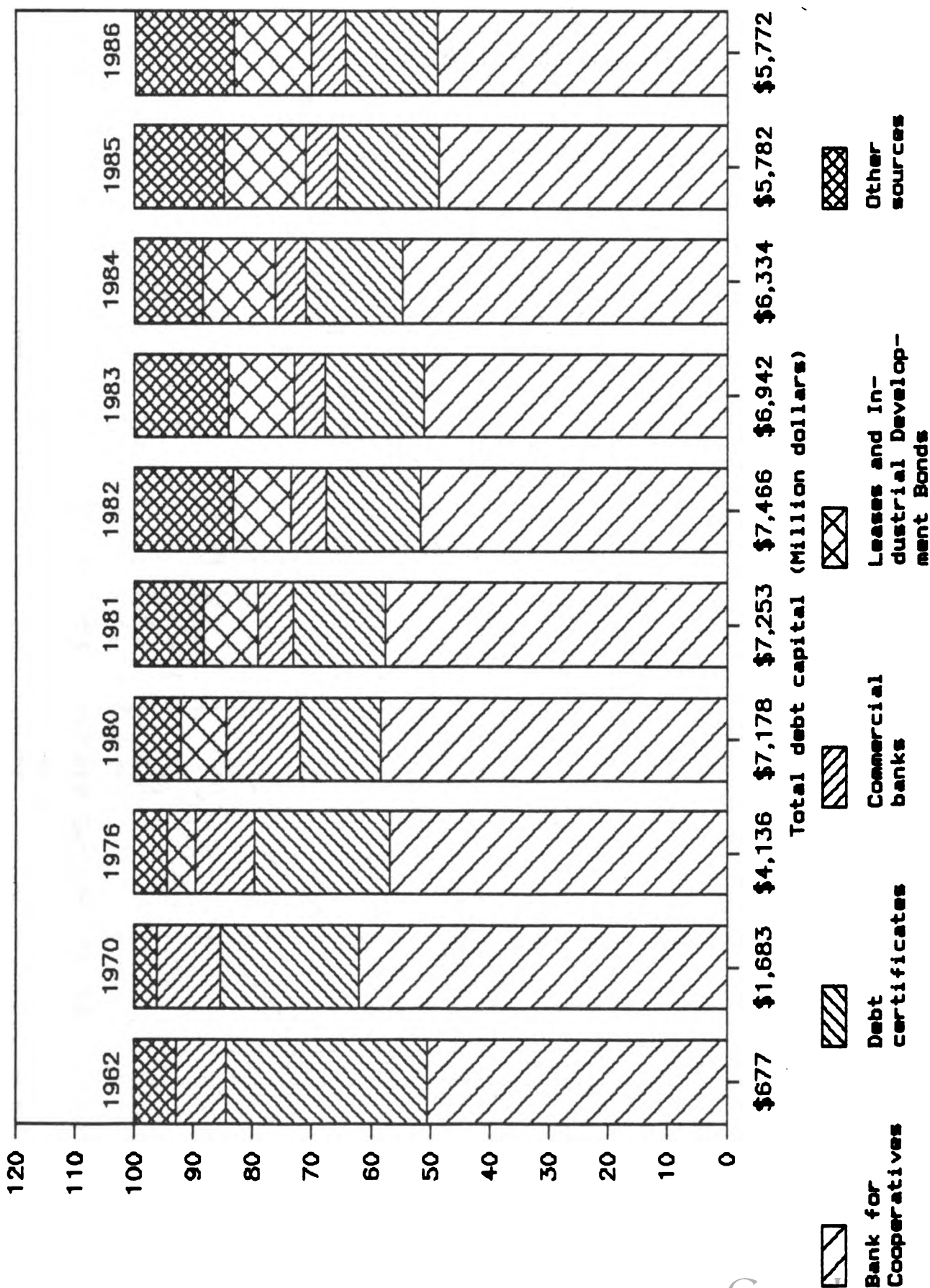
Appendix figure 3--Long-term Trends in Financial Structure for Top 100 Cooperatives

Percent of total assets



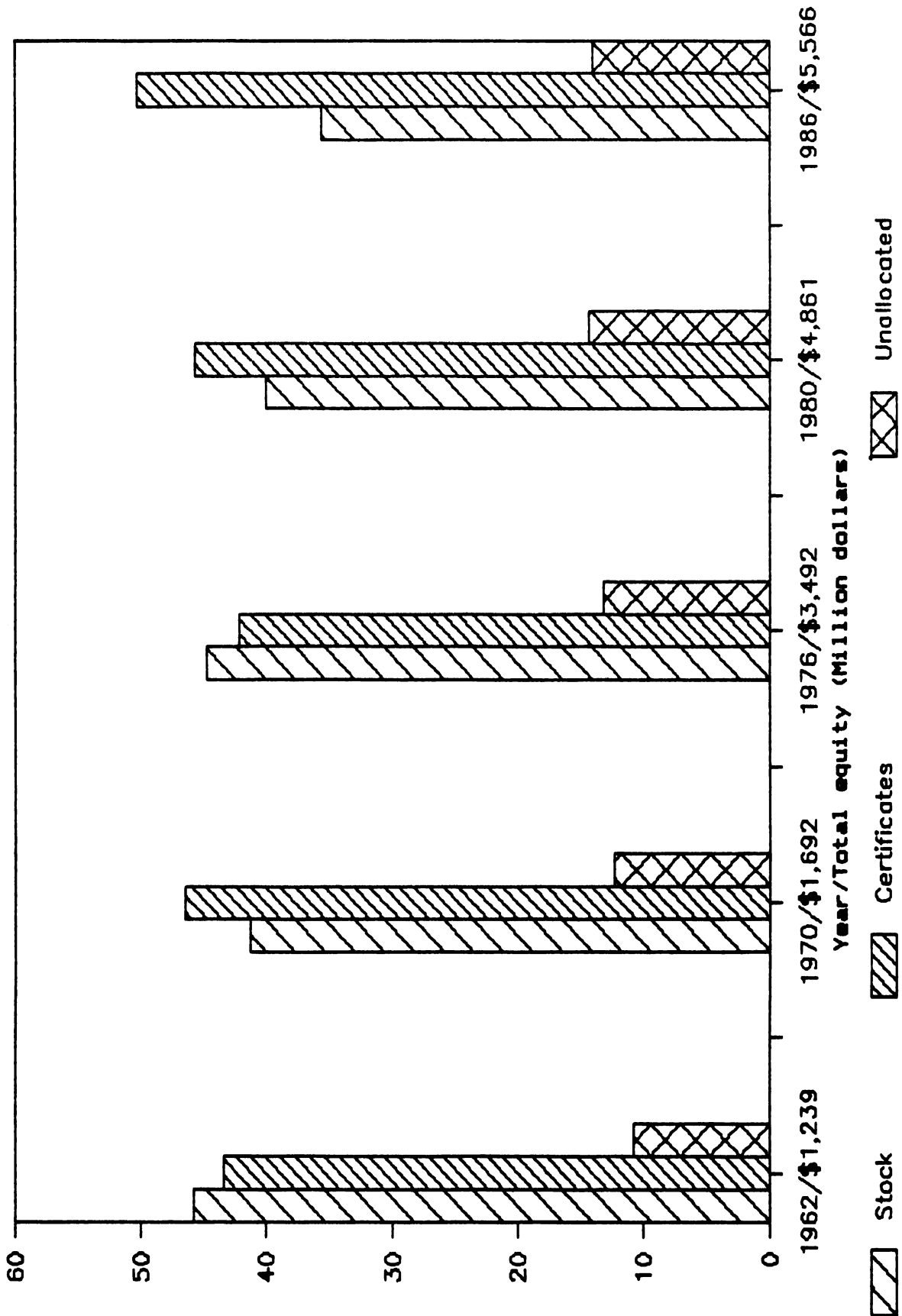
Appendix figure 4--Long-term Trends in Sources of Debt Capital for Top 100 Cooperatives

Percent of total debt capital

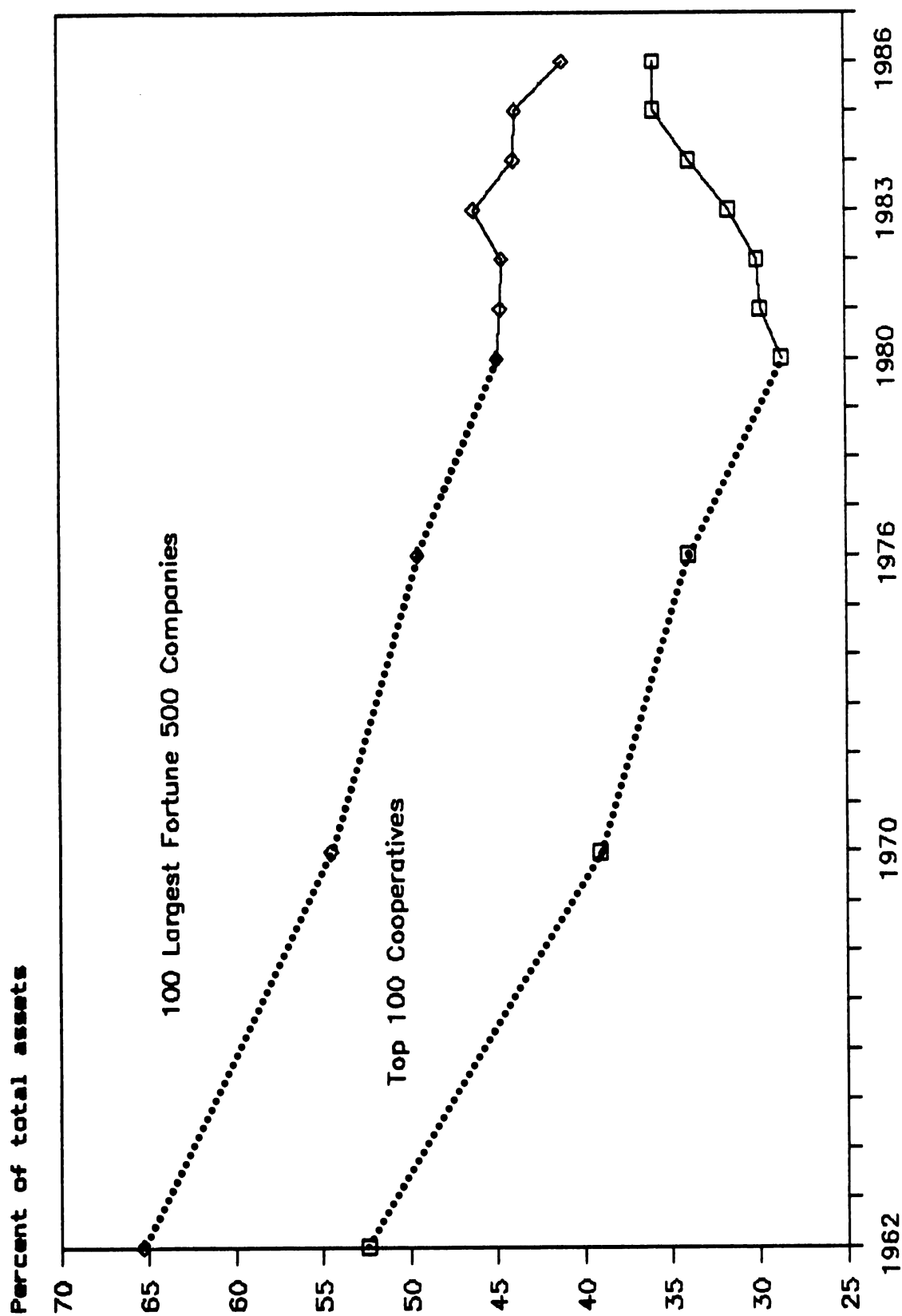


Appendix figure 5--Top 100 Long-term Trends in Types of Equity Capital

Percent of total equity

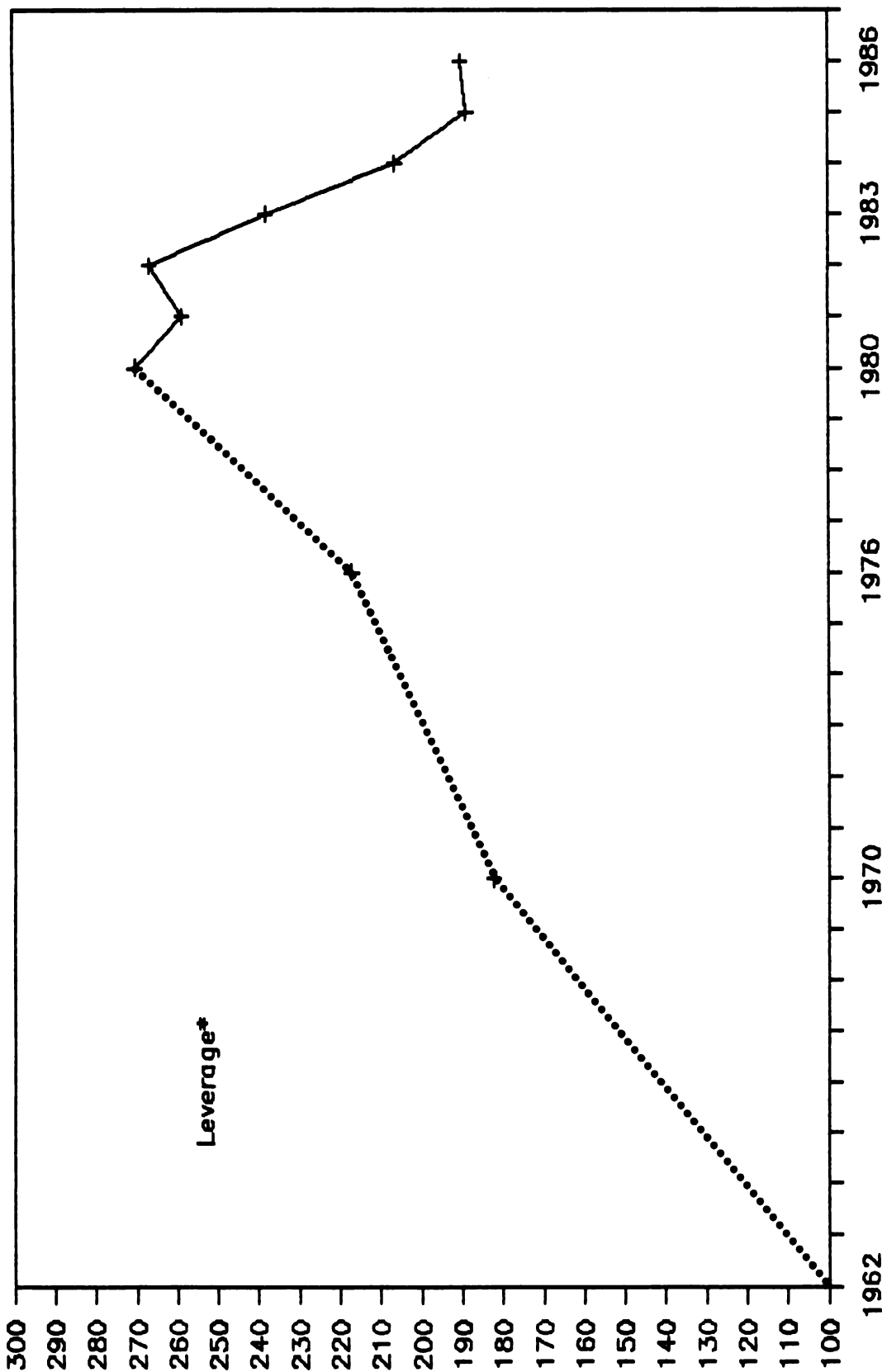


Appendix figure 6--Long-term Comparative Net Worth Trends



Appendix figure 7--Long-term Financial Leverage Trends for Top 100 Cooperatives

Percent of 1962



Leverage*

1/ Measured by total debt/equity ratio.

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