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Charting from within a Grounded Concept of Member Control

Thomas W. Gray and Gillian Butler

Organizational charts of membership structures can be useful tools for monitoring member control when they accurately depict a concept of control grounded in context and theory. This paper develops the concept "member control" by placing it within cooperative principles and democratic theory. From this perspective, members control their organization when, through a democratic process of decision making, they are able to keep the cooperative a cooperative, a condition we call "containment." With this conceptual development, a containment method of member control charting is developed and illustrative examples given.

Businesses routinely use organizational charts to clarify their internal structures, especially their authority structures. Cooperative businesses use organizational charts as well, but often omit an essential component, namely, member authorities. This omission is due in part to the incomplete treatment given "member control" in cooperative and sociological literature.

This paper suggests organizational charts of member structures can be useful tools for understanding and contributing to member control of agricultural cooperatives. To be useful, however, member charts must accurately reflect a concept of member control that is grounded in context and theory. The purpose of this paper is to clarify the term "member control" by examining its context within cooperative principles, controversy around the term, and its roots in democratic theory. This "grounded" concept of member control is then used to construct membership charts.

Grounding Member Control in Context and Controversy

Cooperative Principles and Definitions

Traditional definitions of a "cooperative" suggest a business that adheres to a set of principles that focus the enterprise on an obligation to provide service to members, rather than on strictly generating income. There are several different

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versions of these principles, but all are organized around common themes. Briscoe et al. (p. 40) suggest five different aspects:

1. Open and voluntary membership confined to all persons using the cooperative, with no discrimination on the basis of race, sex, politics, religion, or family background.
2. Ownership of the cooperative by member-users only.
3. Control of the cooperative vested with members. Organization of the cooperative should encourage member participation in decision making and balloting on a one member, one vote basis.
4. Benefits received by members in proportion to their use of the cooperative.
5. Return on investment set at a limited rate of interest.

Dunn (p. 85) suggests a more succinct version:

1. The User-Owner Principle: People who own and finance the cooperative are those who use the cooperative.
2. The User-Control Principle: People who control the cooperative are those who use the cooperative.
3. The User-Benefits Principle: The cooperative's sole purpose is to provide and distribute benefits to its users on the basis of their use.

Member control via democratic process is seen by some as the core principle and central to various definitions of cooperatives (Schomisch and Mirowsky, p. 4).

> A cooperative is a business voluntarily owned and controlled by its member patrons, and operated by them on a nonprofit or cost basis. (Schaars, p. 7)

> Cooperative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. (International Cooperative Alliance, p. 39)

The foregoing principles and definitions have provided historic guidelines in an attempt to ensure that members are the users and that member-users control the cooperative. They seek to realize an equitable distribution of power among members and to exclude from participation nonuser investors who might transform the original purposes of the cooperative.

In general, when cooperatives are small no single principle provides such challenges as to shake the feasibility of an organization or compromise the *principled* integrity of existing organizations. When cooperatives become large and decision making becomes complex, "member control" in particular becomes problematic and has led to controversy around its application.[1]

Member Control Controversy

Kravitz (p. 2) has charged that "farmer cooperatives have tampered with their organization's most unique feature. This uniqueness is a business enterprise that is aggressively democratic and has more than pecuniary interests."

Breimyer has made similar charges in the past, stating that as cooperatives expanded and took on more complex organizational shapes, defining cooperative characteristics were altered. In this new era of size, management frequently has few if any personal connections to agriculture or to farmer-members. Membership often becomes limited arbitrarily, volume voting is initiated, and frequently no procedures are provided for the hearing of grievances.

Torgerson (p. 18) perhaps summarized some of the issues best, suggesting that as cooperatives competed in the marketplace and gained size and market strength, many leaders adopted a "corporate mentality of management." Rather than justify their existence on the basis of self-help programs for farmers, they leveraged their position politically, societally, and economically as "being just like any other business." This posture has tended to emphasize "profits" rather than member participation and [if in the extreme] can reduce member roles to those similar to "passive stockholders."

These observations should not be taken lightly, even by cooperative leaders less committed to cooperative principles. When cooperatives have been attacked in the public arena, it is often with the charge that cooperatives are no longer controlled by their members and therefore no longer deserve special tax privileges and legal immunities (Cook, p. 4). Our purposes here are not to debate the accuracy of these statements but to make the controversy explicit. Although less focused in recent years, the controversy fuels misunderstandings of member control and underscores a need for clarity, as well as for monitoring its application within cooperatives.

Organizational Size, Participation, and Member Control Studies

Several studies have attempted to link cooperative size to control in an attempt to document whether size affects member control. Many of these studies operationalize control as participation in meetings, holding offices, and/or voting. Earlier works tend to conclude "the larger the organization, the smaller the proportions of members who participate" (Warner and Hilander, p. 39). More recent works do not find this relationship (Lasley; Elitzak and Boynton; Als).

However, few of these studies handle the concept "member control" adequately. Most are content with participation measures as member control itself, or very good indicators of it (Lasley, p. 3–10). Yet large proportions of members could do all these things and still not be in control of the cooperative. In his excellent review of the literature, Ollila implicitly suggests "influence" on decision making is a more appropriate concept to look at, rather than member control. Surely control does involve influence, but this term is too narrow to adequately capture it fully.

In one of the few serious attempts to explain member control, Boynton and Elitzak (p. 2, 3) state control is "the ability of an individual or group to affect an organization's objectives and the strategies used in the pursuit of those objectives." Control may be "active," and involve such acts as voting, serving on committees, and holding office, or "passive," "the amount of control members could exercise if dissatisfied with the cooperative."

Most, if not all the participation-control studies take an active approach to member control that pivots around various questions. How do members control? What avenues do they use? How much control do they perceive they have?

How much control do they perceive they should have? How much do members participate?

Contained in these questions is the foregone conclusion that control is a matter of degree. And in an active, practical sense this is surely true. But if cooperatives are in members' control by degree, then they are also out of members' control by degree. Most of the empirical studies of member control count any manifestation of control—such as voting or participation—as evidence of active control, but are not designed to uncover any lack of "passive," or potential control.

Furthermore, threaded through many of these studies is a sense of separateness between the cooperative and members, or management and members. The word "cooperative" is often used in place of management and operations, as though members and the cooperative are two separate entities and "operations" is mostly what is meant by "the cooperative."

Our interest here is passive or potential control. Cooperatives may take various shapes to accommodate varying conditions. However, immutable should be the members' ability—within the defining limits of organized cooperation—to shape the organization into whatever form they collectively need it to be.

Grounding Member Control

In his seminal work on epistemology, Kaplan (p.42) suggests concepts cannot be understood separate from and outside the context in which they are used. Their "meaning depends on their relations to other concepts as fixed by their place in the theory. . ." "Member control" cannot be understood outside its treatment within cooperative principles. Therefore, *at a minimum*, members control their organization when, through a democratic process of decision making, they are able to keep the cooperative a cooperative, i.e., an organization: (1) oriented to meeting their democratically defined needs and objectives in a fashion that benefits member-users in proportion to use, (2) owned and financed by the member-users, and (3) continuing to reproduce itself as a democratic organization.

Meaning of "member control" can be further understood as nested within concepts of "democracy." A complete handling of the term democracy is well beyond the scope of this paper. However, a partial treatment is necessary.

In state systems, democracy is considered a form of decision making allowing large numbers of people to participate and containing provisions for sovereignty and equality.[2] Craig refers to sovereignty as the capability of people to create and affect decisions on how the system should operate and change. Equality, a subset of sovereignty, refers to individual access to decision making. It asks if articulation possibilities are evenly distributed among citizens. However, sovereignty's meaning is somewhat broader than Craig's treatment. Sovereignty refers to the possession of ultimate authority by a person or group.

In a cooperative the membership is sovereign. The membership is the origin of all authority within the cooperative, and, while delegations are made, all authority should be derived from and revocable by the members. The cooperative, ultimately, and following democratic principles, is the members. We seek then to develop a method of charting that reflects this concept of authority; charting that conveys a cooperative bounded by its members and constrained by the authority embodied in its members.

Charting Member Control Structures

Organizational Charts of Membership Structures

This section presents a series of charts of member control structures. Our stated purpose is to develop a charting methodology consistent with a "grounded" concept of member control. We begin with rudimentary abstract charts and conclude with empirical examples of complex structures in the cooperative community.

Abrahamsen (p. 40) presents a chart of membership relationships in macrostructures of cooperatives (figure 1). In the federated cooperative, farmers are members of a local cooperative, and the local is in turn a member of a regional cooperative. In the centralized cooperative, farmers are members of the regional, and may do business with a local branch, but do not hold membership in the local branch. In a mixed cooperative, some farmers hold membership in the regional, others in a local cooperative, and the local in turn holds membership in the regional. Regionals themselves may be members of an interregional. Although this chart is excellent for showing differing membership relations between cooperative types, it says nothing about micromember control structures. It does not depict the internal member control structure of a cooperative.

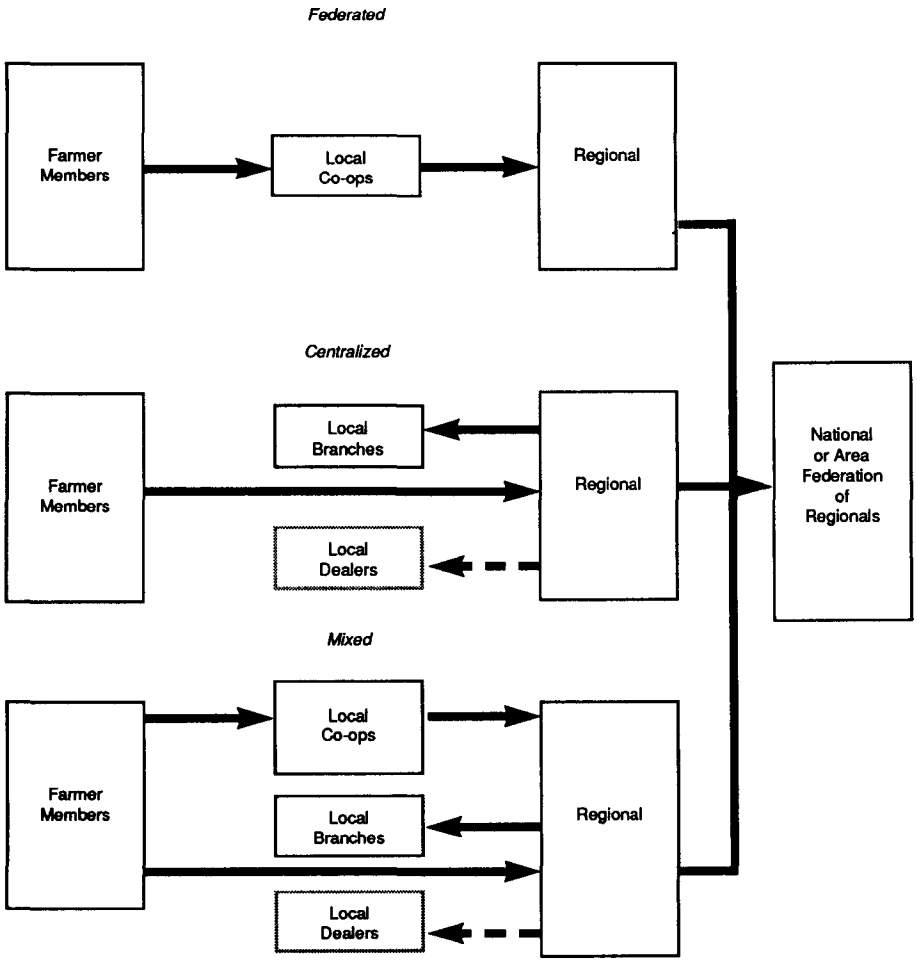
Garoyan and Mohn (p. 169) display a more elaborate chart of "elected positions" in an abstract cooperative example (figure 2). Members in geographic districts elect delegates who in turn elect members of the board of directors. These "directors at large" may come from any geographic location within the cooperative membership area. District delegates may also elect a district director, who sits with the "directors at large" on the board of directors.

This chart begins to describe the internal governance structure of a cooperative. Members are placed highest on the chart as origins of authority. This authority is delegated downward to a decision-making board of directors. Delegations are made through an election process that seeks representativeness with geographic districting. As an abstract model, this chart does well in representing the flows of authority, delegations of decision making via an election process, and member representativeness. Empirically however, a governance structure may involve appointed, as well as elected, bodies and committees with and without independent authorities. Further, there is no place on the chart for depicting breaches in member control.

Butler was the first to depict membership structures visually by charting all member substructures and, in doing so, specifying rules and standards for charting.[3] She suggests conventions illustrated in figure 3a: (1) elected positions represented by solid outlines, (2) appointed positions by broken lines, (3) bodies with independent decision-making authority by rectangles, and (4) bodies with no independent authority (they are strictly advisory) by circles.

Figure 3b is the member chart of an existing farm supply cooperative. Members are organized into eight districts. Following Butler's conventions we find members in each district elect respectively, a director to sit on the board of directors, a resolutions committee member to sit on a resolutions committee, and a redistricting committee member to sit on a redistricting committee. An executive committee is elected out of the board of directors. Six committees are appointed out of the board of directors: finance, employee relations, inventory,

Figure 1.—Macromembership Structure

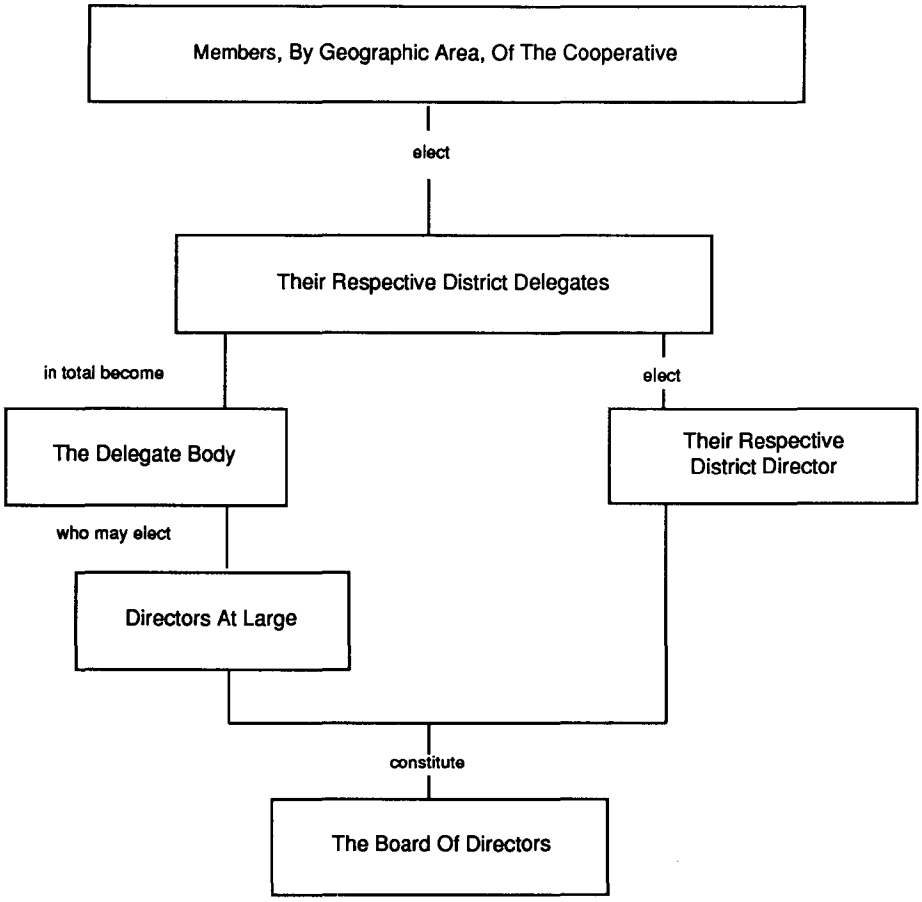


Source: Abrahamsen, p. 40.

long-range planning, annual meeting, and improvement. Three bodies have independent decision-making authority: the board of directors and the redistricting and improvement committees. All other committees must go to their originating bodies for approval of their decisions.

Butler's charting procedure gives more information about member governance structures than previous methods. Origins and delegations of authority are clearly depicted. Distinctions between elected and appointed positions and between bodies with and without independent authorities are made clear. The

Figure 2.—Elected Positions

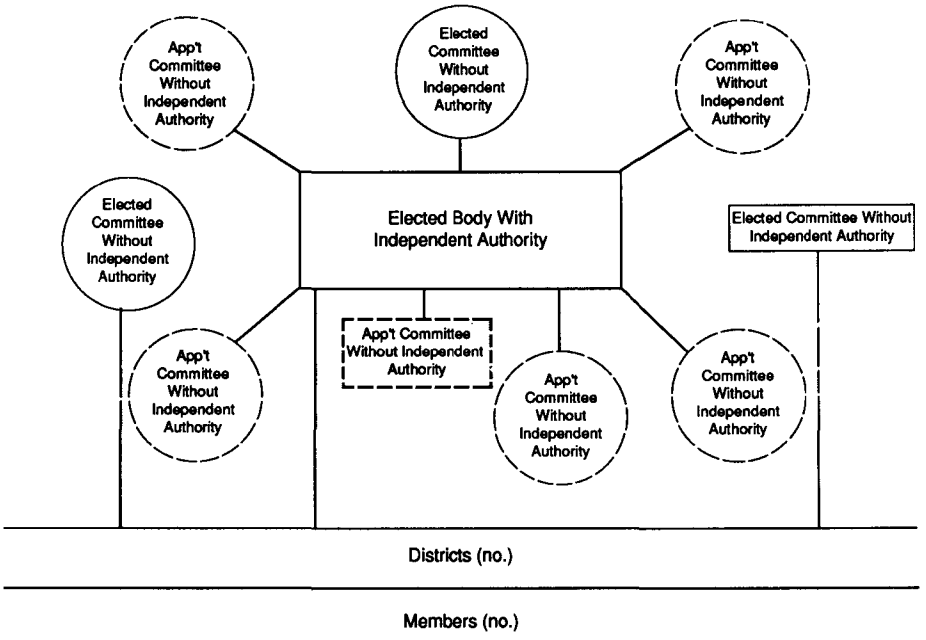


Source: Garoyan and Mohn, p. 169.

chart also provides indications of the range of specializations within the structure as well as signs of how much formal power is wielded within specializations, i.e., independent authority or not.

Although the chart provides a visual representation of the governance structure, it does not allow for a grounded sense of member control. Are any of the bodies enabled to act outside members' authorities? The chart gives no indication. Furthermore, some cooperative scholars suggest placing members at the bottom of charts inverts true authority relationships. Delegations begin with members and are best shown delegated downwards.

Figure 3a.—Abstract Member Control Structure—Butler Method



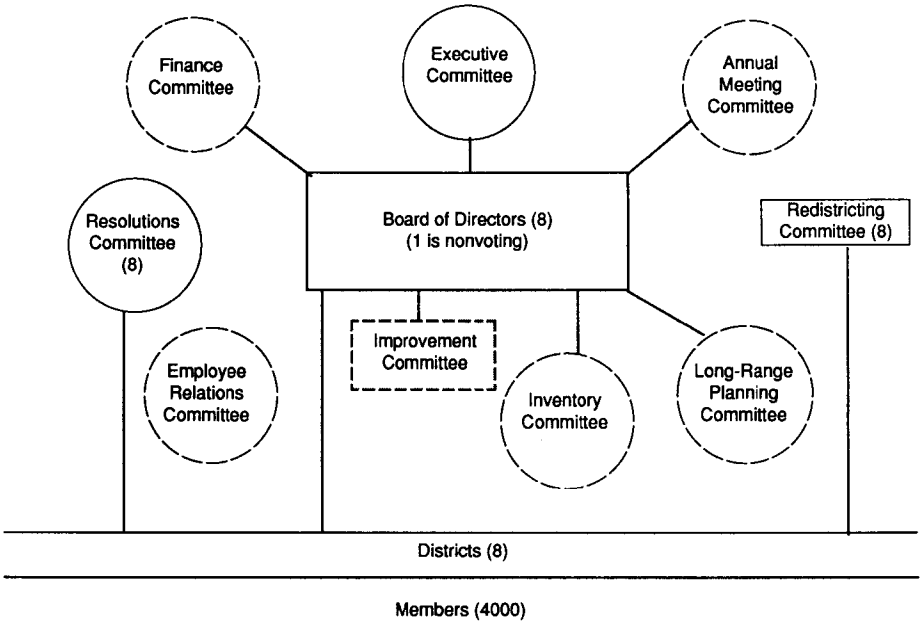
The Containment Method of Charting Member Control

Our discussion of member control yielded a grounded concept that put in place notions of cooperative reproduction and member sovereignty, i.e., reproducing the cooperative as a cooperative within the collective and sovereign interests of the members. We seek then to develop a method of charting that reflects this concept of authority—charting that conveys a cooperative bounded by its members and constrained by the authority embodied in its membership.

Figure 4 demonstrates the containment method of charting. This is the supply cooperative presented in figure 3b. The most obvious difference between containment-method charts and the previous charts is that members visually contain the other committees and bodies. Members, having ultimate authority, contain all other membership structures. This convention of containment follows on into the structure. The five appointed board committees have no independent authority separate from the board. As such they are contained within the board rectangle.

The previously listed charting conventions hold: (l) Elected positions are represented by solid lines, (2) appointed positions by broken lines, (3) bodies with independent decision-making authority by rectangles, and (4) bodies with no independent authority by circles. A reader monitoring member control might find the "improvements committee" worthy of closer examination. It is appointed by the board but exists outside board authorities. It is not an elected

Figure 3b.—Empirical Member Control Structure of Supply Cooperative—Butler Method

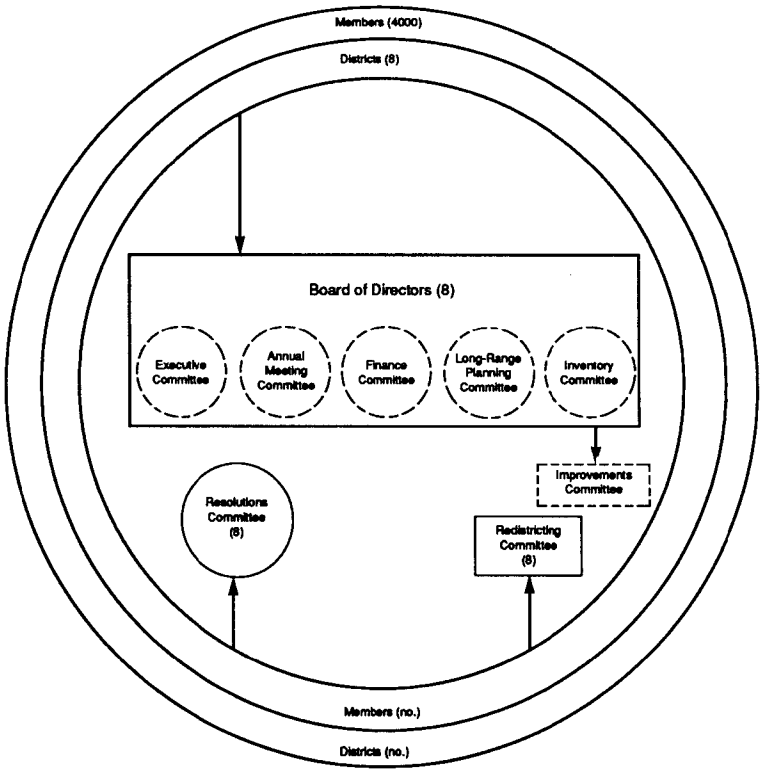


body, yet it has independent authorities. It is contained within membership authorities however. Member interests might ask who sits on the committee and for how long? Are committee members representative of the membership, and with what authorizations can they act without board approval?

Figure 5 illustrates a more complete modeling, reflecting a deepening in charting conventions. The chart represents an existing dairy cooperative. In this cooperative, members elect delegates, resolutions committee members, redistricting committee members, and division boards. The division boards contain five committees that are appointed from within the division boards and have no independent authority outside of them. Delegates elect the association board and an association-level resolutions committee. The association board contains five committees with no independent authority. Since the association board has the broadest decision-making authority, it is placed above division boards and committees. Since delegates elect association board members, they are placed above the association board.

There are appointment relationships (designated by broken lines) between the division boards and the redistricting and division-level resolutions committees. A nonvoting chair is appointed by the boards to sit on these committees. A similar relationship exists between the association board and the association-level resolutions committee and the three subsidiaries, i.e., finance, cooperative relations, and dairy products promotion.

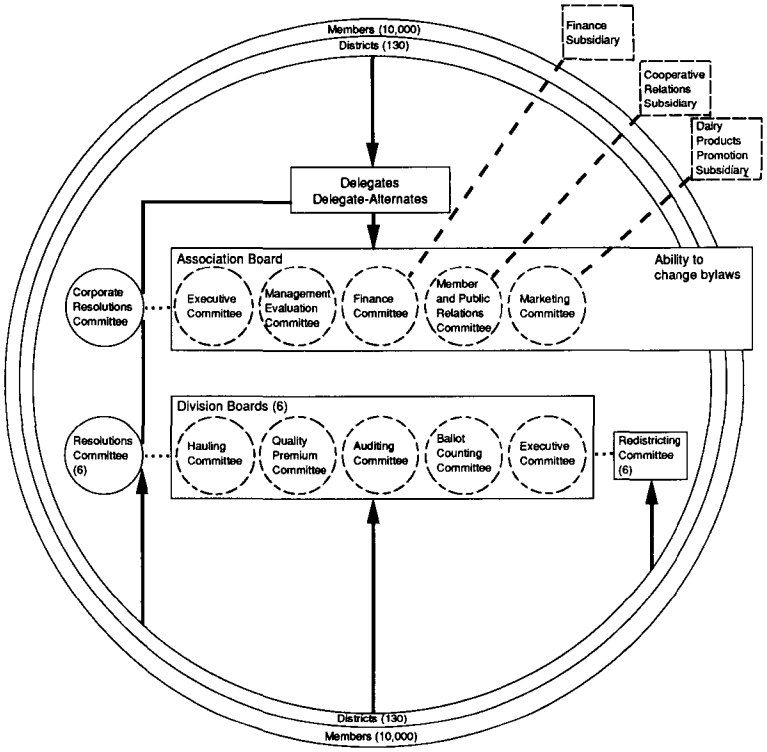
Figure 4.—Empirical Member Control Structure of Supply Cooperative—Containment Method



The members surround nearly everything in the chart, with some important exceptions. The association board of directors has the power to change the bylaws of the organization and therefore the organization itself. This power then extends the authorities of the association board outside of members' sovereign rights, out of their control, and threatens members' ability to maintain the organization as a cooperative.

The subsidiaries represent a similar relationship. The finance subsidiary is composed of the farmer-members appointed to the association finance committee. This subsidiary borrows money and makes funds available as loans to cooperative members, haulers, and other operational affiliates. Loans are underwritten by the cooperative as a whole. The cooperative relations subsidiary is composed of farmer-members appointed to the membership and public relations committee. It functions to offer group health and life insurance plans to members. The dairy product promotion subsidiary is composed of farmer-members appointed to the marketing committee. This subsidiary determines disbursements to generic milk promotion funds. Although these subsidiaries

Figure 5.—Empirical Member Control Structure of Dairy Cooperative—Containment Method



report to the association board, they do not require any approval from the board for any of their actions. They are beyond member control.

Recommendations to this cooperative, based on relationships apparent from the chart, would advise that bylaws powers be brought back within the membership circle and that subsidiaries be closely assessed and examined for violation of member authorities.

Conclusion

Containment method charting is designed to empirically describe what is, and to do so in a fashion that reflects assumptions embedded in the principles of cooperative organization and democratic theory. The authors do not claim that all relevant power and authority relationships can be revealed in this fashion. Charts depict formal membership structure.

However, containment charting accurately depicts member sovereignty as crucial to member control. It grounds the concept of member control in theory. It forces the reader to think of cooperatives in terms of membership. It can help make the membership system understandable to cooperative participants and enhance their ability to access and monitor the governance system. If members are aware of who is responsible for particular decisions, they will be better prepared to express their approval (or lack thereof) at election time. And standardization of charting procedures may make it possible to compare structures of various cooperatives and begin to research the performance consequences of alternative structures.

Notes

1. Obviously control is not the only principles-based problem cooperatives face. For example, the limits on investment from outside sources and raising sufficient capital to meet the needs of the organization are major.
2. It also includes issues of liberty and majority rule. Liberty—social freedom, political freedom, and economic freedom—is taken as a given, irrespective of size. Majority rule is more problematic and must be, at least in part, defined by participation in the system. In some sense it is a function of sovereignty. This author chose to discuss sovereignty and equality because they are more clearly affected by changes in scale and coterminous with historical conceptions of cooperative member control.
3. The reader is referred to Van De Ven and Ferry for an extensive discussion on the importance of standardized charting procedures. Unfortunately for cooperative researchers, they limit their discussion to operations' structures.

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Book Reviews

Sunbury, Ben. *The Fall of the Farm Credit Empire.* Ames: Iowa State University Press, 1988, 264 pp.

Shocks produced by macroeconomic policies and events of the 1980s revealed structural faults created by policies and practices of preceding decades in numerous institutions previously regarded as successes in U.S. financial markets. Among such institutions was the proud cooperative Farm Credit System. The System was born in 1916, structurally completed in 1933, fiscally independent by 1968 (Federal Land Banks, 1947), and largely freed of lending restraints in 1971. It responded in the 1970s with unprecedented growth, only to be brought to its knees in the 1980s and then "rescued" by legislation in 1985–87 that reformed the System and placed it on a path with a destination uncertain at the time the book (and this review) was written.

Sunbury provides a highly readable account of "The Fall" and rescue with a strong political focus, both inside and outside the System. He was executive assistant to three Farm Credit Administration (FCA) governors prior to his own retirement in 1988. His book is an early contribution to what is sure to be a burgeoning literature on institutional failure in financial markets generally and on those institutions specifically concerned with agriculture and its related sectors. With journalistic skills Sunbury identifies principal legislative actors as well as influential actors within the System and the FCA, the System's regulator, itself an important part of the story.

The System is a nondepository lender, wholly dependent for its loanable funds on sales of debt instruments in financial markets. To acquire funds at interest rates that make the System competitive with other farm lenders requires that investors have a high level of confidence in the quality of the debt instruments. The confidence is built on strength from joint liability among the System's lenders and "agency status" with respect to the U.S. government.

The market's perception of implicit support from the government—i.e., "agency status"—is discussed rather fully in chapter 2 and again in chapter 4. Also discussed is the related concept of joint liability among System lenders, along with the thorny issue of each lender's obligations to its own stockholders (p. 36). However, less attention is given to the System's problem as a sector-specialized lender whose strength through diversification is limited largely to geographic dimensions, and thus is associated with joint liability among its geographically distributed lenders.

The System was begun with district Federal Land Banks (FLBs) and Federal Land Bank Associations (FLBAs), the latter operating as agents of FLBs. Nearly two decades later, Production Credit Associations (PCAs) were established to lend directly to farmers, discounting notes received with district Federal Intermediate Credit Banks (FICBs). Since their establishment in 1923, FICBs had failed to attract lending relations with commercial banks, which was attributed, weakly, to their remoteness from farmers (p. 6). The farmer thus faced two separately organized lenders within the System, a structure seen by many (Sunbury included) as bureaucratically flawed and costly for both farmer and System.

The rescue-related merging of FLB/FLBAs with FICB/PCAs is accepted uncritically—even welcomed—as a reform long overdue (chapter 5). The notion

of a comprehensive "one-stop" lender *is* appealing. Yet the separation needs more of an explanation than is suggested by the quote from the popular FCA Governor Robert Tootell that "the banks were started at different times for what seem to be different reasons" (p. 68). Why does the market generate separation outside the System? Why does the law differentiate between real estate and non-real estate loan contracts? Merging doubtless will continue (i.e., p. 77) though the gains may be a bit overstated.

Less attention is given to the Banks for Cooperatives (BCs), but chapter 10 contains a rather extensive discussion of farmer cooperatives. The discussion is interesting and insightful, though somewhat digressive in the general context of the book. It might have been more relevant to ask why the financial stress of the 1980s seemed to have had less impact on BCs than on other System lenders. After all, the incidence of bankruptcy and other stress among farmers was no greater than among farm-related firms in supply and product markets. Is there an explanation in the structural aspects of BCs? In management? Are there useful implications for other System lenders?

Perhaps of greatest interest is the treatment of tensions between the (public) FCA and the (private) cooperative Farm Credit System. The Farm Credit Act of 1953, characterized by Sunbury as the System's "declaration of independence" (p. 133), removed the FCA from the U.S. Department of Agriculture and made it an independent agency. Though an official government agency, funded by congressional appropriations, FCA passed all expenses through to System lenders who paid them, thus establishing that the entire organization was free of government support. Unfortunately, it may, as well, have led to the perception of FCA as the System's "Washington Office," its liaison and advocate with the Congress and executive department, and a subtle weakening, over time, of the arm's length" role in which FCA discharged its regulatory obligation. The rescue converted the relationship of FCA to the System from advocate to adversary.

The Farm Credit Act of 1953 also established the Federal Farm Credit Board, an independent agency. Its largely nonpolitical operation is suggested by Sunbury to explain the board's effectiveness, which crested with the passage of the Farm Credit Act of 1971. The board was replaced, in the rescue legislation of 1985, by a three-member FCA Board, which quickly established a political agenda. An important argument of the book is that this politicization, although not a cause of the "The Fall," is likely to impede the recovery of the System and thus is not in the best long run interest of agriculture.

Though Sunbury portrays a generally positive historical view of the System, he strangely fails to mention important innovations made by the System. Examples are the amortized farm mortgage loan, introduced by the FLBs, and the budgeted loan, introduced by the PCAs. Both, of course, have long since been copied by other farm lenders. Yet they, and other lending innovations, suggest the important role played by System lenders as competitors in agriculture's financial markets.

Sunbury raised no question on what part(s) of the System might make the most sense to save. It would be difficult to do so when arguing so strongly for merger among System lenders. Also, to do so would require a more substantial review of System history, including the trial with Joint Stock Land Banks alongside the FLBs and the FICB experience preceding the PCAs.

One must return to the two decades centered on 1920 for a period of macroeconomic shocks on agriculture comparable with those of the 1970s and 1980s. The former led to the structure of the System that performed so well, on the whole, in the long period before the 1980s. How well might it have performed in the absence of the legislation of 1971? Do we have substantial reasons for predicting comparable success for the reformed System, over the next five decades?

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Reeves, James L. *The First 20 Years The Story of Mid-America Dairymen.* Republic, Mo.: Western Printing Company, 1989, 291 pp.

Reeves' book describes the activities, people, economic conditions, and problems leading to the formation and operation of regional dairy marketing cooperatives in the central United States. Although the book centers on Mid-America Dairymen, Inc. (Mid-Am) and its predecessor organizations, the events, frustrations, policies, and actions were similar for all regional cooperatives formed during the late 1960s and early 1970s.

The first five chapters, which provide the historical setting, tell of the milk producers' intense determination to change the terms of trade for the products they marketed. Reeves describes the economic climate of the 1950s and early 1960s: the declining levels of price supports for milk, the increasing numbers of federal milk marketing orders, the growing size of processing firms, the overlapping of market areas of large firms, and the backward integration of chain stores into processing milk and dairy products.

The catalyst for action was the 1964 Lehigh Valley court decision. Many industry leaders thought this decision would remove all compensatory payment provisions from the federal order pricing and cause individual markets to be subject to predatory actions by processing firms and cooperatives located outside the local market areas.

Associated Dairymen, Inc. represented the first attempt by producer cooperatives to form an organization that could increase farm incomes. Reeves describes the circumstances leading to the formation of this federation of cooperatives and its early success in negotiating over-order premiums in some markets. There was a vision of even greater gains if producers were represented by only one large cooperative that could change the balance of power in negotiations with the decreasing numbers of large processing firms. The blueprint for future actions by dairy cooperatives provided by the Dairy Market Advisory Committee helped cooperative leaders and members make decisions for joint action.

Mid-America Dairymen was formed on July 1, 1968, with the consolidation of cooperatives in the St. Louis-Ozarks Marketing Association (SLOMA), Mid-America Dairymen of Kansas City, and Producers Creamery Company of Chillicothe. It would have been informative if Reeves had also described the events, disagreements, and persons involved in forming two regional cooperatives,

Associated Milk Producers, Inc. (AMPI) and Mid-Am, rather than a single cooperative for the region.

Mid-Am's internal organization and its mechanisms to obtain capital from its members were two major issues to be resolved in order to operate the firm successfully. Reeves describes the initial organization with four divisions and 100 districts, with each district representing approximately the same volume of milk. He also tells of the board's decision to hold executive sessions where the dairy farmer board members could hold discussions without the presence of the hired employees.

Many producer associations merged with Mid-Am during 1969 and the early seventies. Among the larger mergers described in the book were those with Central States Dairy Cooperative and Twin City Milk Producers Association.

Two major legal problems plagued Mid-Am during the early seventies. The first involved the National Farmer Organization controversy over the validity of contracts with producers. Legal suits and countersuits began in 1971; subsequent court rulings and appeals of ruling continue to this day.

The second legal problem was related to the apparent attitude of the U.S. Justice Department that the Capper-Volstead Act should not be valid for regional cooperatives. The Justice Department filed an antitrust suit against Mid-Am in December 1973; an earlier suit had been filed against AMPI. Rather than continue with mounting legal fees, Mid-Am signed a consent decree in 1976. Then, in 1980 the Justice Department charged that Mid-Am had failed to comply with the consent decree provision that required the sale of two plants. Mid-Am said no buyers could be found. The judge ruled in Mid-Am's favor.

The Mid-Am board was also concerned with the position of consumer activist groups that prices of dairy products were too high. Reeves discusses the actions of the board to invite consumer leaders to board meetings and to promote interactions between consumers and dairy farmers.

Seasonal shortages of milk in Class I markets have been problems for the industry. Reeves describes the potential solution provided by the Associated Reserve Standby Pool Cooperative (ARSPC) and Mid-Am's membership in, withdrawal from, and re-entry into ARSPC.

Reeves discusses the disastrous year of 1974 when Mid-Am suffered large inventory losses from the change in price supports, which tilted prices downward on butter and nonfat dry milk, and the reduction in domestic sales of powder because of the large increase in imports, especially casein.

In an effort to deal with these losses, the board voted for a negative allocation, which meant that the loss would be allocated to each 1974 member. The allocation resulted in a membership loss.

In 1975, Gary Hanman, Mid-Am's senior corporate vice president, was named general manager, and Tom Townsend, formerly director of special projects, was named corporate vice president.

Reeve cites that 90 percent of resolutions adopted at Mid-Am's annual meetings have dealt with a law or regulation that affected dairying or dairy farmers. ADEPT (Agricultural and Dairy Educational Political Trust) is a political trust formed in 1970 by a group of dairy farmers and controlled by a committee representing contributors to the political action fund. Close coordination between the committee and the Mid-Am board and management ensures that its actions represent the interest of the contributors and Mid-Am members and

employees. Participation has grown from 11 percent of Mid-Am members to more than 50 percent.

The book also discusses problems with surplus milk production during the 1980s and Mid-Am's self-help program where producers shared in the cost of government purchases.

Additional Mid-Am activities reviewed by Reeves include:

- Member services: producer benefits for disasters; contaminated milk and health insurance; education programs for fieldmen, milk haulers, and producers; and young cooperator programs. (Chapter XXIV)
- Forays into the trucking industry from 1964 through 1980, when the industry was deregulated. (Chapter XXVI)
- Identification of markets for new products and research and development accomplishments, which included ultra pasteurization, a carbonated milk beverage, specialized dried dairy ingredients, and an ultrafiltrated cheese-making process. In 1988 Mid-Am was named Processor of the Year by *Dairy Foods* magazine. (Chapters XXV and XXVII)
- Advertising and promotion investments. Mid-Am and other producers have contributed funds to the American Dairy Association, the National Dairy Council, and Dairy Research, Inc. for programs in advertising, nutrition education, and research. (Chapter XXX)
- Growth through mergers and joint ventures. Names, locations, and products produced by Mid-Am processing plants. Activities in advertising, promotion, nutrition education, and product development. Leadership roles of Mid-Am members. Biographies of management personnel. Listing of board members and officers. (Chapters XXVIII through XXXIII)

In summary, Reeves has provided an excellent account of the activities and circumstances surrounding the formation and operation of Mid-America Dairymen, Inc. It is recommended that the book be on the reading list for all students involved in agricultural marketing and all persons involved in dairy marketing or cooperative activities.

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Torgerson, Truman. *Building Markets and People Cooperatively: The Lake to Lake Story*. Appleton, Wis: Graphic Communications, Inc., 1990, 352 pp.

This book describes the 35-year history of a successful northeast Wisconsin dairy cooperative from start-up to eventual merger with a regional cooperative. The author, Truman Torgerson, was involved in establishing Lake to Lake and was its only manager. Torgerson describes the trials and tribulations of organizing and operating the cooperative and the humorous events and personal tragedies of the people who were involved. Readers of the book quickly sense Torgerson's personal pride in Lake to Lake and his dedication to the economic well-being of farmers.

The story begins in March 1945, when two dairy farmers from Manitowoc County, Wisconsin, came to Truman Torgerson, then a county agricultural

agent. They represented a small cheese cooperative of 21 members. Although post-World II days were relatively good times for agriculture, these farmers recognized the need to merge local cooperatives into a cooperative with a larger and more flexible plant. Farmers in northeast Wisconsin did not have a Grade A market at that time, and as a result milk prices were below the state average. These dairy farmers wanted to enter the Grade A market where prices were higher.

With Truman Torgerson's help, they formed a small committee of farmers to study the Grade A market alternatives. On December 8, 1945, nearly 500 dairy farmers attended a countywide meeting where the Lake to Lake idea was presented. Farmers were asked to sign a contract to commit their milk to the cooperative for five years. The goal of 500 farmer-members or 10,000 cows was achieved by July 1946, and a formal organizational meeting was held. Financing was 10 dollars per cow, with a goal of $200,000. By July 1948 farmer-members had surpassed that goal by committing $438,740.

The author attributes the early success of Lake to Lake to a winning team of employees and strong communication links. Early employees possessed leadership ability, milk processing expertise, and financial management skills. Because Torgerson saw the need to keep directors and members informed, two regularly scheduled written communications were prepared—"The Director Drift" and "Member Memos." These two communication links continued throughout Lake to Lake's 35 years.

The importance of a cooperative's community involvement comes out strong in the book. The community of Kiel, Wisconsin, recognized the value of Lake to Lake. When the dairy plant faced a waste disposal problem, the community supported a bond referendum for a new sewage treatment plant.

Lake to Lake's original goal was to produce and market cheese, and cheese manufacturing began in 1949. Lake to Lake signed an agreement to market all its cheese through Land O'Lakes, which established a lasting loyalty to the regional cooperative. It wasn't long, however, before Lake to Lake had established its own Lake to Lake brand identity for cheese. Lake to Lake agreed to market in other than Land O'Lakes territory.

At the urging of members, Lake to Lake merged with another cooperative and entered the milk bottling business. Later, it acquired more dairies and added ice cream to its product line.

Lake to Lake established its own set of six cooperative operating principles, which stated that the cooperative should: (1) Operate and conduct business in a manner that will command the respect of others in the industry. (2) Attempt to operate the cooperative so that a ready line of credit will be available in time of need. (3) Be free to take risks in the interest of members when it is advisable to do so. (4) Employ capable personnel and compensate them properly. (5) Operate to help members improve their economic position. (6) Retain the cooperative's independence from political parties and from government help to the greatest extent possible.

Lake to Lake also believed that all employees were of utmost importance to the success of the organization and recognized both employees and members for their achievements. Believing that cooperative education was the responsibility of the cooperative, Lake to Lake developed a young cooperators program.

The author describes the mid-1960s as one of the more vexing and challenging periods in Lake to Lake's history. Low farm prices had spawned the National

Farmers Organization (NFO), which attacked cooperatives for doing nothing to help farmers. There were anti-Torgerson rallies, milk dumpings, bullets through milk tank trucks, fence cuttings, and other harsh activities against farmers who did not join NFO.

In 1966, the Chicago Federal Milk Marketing Order was voted out. The fluid milk market was in turmoil. Lake to Lake joined with six other cooperatives to form Central Milk Sales Agency to jointly sell milk in Chicago. It later became the Central Milk Producers Cooperative, a federated marketing agency in common for the Chicago market.

In the chapters of the book that describe the 1970s, the author tells of the early leaders, directors, employees, and members of Lake to Lake. Torgerson also describes the 1970s as a period of active legislative effort by dairy cooperatives through the National Milk Producers Federation. Dairy price support legislation, countering attacks against the Capper Volstead Act, and dairy import protection were among key legislative activities.

In 1980, the last year of Lake to Lake's independence, sales of $130 million and earnings of $3.6 million were new records. Despite its success, Lake to Lake believed that the greater economies of size, variety, market research, and advertising that would be possible through a merger with Land O'Lakes would bring increased opportunities for their farmers.

The author describes the great care that went into the merger with Land O'Lakes. After 18 months of negotiations and planning, 83.1 percent of the Lake to Lake membership voted for the merger, and Lake to Lake became an autonomous division within Land O'Lakes.

In summary, the book provides an excellent success story of a dairy cooperative. It is valuable reading for current and newer member-patrons of cooperatives who often do not know about the struggles and sacrifices of their predecessors. The author also presents excellent principles and philosophy for successful operation and management of a cooperative. The importance of good employees, communications with directors and members, leadership development, cooperative education, and sound business practices stands out. Lastly, the book will be of great interest to those who have known the employees, directors, officers, and members of Lake to Lake during its 35-year history.

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