

Role of Cooperatives

- ✓ Competitive Yardstick
- ✓ Cartel/Bargaining Power
- ✓ Coordination Facilitator
 - ✓ Assembly functions
 - ✓ Marketing functions
 - ✓ Historically, coop's goal was to assemble and sell whatever growers' produced for highest possible price
 - ✓ Still relevant?

Build It and They will Come? Or "Grow it and someone will buy it"

- ✓ Coordination focus has shifted toward improving cooperatives' response to market conditions.
 - ✓ Delivery Timing
 - ✓ Product Quality
 - ✓ Product Development
- ✓ Does traditional structure facilitate this?

New Generation Cooperatives

- ✓ Closed membership
- ✓ Stricter requirements on producer
 - ✓ Quantity
 - ✓ Quality
 - ✓ Production technique
- ✓ Members purchase stock for right to deliver
 - ✓ Stock is "tradeable"

Common Reasons for Failure

- ✓ Clearly identified mission?
- ✓ Adequate volume of business?
- ✓ Adequate and reasonable financing?
- ✓ Efficient management? Willingness to pay for efficient management?
- ✓ Prepared to meet competitive challenges?

Food for Thought

- ✓ Is the New Generation Cooperative still “worthy” of the special treatment historically given to agricultural cooperatives?

What do Milk and Cherries have in Common?

- ✓ Highly Perishable in raw form
- ✓ Extended lag between production decision and harvested output
- ✓ Highly specific assets

***Crying over Spilled Milk...
Market Characteristics of
Perishable Goods***

- ✓ Highly price-inelastic short run supply
- ✓ Hold-up problem
 - ✓ Potential exploitation by processors
- ✓ Weather induced volatility
 - ✓ Supply fluctuations
 - ✓ Difficult to match supply with demand

***Industry Approach to Collective
Action: Marketing Orders***

- ✓ Agricultural Marketing Agreement Act (1937)
 - ✓ Catalyst: Coops struggling with volatile markets during 1920's with no way to balance supply and demand
- ✓ Authorizes marketing orders for specific agricultural products
- ✓ Industry must petition Secretary of Agriculture and show evidence that:
 - ✓ Marketing problems exist
 - ✓ The proposed marketing order would help

***Characteristics of Marketing
Orders***

- ✓ Self-regulation—solve market problems that individual producers can't solve alone
- ✓ Voluntary effort to stabilize market conditions
- ✓ Legally binding on all market participants within defined geographical area
- ✓ No two marketing orders are alike
- ✓ NOT PERMANENT!
 - ✓ Specified Time Period
 - ✓ Farmers can vote it out
 - ✓ Secretary of Agriculture can rescind it

Uses of Marketing Orders

- ✓ Regulate supply flow to market
 - ✓ Marketing allotments
 - ✓ Reserve pools for storable commodities
 - ✓ Reduce excess capacity
- ✓ Pooling returns to producers/handlers
 - ✓ Minimum prices
 - ✓ Blend prices

It's Not All About Price!

- ✓ Product quality
 - ✓ Classify product according to use
 - ✓ Product inspection, standardization
 - ✓ Import grade, size, quality, maturity
- ✓ Standardize packages and containers
- ✓ Production research, market research and development, and advertising
 - ✓ **BEEF** – It's what's for dinner!

The California Raisins

- Volume Control
- Minimum Grade & Size
- Promotion and Advertising
 - California Raisins 1986-1994
 - Currently only foreign advertising
- Marketing Research and Development
- Assessment of \$8.50/ton
- Minimum import standards



Idaho Potatoes

- Geographic area
 - Idaho and Malheur County, Oregon
- Grade, size, maturity, pack, and container regulations
 - For imported potatoes as well
- Research and Promotion
 - None authorized
- Assessment: \$0.0026/hundred pounds

Marketing Boards

- ✓ All the functions of a marketing order plus more explicit supply control
- ✓ Common in Canada, Europe, and some developing countries
 - ✓ Often export oriented
 - ✓ Canadian Wheat Board – legal monopsony
- ✓ Accountability?
 - ✓ Government appointed vs. producer run?
 - ✓ Benefits to Producers or to Society?

Impacts of Marketing Boards and Marketing Orders

- Price stabilization = lower producer risk
- Influence on demand
 - Quality expectation
 - Availability
 - Price stabilization
- Overall Social impacts?
