

# Role of Co-operatives in Agricultural Marketing, Processing and Purchasing

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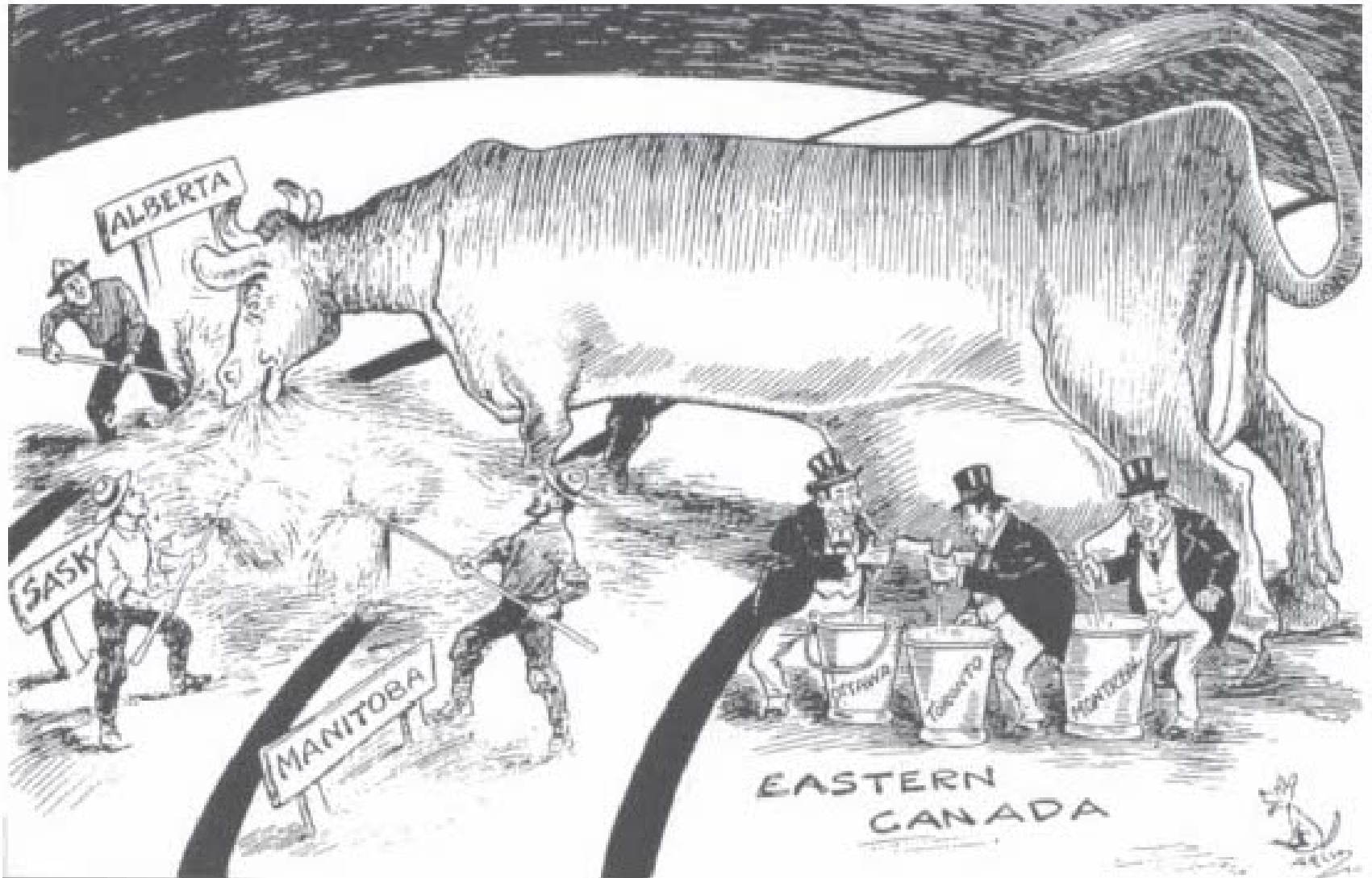
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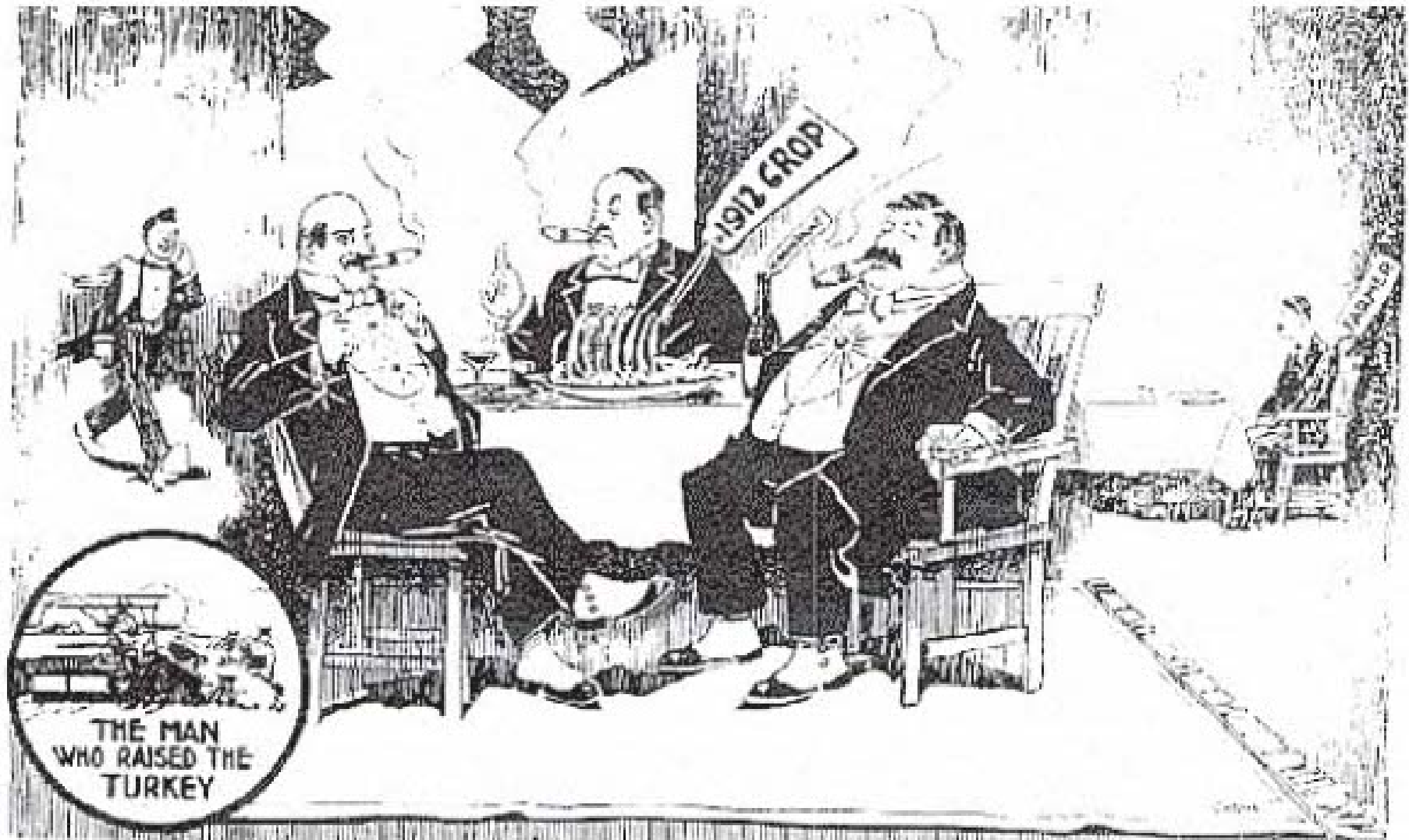
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## The Origins of Co-operative Development

- Agricultural co-ops emerged about 120-130 years ago in Europe, followed by the United States, Canada, New Zealand, Australia, India and Japan
- Two key motivators for co-op formation in North America
  - Concern about monopoly/oligopoly pricing and service delivery
    - Desire for fairer prices and better quality service
  - Concern about a lack of power and control, both politically and economically
    - Desire for some agency within the political and economic system





## Farmers' Response to the Political & Economic Issues

- Worker harder independently
- Ask government for help
- Work together to take ownership and control of businesses in a portion of the agricultural supply chain
- Farmers used the co-op structure, but modified it to fit their needs — for many years agricultural co-ops were seen as “less co-op” (this view persists to today)

## Co-op Involvement in the Agricultural Supply Chain

- Agricultural output
  - Dairy plants
  - Grain elevators
  - Agricultural commodities — e.g., oranges (U.S.), wheat (Canada)
- Farm supplies and inputs
  - Binder twine, barb wire, staple goods
  - Fuel and feed; fertilizer
- Farm credit
- Rural telephones and electrification
- Genetics (dairy)
- Big data (limited basis)

## The Co-op Difference: Governance

- Governance is concerned with “Who Gets to Decide What”
- With co-operatives, governance shifts from shareholder ownership to farmer ownership
- Specifically, co-operatives are businesses in which ownership and control of a business lies with those that use the goods/services of the business
- User/member ownership in a co-op matters
  - Reduces the incentive for the exercise of market power by monopolistic and oligopolistic firms
  - Provides farmers with information on the true costs of production (competitive yardstick)
  - Results in better prices and service for farmers

## Ownership Matters

- Generally speaking, an organization operates in the best interests of those who have effective ownership and control
- Ownership and control in a co-op means the members decide:
  - The boundaries of the organization — who is a member and who is not
  - The rules by which resources are used and the benefits are distributed
  - The monitoring and enforcement of these rules
- The resulting sense of member agency creates the commitment and trust necessary for the co-op to work effectively and fairly
- Member ownership and control are not sufficient. What is also required is the recognition by the larger system that the co-op structure is legitimate



# Elements for Success of Agricultural Co-operatives in Native American Communities

- Finding the right niche in the agricultural industry of the future
- Ensuring a fit with Native American Nation-Building

## Future Agricultural Industry

- The agricultural sector is bifurcating
  - High input, capital intensive, commodity agriculture
  - More labour intensive, identity preserved, niche/branded products
- Which sub-sector best aligns and capitalizes on the resources that are available, that can be developed in the co-op and/or that the members can obtain?
- Which sub-sector best aligns with the members' philosophies and goals?
- Regardless of the direction taken, there will be:
  - Significant capital requirements
  - Need to produce to tightly controlled specifications
  - Strong management requirements

## Native American Nation-Building

- The findings of the Harvard Project on American Indian Economic Development are strongly shaping economic development activities in Native American communities
- Two broad approaches to economic development:
  - Bringing in “jobs and income” through government grants and business development encouragement
  - “Nation-Building” that encourages businesses and people to invest (money, time, effort) and provides the opportunity for them to flourish
- Evidence shows that the first of these approaches has generally not been successful
- The second approach, while more time consuming, is far more effective

## Native American Nation-Building

- Nation-building requires both the
  - Legal means to assert self-governance
  - Capability to make effective decisions
- Effective decision-making requires
  - Stable institutions and policies
  - Fair and effective dispute resolution mechanisms
  - Separation of politics from business management
  - Competent bureaucracy
  - Cultural “match”

## Co-op Development and Native American Nation-Building

- Both processes are underpinned by a desire for greater ownership and control, both politically and economically
- The process in each case shares some similarities
  - Determination of the boundary rules — who is a member/who is not?
  - Development of clear rules and sanctions
  - Development of competent leaders with strong decision-making skills
  - Recognition of legitimacy by outside players

## Conclusion

- Excellent potential for co-op development in Native American communities
- Successful co-op development will:
  - Address a market failure (e.g., oligopolistic pricing, lack of service provision)
  - Link co-operative development to the nation-building process
  - Involve a change in the co-operative model to fit Native Americans' needs and expectations
  - Involve a “cultural match” with the specific culture of the group
  - Require substantial capital
  - Require strong management skills
  - Require legitimization by policy makers and co-op leaders

**Thank You**