HOW DAIRY COOPERATIVES DIFFER FROM ORDINARY BUSINESS

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Cooperatives are an important part of our total economy and therefore, must stay healthy. Cooperatives face the challenges of providing increased services; of achieving greater market power, both at home and abroad. Members of cooperatives are helping themselves in alleviating the cost-price squeeze, not just in the dairy business, but in citrus, cotton, beef cattle, cash grain, fruits and all areas of agricultural production.

Recently I talked to an association of grain cooperatives in Oklahoma on "How To Keep Cooperatives Healthy". Based on my experience as a business analyst with the St. Paul Bank for Cooperatives, as general manager of Dairy Maid Products Cooperative, and as a member of the management staff of Land O'Lakes, I could summarize quickly:

1) Be certain your cooperative is serving an economic need (needs); (adequate volume & types of services);

2) Have a membership which is interested and concerned, also involved in the cooperative's business affairs and willing to support it, patronage and finance wise;

3) Hire capable management and personnel;

4) Keep your cooperative attuned to the times - willing to adjust to changes;

5) Make sure your cooperative is following the Q-S-P Principle (Quality-Service-Price);

6) Insist on receiving adequate financial and operating information concerning your cooperative; maintain a two-way flow of communications;

7) Be willing to work with and cooperate with other cooperatives, not only in your area, but also on a state, regional, and national level;

8) Recognize and capitalize on the unique characteristics of a cooperative that distinguish it from other businesses.

This last point is the one to which I would like to elaborate by reading a recent editorial from the Manitoba Cooperator. Some of the points made are as follows:

"Directors and management of some cooperators are striving so hard to become 'just like all other businesses' that they fail to recognize and capitalize on the unique characteristics of a cooperative business organization and basic principles that distinguish it from other types of business firms."
"As a result of this failure, these cooperatives are losing the advantage of the unique resource inherent in their cooperatives. People are the basic unique resource of a cooperative. It takes courage to be unique. To continue to be unique, a firm must understand its matchless features and capitalize on them.

"A cooperative is a business enterprise, it is a business that is organized, owned and controlled democratically by people who have joined together voluntarily in a contractual arrangement to provide themselves with needed supplies and/or services.

"The primary objective of a cooperative is not charity, but to further the economic welfare of its members. Economic welfare does not merely refer to financial savings or increased monetary returns. It cuts much deeper and goes to the relationship of man-to-man in his economic life. Quality of product, a needed service, ownership control and a satisfaction of self-help are all important benefits of a cooperative and sometimes of more importance than the direct financial benefits which result from the cooperative enterprise."

Why is it so important that people know the where's, why's and how's of cooperatives? Because cooperatives are an important and integral part of our capitalistic free enterprise system; because they are one of the recognized methods of doing business; and because entirely too many honest and contrived misconceptions exist concerning how cooperatives differ from the other types of business; namely, the individual proprietorship, the partnership and the ordinary, or for-profit corporation.

As a result of these misconceptions and misunderstandings, our cooperative image has taken a terrific beating in recent years. It appears that something in a positive way must be done in improving cooperative image and creating a better understanding or otherwise we will not be successful.

It is my feeling that our "cooperative image" or "public relations" problem is a serious one.

For many months, the dairy industry has had a variety of devil dogs nipping at its heels, asking such questions as:

1) Why is the price of milk so high?
2) Why are dairy cooperatives allowed to "unduly enhance milk prices."
3) Why isn't something being done about eliminating the milk marketing orders which are "ripping off" millions of consumers?
4) Isn't milk for babies, not for profits?
5) Why hasn't the Secretary of Agriculture taken action against you under Section 2 of Capper-Volstead for undue price enhancement?

These questions have been coming up with increasing regularity in consumer-oriented meetings (Community Nutrition Institute - December 4-5); and in the news media; particularly city papers, radio and TV;

Oh yes, to add some more bad news items for all cooperatives across the board, we have:
1) The Federal Trade Commission Report that does cooperatives, (Particularly dairy, citrus, fruits and nuts) alot of damage. Unfortunately, it has received wide circulation and acceptance, even though there is a disclaimer box on the cover which says it is not an official report. (Now official)

2) Top officials of the Justice Department making speeches about the need for taking antitrust action against cooperatives, and also for closer scrutiny of cooperatives.

3) Rulings and regulations by officials of the Internal Revenue Service (IRS) concerning income taxes, distribution of margins, pooling, and other matters which are in conflict between IRS districts, and often contrary to the cooperatives' interpretation of regulations.

4) High staff members in the White House making serious charges against cooperatives (Council on Wage and Price Stability)

5) Influential people, including legislators saying that members must be protected against their own cooperatives with a legal bill-of-rights. One state council of cooperatives is fighting legislation right now which would put an intolerable financial and staff burden on cooperatives by making them issue each member and each newspaper in the area served, a complete financial report, not annually or quarterly, but monthly.

6) The Securities and Exchange Commission trying to make all cooperative equities (stock, patronage refunds, allocated reserves) come under the Securities and Exchange Act and be treated like all corporate securities.

7) Continued emphasis by government officials and some legislators for possible modification and/or repeal of the Capper-Volstead Act.

8) The charges of monopoly which have been aimed at dairy cooperatives, but are now directed to grain marketing, cranberry, fertilizer, and fruit marketing (even Farm Credit).

9) The "bigness" charge which also throws in whether big cooperatives are serving their members to best advantage.

10) The accusation that cooperatives show lack of concern and aren't operating in the public interest.

11) The charge that the Farm Credit Banks are becoming too big a factor in the money market and should be restrained.

From this listing, it is quite apparent that the task of bringing about a better understanding of the cooperative method of doing business is a challenging and never ending one. As I have stated so many times:

Cooperatives are not completely and perhaps not even partially understood by many people;

Cooperatives are taken for granted in far too many cases;

Cooperative education is and must be a continuing and never-ending process. The need to direct educational programs at our many target audiences is great and we need to be about the job.
At this point, I would like to establish a firm base for our discussion so am using the following chart from a Teacher’s Guide on Cooperative Business.

**METHODS OF DOING BUSINESS UNDER FREE-ENTERPRISE**

### Types of Business

<table>
<thead>
<tr>
<th>Features Compared</th>
<th>Individual Ownership</th>
<th>Partnership</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>How is voting done?</td>
<td>None necessary.</td>
<td>Usually by partners investment.</td>
<td>By shares of common stock.</td>
</tr>
<tr>
<td>Are returns on ownership capital limited?</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Who gets the operating proceeds?</td>
<td>The individual owner.</td>
<td>The partners in proportion to investment.</td>
<td>The stockholders in proportion to stock owned.</td>
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*Basic cooperative principles

**WHAT IS IT**

What really is a cooperative? The definition I like says: "A cooperative is a business voluntarily owned and controlled by its member patrons, and operated for them and by them on a nonprofit or cost basis."

OR

"A voluntary association of member-patrons,* created under law, regarded as a legal entity separate from its member-patrons. It is organized, capitalized, and democratically controlled by the same group of people which it primarily serves with goods or services on a non-profit or cost of doing basis."

This is one of the most compelling reasons why we need to make it our business to fully understand what our own business, the cooperative, is all about, and, also, why it's our business to help understand what our individual cooperative is all about as well as what the general cooperative business idea is all about.
There are three different basic or fundamental principles of business type cooperatives which are:

1) Democratic control - or control by member-users. In other words, final authority to control the affairs of the cooperative rests with those who use it;

2) Limited returns or dividends upon ownership or share capital. This principle keeps the cooperative operating for the benefit of patrons and not specifically the stockholders, and also discourages investment by speculators;

3) Nonprofit operations or operations at cost. This principle means that net savings are returned to member patrons as patronage refunds proportional to the volume of business transacted.

When these principles are put into practice, the result is a unique form of business arrangement. The management of the usual investor-owned for-profit corporation is caught between two strong and conflicting forces. The investor-owners, who pay management's salary, are primarily interested in getting the biggest possible return on their investment. This is accomplished by providing the least service at the highest possible price. On the other hand, the customers are seeking the most service at the lowest possible price.

In a cooperative, we do not have this tug-of-war because the owners and the customers are one and the same. The owner-customers decide what services they want. Management provides those services at the lowest possible cost, and the differences between that cost and the price charged by for-profit businesses for the same service is money in the pocket of the farmer - not some outside investor.

Now, let's examine, by use of a chart, the basic differences between an ordinary or for-profit corporation, and a cooperative corporation, as excerpted from the book, Cooperatives - Principles and Practices by Dr. Marvin Schaars.

<table>
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<th>DIFFERENCES</th>
<th>ORDINARY CORPORATION</th>
<th>COOPERATIVE CORPORATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>To earn profits for investors; increase value of shares; and provide employment for owners of small corporations.</td>
<td>To maximize net and real income of member users; and provide goods and/or services at cost to member users.</td>
</tr>
<tr>
<td></td>
<td>To serve the public generally.</td>
<td>To serve its members primarily.</td>
</tr>
<tr>
<td>Organization</td>
<td>Incorporated under state general corporation law; no federal charter.</td>
<td>Organized under state cooperative law; some such as federal credit unions, under federal charter also.</td>
</tr>
<tr>
<td></td>
<td>Except for closely held corporations, anyone may own stock.</td>
<td>Organized around mutual interests of its member users.</td>
</tr>
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<tr>
<td>Organization (cont.)</td>
<td>Organized and owned by investors. Stock of large corporations is sold on stock exchanges or &quot;over the counter&quot;.</td>
<td>Organized and owned by member users. No public sale of common voting stock -- None listed on stock exchanges.</td>
</tr>
<tr>
<td>Control and Ownership</td>
<td>By investors, the stockholders. Policies determined by stockholders and directors. Voting on basis of stock ownership according to the number of shares held.</td>
<td>By member patrons. Policies made by member users and directors. Voting in local associations usually on a one-man-one-vote basis, or patronage basis. In federations, locals vote either on number of members represented or on volume of business done with the central organization.</td>
</tr>
<tr>
<td>Proxy voting permitted. Frequently control is exercised by &quot;inside cliques&quot;.</td>
<td>Generally, no proxy voting. Seldom that internal cliques can get control.</td>
<td></td>
</tr>
<tr>
<td>Sources of capital (Financing)</td>
<td>From investing public. From successful business operations with all or part of the profits reinvested.</td>
<td>From member users primarily. From net earnings on successful operations with reinvestment of part or all of the savings.</td>
</tr>
<tr>
<td>Distribution of Net Margins (Earnings)</td>
<td>To stockholders in proportion to number of shares of stock held.</td>
<td>To patrons on a patronage basis after modest dividends on stock have been paid; reserves and, in some cases, an educational fund and bonuses to employees are set aside.</td>
</tr>
<tr>
<td>Stock Dividends</td>
<td>No limit -- Depends on amount of profits and distribution policy.</td>
<td>Limited to a nominal amount -- generally does not exceed 8%.</td>
</tr>
<tr>
<td>Operating Practices</td>
<td>Use conventional methods of financing -- sale of stock, issuance of bonds, bank loans, and reinvestment of part or all of the profits.</td>
<td>Use revolving capital plan of financing based on the amount of business transacted with patrons in addition to conventional financing procedures.</td>
</tr>
<tr>
<td></td>
<td>Usually purchase products on a cash basis.</td>
<td>Usually pool sales receipts and pay average prices by grade for products received.</td>
</tr>
</tbody>
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<tr>
<td>Operating Practices</td>
<td>Business done with public generally and not restricted as to clientele except in exceptional cases.</td>
<td>Business done primarily in many marketing associations using marketing contracts exclusively -- with members.</td>
</tr>
<tr>
<td>(cont.)</td>
<td>Primarily interested in operational efficiency to cut costs -- less interested in pricing efficiency.</td>
<td>Not only interested in operational efficiency but in pricing efficiency as well so that differential pricing by grades may reveal to producers ultimate consumer preferences, tastes, and purchases.</td>
</tr>
<tr>
<td></td>
<td>Charge competitive prices or what &quot;The traffic will bear&quot;.</td>
<td>Charge either competitive &quot;Break-even&quot; prices in purchasing associations.</td>
</tr>
<tr>
<td>Initial Transaction</td>
<td>The purchase or sale is a complete transaction.</td>
<td>The purchase or sale is, in a sense, a conditional transaction subject to a refund or additional payment at the end of the accounting period, if net earnings or savings are made.</td>
</tr>
<tr>
<td>Tax Treatment</td>
<td>Subject to many kinds of taxes including state and federal corporate income taxes.</td>
<td>Also subject to many different kinds of taxes.</td>
</tr>
</tbody>
</table>

Under purpose, I would point out that, depending on the kind or type of cooperative, there are some differences of opinion, even within cooperatives as to an attitude of service vs profit or operating margin goal. In the past three years, for instance, Rural Electric Cooperatives have been faced with tough decisions on increasing rates to meet spiraling costs in order to show margins or just break even. Disgruntled and irate customers, who have been indoctrinated with the "cheap electricity" concept for many years, have brought unbearable and often unfair pressures on management and board to keep costs down, thus placing severe financial strains on many cooperatives.

Another example is the multi-purpose or diversified cooperative with many departments, such as marketing, farm supply and service. How long does a department providing services to member-patrons, but operating at a loss, continue to be subsidized or maintained by the other departments of the cooperative. (Land O' Lakes - Western Farmers - Landmark, Inc.)

On the matter of financing, it should be noted that here is where the board of directors and management also are subject to a tug-of-war. The present owners and users of the business want as much of their patronage refunds as possible paid in cash; the older equity holders who may or may not be present patrons would like to see their equities from previous years revoked; and management (and hopefully, the board) want to maintain
the cooperative in a strong financial position, which necessitates the retention of operating margins as allocated equities or reserves.

In many cases, failures of cooperatives can be attributed to the fact that there has been an unwillingness or an inability to set aside sufficient reserves because of the constant pressure for cash payouts. (American Crystal Sugar incident)

The matter of equity revolvement also presents a great image or public relations problem. Legislators at both the state and national level tell us that they have received more complaints on failure of cooperatives to revolve equities than in any other area.

The practice of paying dividends on cooperative capital stock, once quite popular has become the exception, rather than the rule, in recent years, for a couple of reasons. First, the trend has been to use margins which were once used to pay stock dividends for revolvement of equities or cash refunds. Second, many cooperatives which once operated on so-called "exempt" basis, are, because of changes in operations and business mix, unable to qualify as this type cooperative and have given up this status. Therefore, any stock dividends they would pay would be subject to corporate income tax, making the cost of dividends exceedingly high.

Insofar as principles of cooperative financing, I sincerely believe that the member-patrons must assume the responsibility of financing their cooperatives. Principles which should be considered are:

1) Capital should be furnished as much as possible in proportion to the use made of the cooperative by the member.

2) Current member-patrons should provide financing and should replace capital provided by members in earlier years.

3) Cooperatives must secure or have adequate capital to function efficiently and to be able to endure ups and downs. This requires reserved for contingencies.

4) New capital should be generated by current business operations.

5) Cooperative stocks and/or equities are redeemable only at original face value.

**TAX**

There has probably been more confusion and misunderstanding concerning the taxation status of cooperatives than any other area. I feel this has come about because of an unfortunate choice of words years ago by attorneys, accountants, and government officials, these words being "tax-exempt".

Actually, cooperatives pay real estate and personal property taxes, payroll taxes, sales taxes, franchise taxes, and, in most cases, income taxes, just as all businesses do.

Getting into history a bit, the Revenue Act of 1951 included provisions designed to assure payment of a current income tax at either the
cooperative or patron level on all net margins. The so-called "exempt" cooperative could deduct dividends paid on capital stocks and amounts allocated as income not derived from member patronage in computing taxable income, and exclude from gross income patronage refunds that had prior mandatory obligation to make to patrons.

Following a lot of court cases, a Subchapter T was added to the Revenue Act of 1962 that applied to all cooperatives and which reaffirmed the single tax concept. In this regard, cooperatives also had the obligation of returning or paying 20 percent of the refunds in cash so the member can pay the tax on total refunds himself.

Since then, suggestions have been made several times for tax studies on cooperatives, but very little done except for one study by the Joint Committee on Internal Revenue Taxation (IRS). However, there have been some regulations, and even court decisions which have had impact on cooperatives. There have also been differences of opinion inside the IRS on meanings of the law and proper interpretations.

The big controversy is over whether patronage refunds should be excluded in determining the taxable income of cooperatives. The position of cooperatives is that refunds are not income to the cooperatives but belong to the patron and are therefore taxable to him.

The opponents or critics of cooperatives categorize the patronage refunds like dividends on stock. Stock corporations pay income taxes on the amounts declared as dividends on stock, which are paid on basis of after-tax income. The stockholder also pays income taxes on the stock dividends when received.

The essential differences is the ownership by users in the cooperatives with cooperatives taxed essentially the same as a partnership. The 1962 Act levied a single tax on net earnings to be either paid by cooperatives or member-patrons. In fact, some cooperatives have chosen to pay taxes like ordinary corporations.

However, to qualify for the treatment as applied by the 1962 Act, a cooperative must obtain written consent of each member patron as to receipt or acceptance of refunds, or there must be a bylaw provision saying members consent, or it can issue a qualified check (acceptance by endorsement).

The whole point insofar as taxation of cooperatives is not that cooperatives are taxed differently, it is that they are different in that they have no profit transactions with their patrons and are obligated to transact business at cost. In a cooperative, the role of the patron is dominant, with his role as an investor being only incidental.

Cooperatives do pay taxes on their "profits" just as other businesses so, but, for over 50 years by Revenue rulings, court decisions, and congressional actions they have not been required to pay taxes on margins generated from doing business at cost. In effect, member-patrons are only getting their own money back from the cooperative.
One of the public relations pluses cooperatives have in regard to
taxes and one we don't talk about enough is that in many rural commu-
tities the cooperative is the biggest taxpayer. Also the members and em-
ployees pay taxes on money they get from the cooperative, thereby increas-
ing the total tax base of the community. Many other types of businesses
siphon off money from the rural community to cities where key stockholders
and stockholders live (catalog order stores).

REGULATORY

Insofar as governmental controls or regulations are concerned, coop-
eratives have to live up to or come under most of the same regulations
as ordinary corporations, that is, they must be chartered under state
law, have articles of incorporation, and bylaws. They are not only created
by law, but also regulated by laws, both state and federal.

COMMUNICATION

The last item on the area of differences concerns communications as
it ties in to member control.

The heart of the difference between cooperatives and other businesses,
as we often hear, is that the users, the members, are the owners and con-
trol the business operations. This is unlike other types of corporations
that are controlled by a board of directors who are not the users, neces-
sarily of the products or services the business provides and who have a
primary interest in making money (increased value of stock, plus interest
and dividends) on the money they and other stockholders have invested.

Members of cooperatives also want to make money, but as part of
their production enterprise as well as through the cooperative patronage
refunds. Just as important to many of them are the services they get,
having an outlet for their products, and having a reliable source of
needed farm supplies.

How well members exercise the machinery that has been set up to give
them this control of the cooperative depends on the members themselves,
of course. They must make it their business to know what is happening,
to make their needs and voices heard.

The official mechanism they work through -- in addition to their
directline access to management employees when needed is:

First - to elect good directors who are also members from among their
own farming group to represent them, and to keep in touch with the direc-
tors as well as to see that the directors keep in touch with them.

Second - to attend meetings, to ask questions, to express what they
need from the cooperative to improve their farm operations, to read the
publications and reports, to constantly know what their business is doing.
This means understanding the financial reports and the business operations
reports.

And it also means having some understanding of the difficult deci-
sions and conditions the business managers may encounter.
The directors, of course, are the mainline for accountability to the members -- and must not only make policy and operating decisions but translate these back to the members. They hire the top executive officer and have a general and overall responsibility for the way the business is run.

Today's cooperative businesses require directors of good business sense, with vision, with clear objectives, and with the ability to talk two ways -- first, to members, and second, to top management employees. They should also be able to talk a third way to the outside world of community interests, state and federal legislators when necessary, and to the public in general as representatives of a modern on-going business.

A cooperative business, to be successful, must therefore be an open-end business -- one that keeps information passing back and forth, through and out freely.

If any link in this communication gets clogged, problems can grow to unmanageable proportions before the members or directors have a chance to enter the picture.

The following points will help clarify why the cooperative communications program is unique:

1) The people (members) who do business with the cooperative generally own and control the organization. Consequently, the member or patron must be informed for sound decision making.

2) Directors are generally selected from the membership or patrons and customers of the cooperative. Many new directors need to be informed and educated in the business of the cooperative because of inexperience.

3) Management is generally hired and a salaried employee.

4) Cooperatives generally must communicate and win approval of major policy actions in a public meeting or environment and not behind closed doors.

5) Members generally expect more from their cooperatives than another business. They feel that it is even more important that practices and policies should be in the public interest.

The communications programs of cooperatives, and for that matter, ordinary corporations, are an integral part of the public relations programs. In this regard, it has been interesting to observe the change in attitude of cooperative management and/or directors over the past twenty years.

Public relations has been simply defined as "doing the right thing and getting credit for it". Most cooperatives are "doing the right thing" but in too many cases stop there, hide their light under a bushel basket and don't receive proper credit. We need to devote time and effort in talking with people, informing the many publics, and persuading people to be friendly to cooperatives.
With the increasing popularity of the consumerism movement we need to expend effort toward bringing about a better rapport and understanding with consumer groups and agencies, again part of a public relations effort.

**EMPLOYEES ATTITUDE IMPORTANT**

Recent surveys show that cooperatives have matured considerably in upgrading their sights insofar as salaries, fringe benefits, pension or retirement plans, and the normal employee compensations which other businesses offer.

Since employees are, in many cases, the first line of contact with members and other publics, it is important that they have a general background and adequate knowledge about the cooperative which employs them. It is gratifying to know that some cooperatives are now carrying on special educational or training programs directed to improving cooperative knowledge and know-how. Also, many cooperatives do have plans for reimbursing employees for educational courses, seminars, workshops and training programs which apply to their line of work. (Land O'Lakes employee - M.S.)

Our Employee and Collegiate Seminar program in AIC is an attempt to expose new cooperative employees to the cooperative method of doing business. It has been quite successful, as has the Graduate Institute of Cooperative Leadership which we help to sponsor.

I would like to review a listing of cooperative accomplishments which I have used:

1) Farmers have lifted themselves by their own bootstraps through their cooperatives.

2) Cooperatives have given people a more direct voice in the operations and control of their own businesses.

3) Cooperatives have provided the smaller farmers with an opportunity to work together and do big things.

4) Farmers have proved they can operate their own businesses.

5) Farmers have proved effective tools for increasing bargaining power in both marketing and purchasing.

6) Many cooperatives are now processing products for markets (logos and brands) and manufacturing supplies for farm use at considerable savings and benefits to farmers.

7) Cooperatives have a core of family interest in the farming operations upon which to build youth and women's interests in cooperatives.

8) This country's farm economy couldn't have been built without farmer cooperatives.

9) Cooperatives have helped to hold down consumer prices in three big fields: Petroleum -- Feed -- Fertilizer. Also supply of product (credit).
10) Cooperatives have provided consumers with farm products of better quality in quantities and packages more acceptable to their needs.

11) Cooperatives have worked continuously to reduce the costs of distribution of food products.

12) Many cooperatives have good modern facilities and have learned to employ cost-saving techniques.

13) Cooperatives have a generally sound financial structure on which to base future operations.

If cooperatives are to play an integral part in the future, a fundamental question on which I really don't know what the answer might be is this one:*

*Will farmers themselves, through their own cooperatives, do the directing, guiding, and restraining of their own agricultural enterprises?

I am concerned for the future, not just of cooperatives, but of the agriculture which they serve. I see things coming, most of which I am sure you are well aware.*

1) Cooperatives will increase in size.

2) Cooperatives will be more basic in supplies.

3) Cooperatives will be more integrated in marketing.

4) Cooperatives will be operating in an adverse economic environment (also physical and social).

5) Cooperatives will face stiffer competition (Cook-Continental-Benje-Cargill).

6) Cooperatives will need well-trained and competent management and employees as never before.

7) Cooperatives must have a knowledgeable board of directors.

8) Cooperatives will depend more on computers.

9) Cooperatives will need more involvement of members, especially youth, young farmers, and women. *Classifications

10) Cooperatives must re-examine their concepts and philosophies, preserve and improve the good, and substitute new for the rest.*

(Political Involvement - Non-Partisan - the ACRE program)

Those of us involved with cooperatives do not want to develop what is known in this jet age as a "sink factor". We don't want to slow down what I know have been progressive and aggressive operations. The 727 jet airplanes, which I ride quite often, demonstrate what I mean. When the thrust of all three engines is being applied, they fly through the air with the greatest of ease. Tragically, it has been found that when the engines are slowed, the "sink factor" increases. The rate of descent is 2,200 feet per minute, just twice the 1,100 feet per minute rate of descent of a DC 8 or 720. When they first came out, this sink factor caused at least three of these planes, it is alleged, to land short of the run-
way, to the tragic experiences of many passengers. If we slow our "thrust" in carrying on our everyday work, then a "sink factor" can also set in for us, a factor of which we may not be aware.

When the co-pilot says, as it was stated in Salt Lake City: "I had better give her a little throttle, Captain" and the Captain says, "Wait a minute", it is sometimes too late. This can be true of you and the cooperative with which you are affiliated. We need people in agriculture and cooperatives who can recognize the "sink factor" and overcome it. (The reason history repeats itself is that no one was listening the first time around)

I believe that we in cooperatives and in agriculture must ask ourselves this question, "Are we a part of the problem or a part of the solution?"

Are we willing to accept cooperatives, understand them and use them in a true spirit of working together?

Or are we like many people in cooperatives in this country who show apathy - lack of concern - who cares?