

New Generation Cooperatives: What, Why, Where, and How

An Internet Guide

Michelle Schank and Joan Fulton

Michelle Schank is a Graduate Research Assistant and Joan Fulton is an Associate Professor in the Department of Agricultural Economics

As consolidation and the industrialization of agriculture intensify, the food chain is experiencing significant structural changes. Increased concentration and increased vertical coordination are occurring as businesses in the agrifood sector are trying to increase efficiencies, relay information along the supply chain more quickly, and take advantage of profits at other stages of the food chain. Many agricultural producers are responding to the changing environment by cooperating with other producers to develop value-added businesses. One common organizational form that producers are using for the value-added business is the New Generation Cooperative.

This Internet Guide is intended to be a resource for locating electronically available information on New Generation Cooperatives. In the following sections we provide a brief explanation of the What, Why, Where, and How of New Generation Cooperatives, along with related references to publications and other information that is available on the internet.

What is a New Generation Cooperative?

New Generation Cooperatives (NGCs) are a relatively new cooperative structure. NGCs have particular characteristics that differentiate them from traditional agricultural cooperatives. These characteristics include: value-added processing of members' commodities, a significant equity contribution by farmer members, obligation of product delivery based on equity contribution, and the ability to trade equity shares and delivery rights. Two characteristics of NGCs that are similar to traditional cooperatives are: earnings based on member patronage and one-member, one-vote. Fulton et. al. examine the growth and development of New Generation Cooperatives along with describing the structure of NGCs and the strengths and weaknesses of this form of business. This overview can be found at:

Fulton, Joan, Brian Jones and Lee Schrader. (1998) "New Generation Cooperatives." *Purdue Agricultural Economics Report*. September. p. 7-10.

<http://www.agecon.purdue.edu/ext/paer/1998/paer0898.pdf>

Other useful articles that provide an overview on New Generation Cooperatives include:

Hackman, Deanne. (2001) "What is a New Generation Cooperative(NGC)?" *Ag Decision Maker*. Iowa State University Extension. December 2001.

<http://www.extension.iastate.edu/agdm/articles/others/HackDec01.htm>

Coltrain, David, David Barton, and Michael Boland. (2000) "Differences between New Generation Cooperatives and Traditional Cooperatives." Arthur Capper Cooperative Center, Kansas State University. May 2000.

<http://www.agecon.ksu.edu/accc/kcdc/PDF%20Files/DiffTrad3.pdf>

University of Manitoba and Agri-Food Research Development Initiative. (1999) "New Generation Cooperatives on the Northern Plains."

http://www.umanitoba.ca/faculties/afs/agric_economics/ardi/index.html

Fulton, Murray. (2000) "New Generation Cooperatives." Centre for the Study of Co-operatives. University of Saskatchewan. November 2000.

<http://coop-studies.usask.ca/pdf-files/What%20Are%20NGCs%3F.pdf>

Centre for the Study of Co-operatives. University of Saskatchewan. (2001) "Overview of NGC Model."

<http://coop-studies.usask.ca/NGC2/ngcoverview.htm>

Why Do Producers Form New Generation Cooperatives?

There are many reasons why producers form a New Generation Cooperative. Producers may individually be looking for the opportunity to increase their margins and thus their income, diversify their investment portfolio, reduce their risks, or increase their market. In addition, producers may decide to form a NGC if their local processing plant closed and they needed somewhere to market their product. Another reason for forming a NGC is to increase or maintain the number

of jobs in the local community. Articles can be found on the following websites that describe some of the problems associated with traditional cooperatives along with an explanation of the emergence of NGCs.

Cook, Michael and Constantine Iliopoulos. (1999) "Beginning to Inform the Theory of Cooperative Firm: Emergence of New Generation Cooperatives" *The Finnish Journal of Business Economics*. April. P.525-535. (University of Missouri)
<http://www.ssu.missouri.edu/faculty/mcook/cv/finnish.pdf>

Coltrain, David, David Barton, and Michael Boland. (2000) "Value Added: Opportunities and Strategies" Arthur Capper Cooperative Center, Kansas State University. June 2000.
<http://www.agecon.ksu.edu/accc/kcdc/PDF%20Files/VALADD10%202col.pdf>

Articles can be found on the following websites that provide further explanation concerning why individual producers would invest in a NGC:

Sinner, George. (1999) "Why Farmers won't survive unless they become Food Merchants" *Bloomquist Lecture Series*. Quentin Burdick Center for Cooperatives, North Dakota State University. April 1999.
<http://www.ag.ndsu.nodak.edu/qbcc/BloomquistLectures/1999sinner.htm>

Torgerson, Randall. (2001) "A Critical Look at New Generation Cooperatives" *Rural Cooperatives*. USDA Rural Business-Cooperative Service. January/February. P.15-19.
<http://www.rurdev.usda.gov/rbs/pub/jan01/jan01.pdf>

Cobia, David. (1997) "New Generation Cooperatives: External Environment and Investor Characteristics" Food and Agricultural Marketing Consortium, Las Vegas, NV. January 1997. (Quentin Burdick Center for Cooperatives, North Dakota State University)
<http://www.wisc.edu/uwcc/info/cobia.html>

Hofstrand, Don. (1999) "Value-Added Cooperatives – Wave of the Future" *Ag Decision Maker*. Iowa State University Extension. January 1999.
<http://www.exnet.iastate.edu/agdm/articles/hof/HofJan99.htm>

Articles on the following websites provide information concerning the economic benefits that communities enjoy when a NGC is established in the region:

Rural Business Cooperative Service. "The Impact of New Generation Cooperatives on their Community" USDA Rural Business- Cooperative

Service. Report by a consortium of Midwest university researchers.
<http://www.rurdev.usda.gov/rbs/pub/RR177.pdf>

Sell, Randall, Dean Bangsund, and F. Larry Leistritz. (2000)
"Contribution of the Bison Industry to the North Dakota Economy"
Agricultural Economics Report. Department of Agricultural
Economics, North Dakota State University. June 2000.
[http://agecon.lib.umn.edu/cgi-
bin/pdf_view.pl?paperid=2288&ftype=.pdf](http://agecon.lib.umn.edu/cgi-bin/pdf_view.pl?paperid=2288&ftype=.pdf)

Doherty, Michael. (1997) "New Age Cooperatives and Their Role in
Rural Development: USDA Rural Development Program" *Rural
Research Report*. Illinois Institute for Rural Affairs, Western Illinois
University.
http://www.iira.org/pubsnew/publications/IVARDC_RRR_74.pdf

Loewe, Paula and Evert Van der Sluis. (2000) "Socioeconomic
Conditions for and Impacts of Establishing and Operating a New
Generation Cooperative: The Case of the South Dakota Soybean
Processors." Paper presented at the Western Agricultural Economics
Association Annual Meeting, June 2000. Vancouver, Canada. (South
Dakota State Univeristy)
http://agecon.lib.umn.edu/cgi-bin/pdf_view.pl?paperid=2225

Estes, Patricia. (1996) "Committing to a Community: Minn-Dak
Farmers Cooperative" *American Cooperation*. National Council of
Farmer Cooperatives.
<http://www.americancooperation.org/Browse.htm>
(Select 1996, Select the Article, it is located under Chapter 1)

Where are New Generation Cooperatives Being Formed?

The sugar beet producers of the Red River Valley, located on the North Dakota/Minnesota border pioneered the first NGC in the early 1970's. However, the number of NGCs established has taken off only within the last decade. A large proportion of these cooperatives are in Minnesota and North Dakota. However the concept of NGC can be applied in any area. Directories of NGC can be found on the following sites:

Merrett, Christopher, Mary Holmes, and Jennifer Waner. (1999)
"Directory of New Generation Cooperatives." Illinois Institute for
Rural Affairs, Western Illinois University. September 1999.

http://www.iira.org/pubsnew/publications/IVARDC_Reports_8.pdf

Coltrain, David. (2000) "Kansas Directory of New Generation Cooperatives and Other Producer Alliances." Arthur Capper Cooperative Center, Kansas State University. May 2000.
<http://www.agecon.ksu.edu/accc/kcdc/PDF%20Files/Kansas2.pdf>

The following case studies of NGCs provide an overview of these new businesses:

Holmes, Mary, Norman Walzer, and Christopher Merret. (2001) "New Generation Cooperatives: Case Studies Expanded 2001" Illinois Institute for Rural Affairs, Western Illinois University. August 2001.
http://www.iira.org/pubsnew/publications/IVARDC_CS_198.pdf

Zeuli, Kim, Gary Goreham, Robert King, and Evert van der Sluis (1998) "Dakota Growers Pasta Company and the City of Carrington, North Dakota: a Case Study" USDA Fund for Rural America. March 1998.
<http://www.wisc.edu/uwcc/info/fra/carrington.pdf>

University of Manitoba and Agri-Food Research Development Initiative. (1999) "New Generation Cooperatives on the Northern Plains"
http://www.umanitoba.ca/faculties/afs/agric_economics/ardi/index.html

Stefanson, Brenda and Murray Fulton. (1997) "New Generation Cooperatives: Responding to Changes in Agriculture" Centre for the Study of Co-operatives, University of Saskatchewan. September 1997.
http://agecon.lib.umn.edu/cgi-bin/pdf_view.pl?paperid=1663&ftype=.pdf

How is a New Generation Cooperative Formed?

A number of useful references are available for producers that are interested in determining what it takes to form a New Generation Cooperative. USDA Rural Development – Cooperative Services has published numerous Cooperative Information Reports (in booklet format) dealing with establishing and operating a cooperative. These reports are just as relevant for New Generation Cooperatives as they are for traditional cooperatives. The following website lists all of the Cooperative Information Reports published by USDA:

<http://www.rurdev.usda.gov/rbs/pub/cooprpts.htm>

Selected Cooperative Information Reports, that are of particular interest to those organizing New Generation Cooperatives are listed below:

Mather, J. Warren, and Homer Preston. (1990) "Cooperative Benefits and Limitations." USDA Rural Business – Cooperative Service, Cooperative Information Report 1 Section 3.
<http://www.rurdev.usda.gov/rbs/pub/cir1sec3.pdf>

Vogelsang, Donald, John Bailey, Lloyd Biser, E. Eldon Eversull, and J. Warren Mather. (1993) "Cooperative Organization and Structure." USDA Rural Business – Cooperative Service, Cooperative Information Report 1 Section 6.
<http://www.rurdev.usda.gov/rbs/pub/cir1sec6.pdf>

Rathbone, Robert. (1995) "Cooperative Financing and Taxation." USDA Rural Business – Cooperative Service, Cooperative Information Report 1 Section 9.
<http://www.rurdev.usda.gov/rbs/pub/cir1sec9.pdf>

Meyer, Tammy. (1999) "Cooperative Business Principals." USDA Rural Business – Cooperative Service, Cooperative Information Report 45 Section 2.
<http://www.rurdev.usda.gov/rbs/pub/cir452.pdf>

Meyer, Tammy. (1994) "The Structure of Cooperatives." USDA Rural Business – Cooperative Service, Cooperative Information Report 45 Section 3.
<http://www.rurdev.usda.gov/rbs/pub/cir453.pdf>

Rapp, Galen. (1995) "How to Start a Cooperative." USDA Rural Business – Cooperative Service, Cooperative Information Report 45 Section 14.
<http://www.rurdev.usda.gov/rbs/pub/cir4514.pdf>

Namken, Jerry and Galen Rapp. (1997) "Strategic Planning Handbook for Cooperatives." USDA Rural Business – Cooperative Service, Cooperative Information Report 46.
<http://www.rurdev.usda.gov/rbs/pub/cir48.pdf>

Patrie, William. (1998) "Creating 'Co-op Fever': A Rural Developers Guide to Forming Cooperatives." USDA Rural Business – Cooperative Service. RBS Service Report 54. July 1998.
<http://www.rurdev.usda.gov/rbs/pub/sr54/sr54.htm>

Articles and reports at the following websites provide information on the formation and operation of New Generation Cooperatives:

Côté, Daniel, Murray Fulton and Julie Gibbings. (2000) "Canadian Agricultural Cooperatives: Critical Success in the 21st Century – Summary Report." Canadian Cooperative Association. October 2000.
<http://www.coopcca.com/agricoops/Summary%20Report1.pdf>

Olson, Frayne. (1996) "Should I Join a New Processing Cooperative?" Quentin Burdick Center for Cooperatives, North Dakota State University. July 1996.
<http://www.ext.nodak.edu/extpubs/agecon/farmmgt/eb67w.htm>

Thyfault, Cindy. (1996) "Developing New Generation Co-ops: Getting Started on the Path to Success" *Rural Cooperatives*. USDA Rural Business – Cooperative Service. July/August 1996.
<http://www.wisc.edu/uwcc/info/develngen.html>

Missouri Department of Agriculture. Agriculture Innovation Center. "A Checklist for Producers Starting a New Value-Added Business"
<http://www.aginnovationcenter.org/IdeatoImplementation.pdf>

University of Manitoba and Manitoba Rural Adoption Council.
"Forming a New Generation Cooperative in Manitoba"
http://www.umanitoba.ca/afs/agric_economics/MRAC/

Morris, Ralph. (1996) "Legal and Financial Aspects of New Generation Cooperatives: Legal Implications" *New Generation Cooperatives Conference*. April 1996
<http://www.wisc.edu/uwcc/info/morris.html>

Hanson, Mark. (2000) "Starting a Value-Added Agribusiness: The Legal Perspective" Illinois Institute of Rural Affairs, Western Illinois University. January 2000.
http://www.iira.org/pubsnew/publications/IVARDC_Other_5.pdf

Brown, Roger and Christopher Merrett. (2000) "The Limited Liability Company vs. the New Generation Co-op: Alternative Business Forms for Rural Economic Development" *Rural Research Report*. Illinois Institute of Rural Affairs, Western Illinois University.
http://www.iira.org/pubsnew/publications/IVARDC_RRR_44.pdf

Saskatchewan Economic and Co-operative Development. (1999)

“Building the New Saskatchewan: New Generation Co-operatives for Agricultural Processing and Value Added Projects” November 1999.
<http://coop-studies.usask.ca/NGC2/DEVELGDE.pdf>

Stefanson, Brenda, Murray Fulton, and Andrea Harris. (1995) “New Generation Cooperatives: Rebuilding Rural Economics” Centre for the Study of Co-operatives, University of Saskatchewan. September 1995.
<http://coop-studies.usask.ca/pdf-files/Rebuilding.pdf>

Johnson, Dennis. (1996) “The Rise of the New – Wave Cooperatives” *American Cooperation*. National Council of Farmer Cooperatives.
<http://www.americancooperation.org/Browse.htm>
(Select 1996, Select the Article, it is located under Chapter 5)

Torgerson, Randall. (2001) “A Critical Look at New Generation Cooperatives” *Rural Cooperatives*. USDA Rural Business-Cooperative Service. January/February. P.15-19.
<http://www.rurdev.usda.gov/rbs/pub/jan01/jan01.pdf>

Lawless, Greg and Will Hughes. “Potential Role of Cooperatives in Wisconsin’s Aquaculture Industry” University of Wisconsin Center for Cooperatives. http://www.wisc.edu/uwcc/info/i_pages/aquacul.html