



COVID-19 RESPONSE

IMPACT OF COVID-19 ON OKLAHOMA'S AGRICULTURAL COOPERATIVES

Learn about impacts to agricultural cooperatives in Oklahoma due to the COVID-19 virus.

Agricultural cooperatives, like other essential businesses, have faced the joint challenge of continuing service and operations while taking all appropriate steps to safeguard employees and customers. The cooperative's producer members are directly impacted by operational changes and also indirectly impacted, since all of the costs and lost revenues are ultimately borne by the members. Since March 2020, agricultural cooperatives have been following recommendations provided by the Centers for Disease Control and state of Oklahoma. Most cooperatives have closed their lobbies and offices to customers and limited employee contact. Some personnel have been working remotely or alternating days to be in the office. Cooperatives also have implemented increased sanitation and limited interaction among employees. Workplace changes have created complex questions involving employment and benefit policies and regulatory compliance.

Agricultural cooperatives operate with a very lean personnel structure, so operational changes have led to increased work load and higher costs. Members rely on cooperatives for advice and consultation on a wide range of topics from crop protection to the timing of input purchases or grain sales. Agricultural cooperatives have been forced to develop innovative ways to meet members' informational needs, while protecting both customers and employees. Many cooperative members are older and some do not have high-speed internet access. The transition to contactless or limited contact transactions has been difficult for both cooperative employees and member customers.

Agricultural cooperatives also have faced other COVID-19 related operational challenges. Cooperatives have reduced

employee travel and limited necessary travel to one employee per vehicle. The need to limit travel, coupled with the closure of many support businesses and county and state offices, has made it difficult for cooperative employees to receive training on grain elevator safety, pesticide application and other vital areas. The training required for a commercial driver's license has been difficult to obtain and access to commercial driving license examinations has been restricted or curtailed. Oklahoma State University is offering grain grading schools in a virtual format. While the schools will help cooperatives meet regulatory requirements for licensed grain graders, they will not duplicate the hands-on experience of the previous face-to-face programs. The COVID-19 pandemic also has made it difficult for agricultural cooperatives to obtain personal protective equipment. A survey by the Oklahoma Agricultural Cooperative Council indicated a shortage of more than 10,000 grain dust respirators.

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The COVID-19 pandemic has created governance issues for farmer-owned cooperatives. Cooperatives have been unable to conduct annual membership meetings. Those meetings are an important vehicle for farmer control and transparency and also are legally mandated in cooperative's articles of incorporation and bylaws. Many cooperatives have been conducting virtual board of director meetings. That new format raises issues in cybersecurity, as well as logistical issues like proof of quorum and vote tabulation. Historically, most agricultural cooperative members have received updates from their cooperative and expressed opinions through personal contact. COVID-19 restrictions have made member participation more difficult.

The financial implications of COVID-19 on agricultural cooperatives are difficult to estimate. Operational changes

have created increased costs and reduced sales. Reduced grain prices have put downward pressure on grain handling and storage margins. Training and regulatory compliance costs have also increased. Cooperative members have experienced job losses, employment furloughs and a reduction in oil and gas royalty payments. That economic stress has led to an increase in accounts receivable for farm supply cooperatives. The costs from noncollectable accounts cannot yet be determined, but it will ultimately be borne by the farmer members. Financial impacts are likely to continue to escalate as time goes on. Oklahoma's cotton gin cooperatives could face significant challenges in obtaining ginning crews if border restriction continues into fall 2020.