

## Can Cooperatives Seize the Moment?

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The Tax Reform and Jobs Act of 2017 (tax reform) created the Section 199A deduction for cooperatives and their members. You don't need me to tell you that a least on provision of Section 199A is controversial. The tax reform process has greatly raised the profile of the cooperative business model. Agricultural cooperatives were one of the few sectors that received a special provision in the tax reform act. There has been debate as to whether the provisions, as originally passed, will give cooperatives an unfair advantage. Popular press articles have suggested that investor owned businesses will convert to cooperatives and producers will form new cooperatives.

As they say in Hollywood, any publicity can be good publicity. The challenge for cooperatives is to seize the moment and tell the cooperative story. There are many great talking points. Agricultural cooperatives distribute their profits to their producer members rather than to investor members. We need to point out that essential difference when people suggest that investor owned firms will re-organize as cooperatives. The difference between cooperatives and investor owned corporations is not some incorporation technicality; it is the essence of the objective of the firm. Now is our time to promote and communicate the principle of "user benefit".

Producers, and perhaps the rest of us, are always looking for a tax angle. Farmers always have an eye on taxes when they consider the timing of input purchases or commodity payments. Perhaps that mindset contributes to predictions that producers will form new cooperatives to align with tax provisions. The opportunity for the cooperative industry is to shift the conversation from the mechanics of tax legislation (which may or may not change after legislative clarification and rule writing) to the basic economic rationale for agricultural cooperatives. Cooperatives allow members to achieve economies of scale and reduce costs. Cooperatives expand the producer's access to the market place. Cooperatives also help producers share and manage risk. It would be great to have a new wave of cooperative start ups. The more important point is that it would be great to have more producers consider the benefits of patronizing a user owned business regardless of whether it's one they started or one they have been driving by all these years.

I had a cooperative manger tell me that he never criticized a competitor. He felt that he had so little time in front of the producer that he didn't want to waste it by mentioning another firm. That is good advice as we try to seize the moment in communicating the cooperative advantage. We should concentrate on promoting our business model and leave any comparisons up to the producer.

It's a great time to be a cooperative member! Let's seize the moment and tell our story!

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