

Does Interest in Cooperative Mergers Occur in Waves?

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In corporate America, mergers and acquisitions appear to occur in waves. Merger waves have been attributed to the business cycle, regulatory changes, interest rates, “group think” and a host of other possible causes. I doubt there are enough observations to determine if there are waves in cooperative mergers. Interest in mergers does seem to occur in cycles. Since I have never heard an explanation as to why interest in unification waxes and wane, I’m going to speculate.

The potential for economies of scale and scope are the general rationale for combining two or more cooperatives. Just like the wheat farmer who only wants to own all the land that adjoins his holdings, organizations usually perceive advantages of growth. While that force is constant, I would propose that there are three forces that lead to cycles of interest in considering unifications.

The first factor is improvement in cooperative communication systems. When the first two single location cooperatives considered going together I would imagine the perceived lost of contact with the board and manager was a major issue. As cooperatives improve communication through location personnel, newsletter, web pages and other means, members are less likely to conclude that could not be plugged into a larger organization.

The second factor is the changing profile of the agribusiness industry. As large agribusiness firms consolidate and the competition shifts from regional to global, the perspective of cooperative members also expands. As producers gain a better understanding of the giants in their industry playground, they become more open to the concept of larger local cooperatives.

The last factor causing waves of interest in mergers is waves in interest in mergers. The concept of putting two successful cooperatives together involves a great many technical issues including equity structure and profit distribution. There are also major communication issues and questions concerning corporate culture. Cooperative leaders are always open to sharing their perspectives, success and failures. Information on the path that other cooperatives went down makes other cooperative less hesitant to breach the concept in their strategic planning discussions.

The goal of every cooperative should be to improve the profitability of its members. While the beach boys may be catching a wave, cooperative leaders just need a steady swimming stroke.