

Patron Drift

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Cooperative firms, like all firms, must evolve over time. Cooperatives face unique challenges because their customer owners have a long-term relationship with the firm. That long-term focus is one of the strengths of the cooperative business model but it also creates challenges. When our legacy agricultural cooperatives were formed they had a homogeneous membership that had come together because they had no source of inputs and no access to markets. Over time, the needs of cooperative members change, some members retire and new members enter the cooperative. The replacement members are often more heterogeneous and see a different rationale for the cooperative. This is known as patron drift.

Patron drift affects what members want out of the cooperative and how they relate to it. The evolving patron base may be farming at a larger scale and need speed and space. They may be involved in different crops or different cropping systems. They may have different demands for services such as fertilizer and crop protectant application or crop scouting. As cooperatives grow the membership becomes more heterogeneous and needs also more divergent. Different segments of the membership utilize the cooperative differently and have different needs. The evolution of patron needs create challenges in both the asset side and equity side of the balance sheet.

The second dimension of patron drift is the change in how members relate to the cooperative. As cooperatives grow the cooperative begins to mean different things to different patrons. For some patrons the cooperative is fully integrating into their farming operations while for others it is one element of a portfolio of agribusiness partners. Patrons have different levels of interest in monitoring and influencing their cooperative and different channels of communication.

Patron drift is not a bad thing; it simply reflects the constant evolution of our agricultural industry landscape. Cooperatives cannot stop patron drift but they can try to steer the cooperative in the direction of the drift. I'll discuss some strategies for that process in my next newsletter.