

Positioning for the Future

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Progressive Farmers Cooperative is a diversified grain and farm supply cooperative with 9 locations and approximately \$100M in sales. At the last strategic planning retreat the board discussed how the cooperative could best re-position or re-invent itself for the future. The issues revolved around the cooperative's value package. One dimension of the value was through the customer transactions and price and service. Another dimension was ownership and the equity revolvment cycle. A third dimension was the ability to have input and be involved with the cooperative.

Despite its name, Progressive's structure and operation are typical of grain and farm supply cooperatives. The cooperative pays 35% cash patronage and is on an age 70 equity redemption program. It has a 5 member board, all of which are elected at large. The grain facility and fertilizer warehouse are nearing the end of their useful life and the cooperative is somewhat land-locked at its current location. Three different concepts of how the cooperative could appeal to the next generation of producers emerged:

Customer Focus

Strive to compete on price and service. Maintain the age 70 retirement program but channel all current earnings to cash patronage and unallocated returns. Communicate to potential members that the cooperative's prices combined with cash patronage make it a better deal than competitors.

Return on Investment

Demonstrate that cooperatives can create an attractive return on investment. The cooperative would transition to an age of stock system and strive to get the revolving period down to 7 to 10 years. The cooperative would switch to non-qualified stock distributions, eliminating the tax impact on members but would keep cash patronage low, perhaps even 10%. Instead of redeeming stock for cash the member would receive preferred stock which pays a 8% dividend. After 5 years the preferred stock could be redeemed for cash but members would be encouraged to continue to hold it. All of these steps would increase interest in getting and holding cooperative stock which would in turn generate the funds to upgrade infrastructure.

Member Involvement

Concentrate on member involvement which research shows is closely related to loyalty and satisfaction. An on-line voting system would be implemented and board nominations could be made through the web site. An associate board would be established. Summaries of the board meetings (with confidential information omitted) would be available on the web site and a blog for questions for the board of directors would be established. A number of member committees including the annual meeting committee, the long range planning committee, the corporate stewardship committee and the membership communications committee would be formed. The goal would be to have at least 25% of active members involved in one or more activities each year.

Assignment: Which of these three visions would you see as having the best chance of positioning the cooperative for the future? If you were to mix and match, what components are most appealing?