

Transforming the Cooperative for the Next Generation

Phil Kenkel

Bill Fitzwater Cooperative Chair

AE-16015 Dec. 2016

During their annual strategic planning retreat the board of Farmers Cooperative Association discussed strategic threats. One threat was the difficulties in attracting the next generation of cooperative members. The majority of Farmers Cooperative Association members were over 60 years old. While there were some younger producers in the trade territory, their use of the cooperative was sporadic. The CEO was charged with organizing a focus session with younger producers to determine how the cooperative could improve its appeal with that age group.

Kurt, the cooperative's CEO took on the task and found it more difficult than he anticipated. He discovered that younger producers were busy people juggling farming obligations, outside employment and family obligations. The typical response was "thanks for thinking of me but this is not a good time for me to get away". Kurt was finally able to arrange a lunch meeting during which he could conduct a short discussion with five young producers. During the meeting Kurt attempted to ascertain the producers' attitude toward the cooperative and their needs as emerging farmers. Kurt presented the following summary bullet points to the board:

- Younger producer constantly review prices and options. They were glad to do business with the cooperative when it was positioned with the best price.
- They factored in cash patronage to the extent that it was predictable but felt that the tax obligations on retained patronage offset the value from the cash portion. They placed almost no value on receiving revolving equity with its current 24 year revolving cycle.
- They felt that the cooperative was behind them in agronomy technology
- They seldom read the cooperative's newsletters and visited the web page only to check prices. They had little understanding of the cooperative's structure or programs.
- Their major concern was locking up farm ground in either cash rent or sharecrop arrangements. They would readily change input suppliers or grain handlers if the landlord had a preference. One producer accused the cooperative of steering landlords to large members rather than to young producers.
- Young producer's greatest need was for input financing.
- They had little interest in serving on running for the board of directors or serving as an associate board member. One young producer indicated that he didn't know enough

about the cooperative to contribute. Another said that the board members were at a different point in their careers and had time for long drawn out meetings.

- They rarely attended the cooperative's annual meeting and perceived the board member elections as more of formality to re-elect the existing board.

Frank, the board chair considered how to frame a discussion on how the cooperative could better relate to younger producers. Rather than rehash past discussions for incremental changes he decided on a different approach. Frank asked the board: "If we were designing this cooperative from scratch to meet the needs of tomorrow's producers how we design the equity, profit distribution, services, communications and governance?"

If you were redesigning Farmers Cooperative Association from scratch how would you address the following areas?:

1. How should the cooperative obtain equity ensure that the members who are using the cooperative are providing the necessary capital?
2. What is the role of tomorrow's agricultural cooperative in creating value and revenue through expertise and information?
3. Approximately 40% of all U.S. farmland is owned by non-farmers and rented. Is there a role for tomorrow's cooperative in the landlord-tenant relationship?
4. Is information technology just an avenue for increased efficiency in communication and governance or can the cooperative of tomorrow create a new dimension of interconnectivity with members?
5. Are there better ways to structure the activities of the board of directors or to allow interest members to contribute to the governance of the cooperative?