



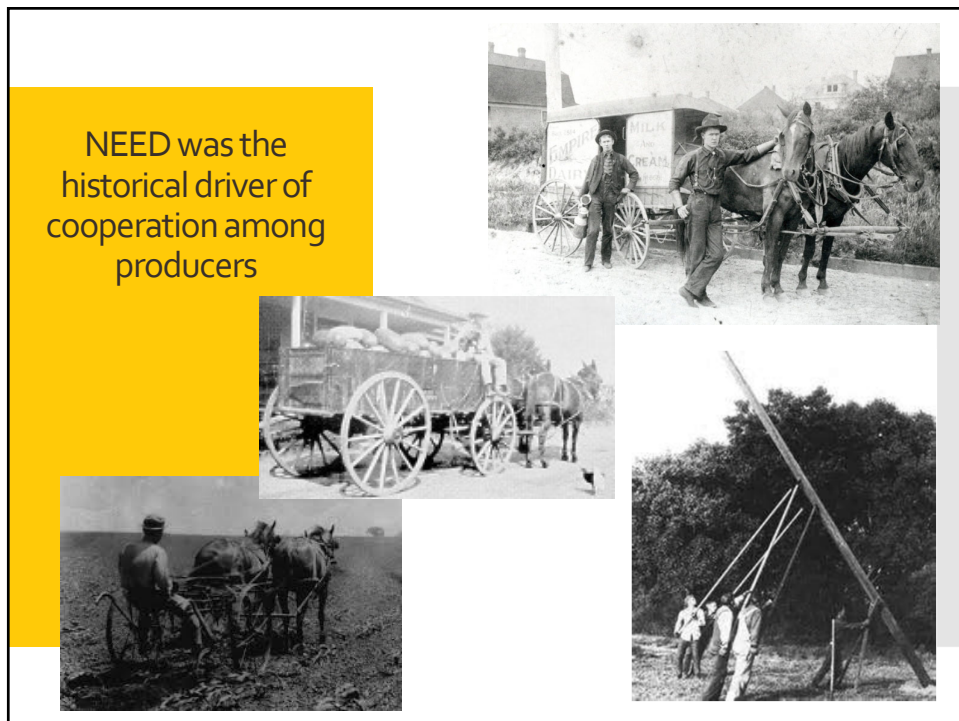
1



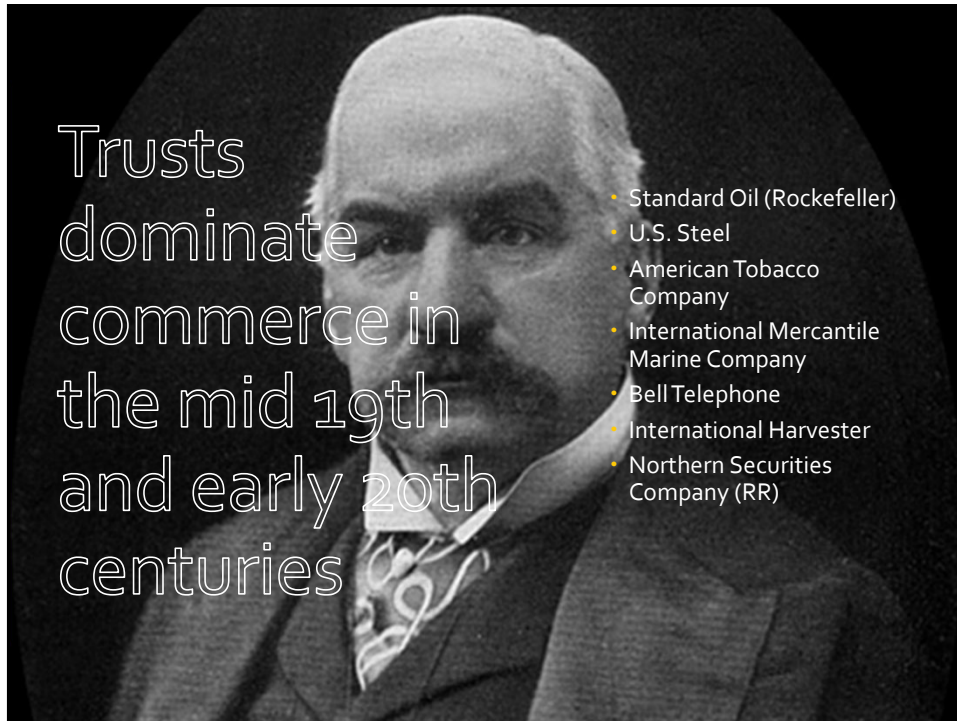
2



3



4



Trusts dominate commerce in the mid 19th and early 20th centuries

- Standard Oil (Rockefeller)
- U.S. Steel
- American Tobacco Company
- International Mercantile Marine Company
- Bell Telephone
- International Harvester
- Northern Securities Company (RR)

5

Farmers lacked representation on the national political scene, had no formal organization, and could not effectively negotiate terms of trade with agribusinesses.

They needed a "better" way to do business.

- Access inaccessible goods and services
- Open downstream markets
- Create infrastructure and shared operations
- Address systemic risks
- Maintain market power

6

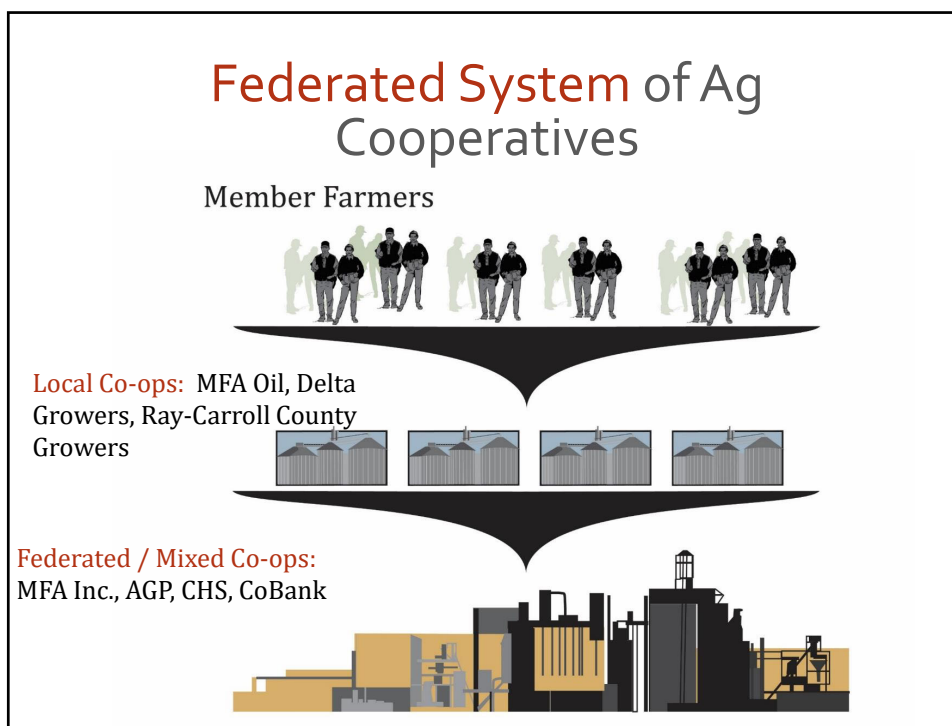
A Solution: Collective Action through Cooperatives

- User-**owned** – **members** provide equity to the cooperative; the principles of capitalization and economic participation by members.
- User-**controlled** – **members** control and oversee the cooperative's operation by voting on important matters and electing the board of directors from among the membership.
- User-**benefitting** – **members** have residual claim to profits and assets; they share in the profitability and tax benefits and derive benefits through increased efficiency at the co-op.

7



8



9

Through cooperatives, producers can more fully **participate in and benefit from** the value-generating activities in their supply chains.

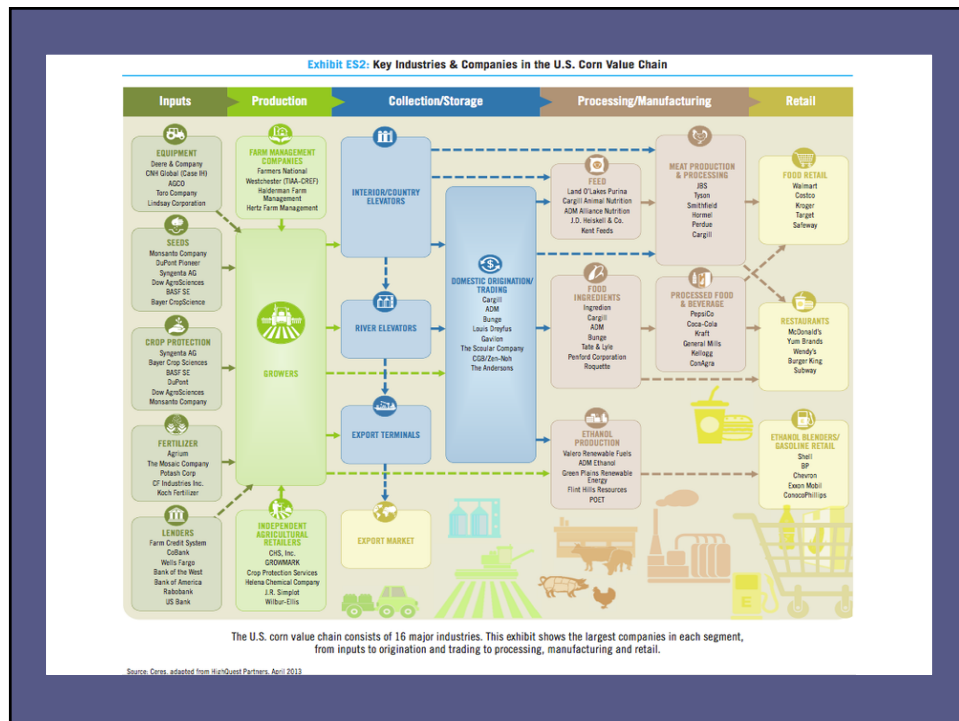
Fundamentally, a cooperative is the members' collective **investment in up- or down-stream activities in their supply chains.**

10

What is the “now” context for the value of cooperatives?

Do we still have that same “need” for producer-owned cooperatives like we did in the late 1800s and early 1900s? Haven't things changed?

11



12

Competitive Yardstick Role of Co-ops in a Capitalistic Economy

- In competitive economic systems, firms are forced by competition to use methods and to operate at sizes that minimize per-unit costs.
- Competitive prices allow a normal rate of return to capital and managerial skills (economic return).
- Co-ops are seen as pricing products and services "at cost" because they allocate profitability back to their members (those from whom the profits were derived).



13

Why We Need Ag Cooperatives Today

- **Existence value** – producers benefit by having options in the marketplace and a company that protects producer market power.
- **Risk pooling** – input inventory management, storage options, marketing alternatives; collective acquisition and marketing lowers individual risks in these areas.
- **Rural community vitality** – local investments, local charitable giving, local employment, local income
- **Patronage and tax benefits**
- **Control** by producers - knowing decisions are made by those who use the co-op and share in its successes and failures

14

Who makes the decisions, for whom, and to what end **matters**.

It matters in the company's strategy, in its decisions, and in its outcomes.



Juan R. Luciano
Chairman of the Board of Directors,
President and Chief Executive
Officer Archer Daniels Midland
Company



Alan L. Boeckmann
Retired Chairman and Chief
Executive Officer, Fluor Corporation



Terrell K. Crews
Retired Chief Financial Officer,
Monsanto



Donald E. Felsing
Retired Chairman and Chief
Executive Officer, Sempra Energy



Patrick J. Moore
President and Chief Executive
Officer, PJM Advisors, LLC



Debra A. Sandler
President and Founder, LeGrenade
Group LLC



Kelvin R. Westbrook
President and Chief Executive
Officer, KRW Advisors, LLC



Michael S. Burke
Chairman and Chief Executive
Officer, AECOM



Pierre Dufour
Retired Senior Executive Vice
President, Air Liquide Group, and
retired President and Chief
Executive Officer, American Air
Liquide Holdings, Inc.



Suzan F. Harrison
President, Global Oral Care,
Colgate-Palmolive Company



Francisco J. Sanchez
Senior Managing Director, PI
Capital, Founder and Chairman,
CNS Global Consulting



Daniel T. Shih
Retired Deputy Chairman and
Executive Director, Stella
International Holdings Limited

15

Internal Challenges Facing Cooperatives Today

- Free riding
- Member heterogeneity
 - defining "success" and growth
 - protecting members' interests
 - Identifying a core member value
- Apathy
- Lack of participation
- **SHARED GOVERNANCE**

16



Governance

This Photo by Unknown Author is licensed under CC BY-ND

The best organizations seek diversity in governance.

Diversity of...

- Experiences
- Skills
- Perspectives

17



What role will **you** play in the success of your cooperative?

18

Thank you

Keri.Jacobs@Missouri.edu

