

Policy Pennings by Dr. Daryll E. Ray

Cooperatives provide independence and a counterbalance

We recently received an email from the Federation of Southern Cooperatives/ Land Assistance Fund referring to their 40th anniversary celebration August 16-18, 2007. The announcement, including a 1992 article by Ray Marshall, former Secretary of Labor and faculty member at the University of Texas at Austin, reminded us that as we approach the seventh anniversary of the launch of this column one of the policy areas we have yet to address is the importance of the cooperative movement.

The story of the Federation helps illustrate the importance of the cooperative movement for farmers and rural communities. In the midst of the civil rights era, African American farmers in the South began to develop cooperatives in response to the economic retaliation they were facing. Some cooperatives were well organized and flourished, while others struggled. In 1967, representatives of 22 local cooperatives gathered together and founded the Federation of Southern Cooperatives to provide the organizational and technical expertise they needed to be successful.

In his article, Marshall wrote, "It's not well understood outside of the South that there's a connection between economic independence and political independence - that people didn't have economic independence if when they voted they lost their jobs or got kicked off the plantation. The whole reason for forming cooperatives is to give people economic independence so that they could have independence in political and other matters."

Tennessee was at the forefront of the cooperative movement. The oldest livestock marketing cooperative in the US was organized in May 1877 as the Goodlettsville Lamb and Wool Club. In describing the circumstances surrounding the establishment of the cooperative, Wayne Moore of the Tennessee State Library and Archives writes, "Sheep farmers in the northern Davidson County town of Goodlettsville [Tennessee] had long submitted to the sheep buyer's practice of "guessing" the weight of spring lambs and paying the farmers accordingly.

"When buyers apparently were systematically underestimating the actual weight of the lambs, nineteen sheep growers headed by William Luton banded together to insist on proper weighing of their livestock. They called themselves the Goodlettsville Lamb Club and the next year changed the name to the Goodlettsville Lamb and Wool Club....The club's success meant increased

profits for sheep farmers, improvement in their farms, and a better community spirit."

The development of ethanol cooperatives over the last couple of decades again is the result of farmers seeking economic independence. With corn prices below the cost of production, farmers began to establish ethanol cooperatives as a means of increasing corn revenue and reducing their dependence on farm program payments from the federal government. Farmers were looking for a way to earn their livelihood from the marketplace through the further processing of a product they were producing in abundance.

Over the years, rural communities have been sustained by the cooperative movement. It would have taken years longer for many open country areas and rural communities to obtain telephone and electrical service if it had not been for the development of telephone and rural electric cooperatives.

When faced with monopoly practices, farmers organized supply cooperatives to provide them with the inputs they needed at competitive prices and marketing cooperatives like the Goodlettsville Lamb and Wool Club to give them top dollar for the fruit of their labor.

And yet after decades of providing "an alternative," cooperatives can be taken for granted. Farmers can forget that, while an input supplier down the road may be selling fertilizer for \$5 a ton cheaper than the coop, it is the coop that keeps an "overall lid" on those input prices. When revenue exceeds costs and expenditure needs, local cooperatives reinvest in their local communities or the "profits" go to patrons rather than corporate coffers.

Of course, not all farmer cooperatives succeed. "Beyond-the-farm gate" cooperatives can face particularly difficult challenges. Sometimes a failure of that sort will color farmers' attitude about cooperatives in general. That is understandable but unfortunate. Cooperatives are the primary means farmers have to counterbalance the market presence of the few and powerful companies that sell to and buy from farmers.

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