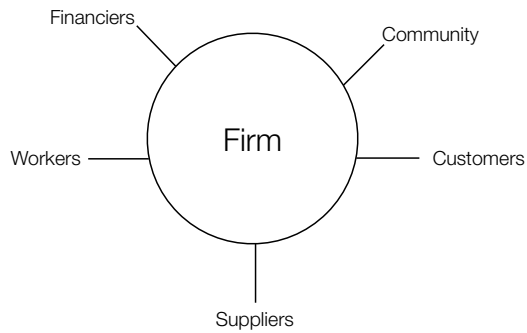


## The Firm and its Stakeholders

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Most firms are owned by which stakeholder?

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## Cooperative Ownership: A Unique Business Model

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Investment capital and board control in the hands of patrons.

What does this mean and why does it matter?



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What does "ownership" entail and who are the best owners?

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- Provide the capital
- Monitor management
- Set strategy and make high-level decisions

... the costs of ownership

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## Cooperatives in Agriculture: An Introduction

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Brent Hueth, Director and Associate Professor  
University of Wisconsin Center for Cooperatives  
Dept. of Agricultural and Applied Economics

Prepared for Farm Industry Short Course

December 10, 2009

Monday, December 14, 2009

Different kinds of cooperatives depending on which stakeholder is the owner

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- Worker
- Supplier/Producer
- Consumer
- Business-to-business

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## Free Riding

Uninvolved members don't incur all ownership costs

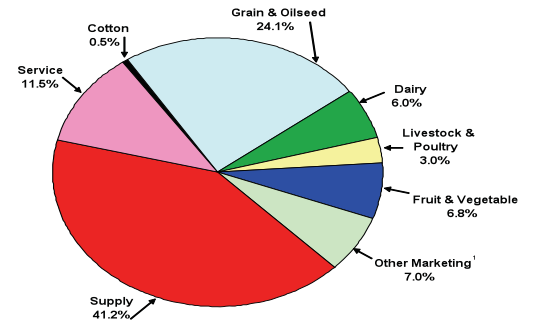
Is there a reason to be involved?

What is the value of a cooperative to members and how much should be sacrificed to sustain it?



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Appendix Figure 1—Distribution of Cooperatives by Type, 2008



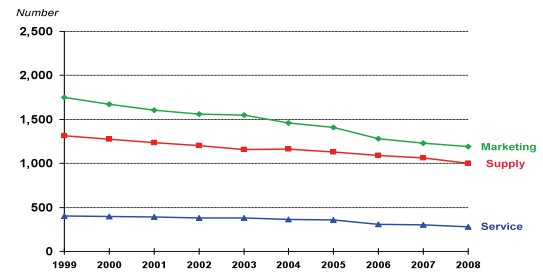
Percentages are based on a total of 2,473 cooperatives.  
<sup>1</sup>Includes dry bean and pea, nut, wool and mohair, tobacco, rice, sugar, fishery, and other product marketing cooperatives.

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Which is higher for you—the cooperative member patron—the cost of ownership, or the cost of relying on the market?

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Figure 1—Cooperatives in the United States, 1999-2008



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Cooperatives are an exception and a response to market failures.

Market power

Imperfect information

Missing markets

... the costs of relying on the market



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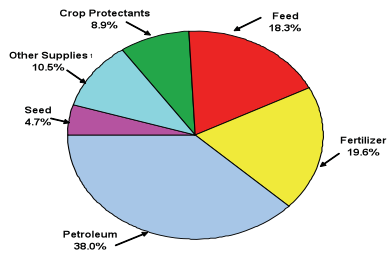
## Cooperatives in U.S. Agriculture

- Critical component of industry
- Dating back to early twentieth century (and before, though less formal)
- Sapiro vs. Nourse rationale



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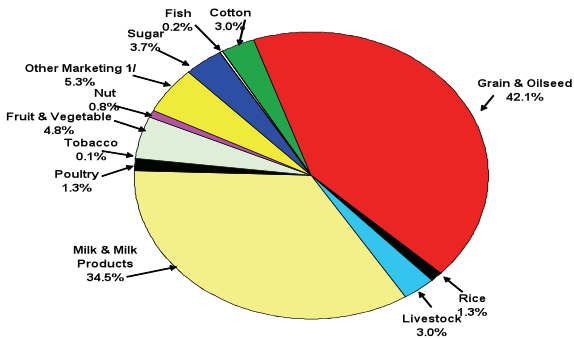
**Figure 9—Relative Importance of Supplies Handled by Cooperatives, 2008**



Percentages are based on a total net supply business volume of \$50.6 billion.  
 † Includes building materials, tires, batteries and accessories, equipment, animal health products, pet food, semen, hardware, food, clothing, and other.

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**Figure 8—Relative Importance of Products Marketed by Cooperatives, 2008**



Percentages are based on a total net marketing business volume of \$109.1 billion.  
 † Includes wool and mohair, dry beans and peas, and other product marketing.

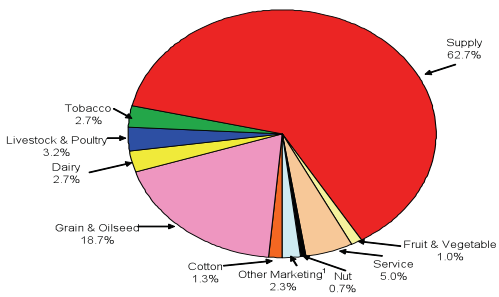
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## Challenges for the Future

- Valuation
- Member loyalty
- Attracting equity and growth
- Effective governance

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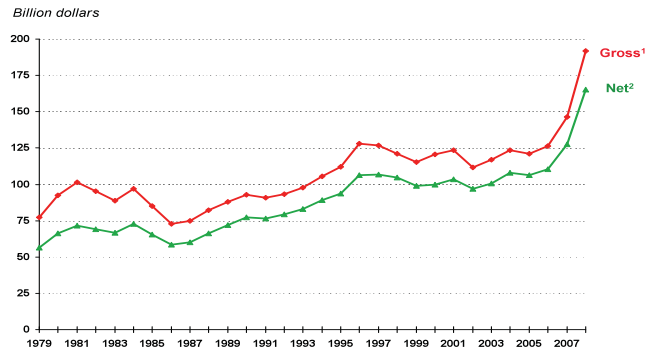
**Figure 2—Distribution of Memberships, by Type of Cooperative, 2008**



Percentages are based on 2.4 million total memberships.  
 † Includes dry bean and pea, wool and mohair, rice, sugar, fishery, and other product marketing cooperatives.

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**Appendix Figure 4—Cooperatives' Gross and Net Business Volumes, 1979-2008**



† Includes inter-cooperative business.  
 ‡ Excludes inter-cooperative business.

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