ECONOMIC TRADE-OFFS of AGRICULTURAL CONSOLIDATION

Farmer Cooperatives Conference

Keri Jacobs, Asst. Professor, Iowa State University
Rich Sexton, Professor, UC Davis
Allan Wegner, Board Chairman, MKC
Alan Woodard, CEO, Comark Equity Alliance
IOWA CO-OPs ARE DOUBLING IN “SIZE” ABOUT EVERY 10 YEARS
WHAT WE KNOW

- It’s not new, but it feels different
- The squeeze is on
- It’s not going away
- It is not driven by the downturn, but that is making it harder
- Bigger is not *necessarily* better
WHY MERGE?

- More output with fewer inputs
- Enhanced cost efficiency in admin and operations
- Access to strategic assets
- Value creation for producers
- Everyone else is doing it
WHY NOT MERGE?

- Managing members’ value proposition from co-op easier for smaller companies
- Financial strength with a solid core business
- Culture
- Able to innovate and be nimble by staying strategically small
- Governance
The co-op is just another big business.”

“IT’s not my co-op anymore.”

The member-level frictions created through consolidation have significant financial implications.

Consolidation – the act of it – is fundamentally putting at odds members’ values and perceptions with leaderships’ values and perceptions.
WHAT CO-OPS NEED TO FIGURE OUT...and QUICK

▪ At what point does a co-op cross that threshold from being “the farmers’ co-op” to “just another big business”?

▪ How does heterogeneity of members impact the value proposition of the co-op and what can be done about it?

▪ How do you ensure that all members benefit from the joint provision of value in a perceived and real way?
SOLUTIONS

A re-alignment of farmer and board / management.

We have to stop talking narrowly about ‘value.’

Farmers may be losing sight of THE most important function of their cooperative.
Role of consolidation and coordination on efficiency in supply chains
Board Chair, Mid Kansas Cooperative (MKC)

Experiences with and perspectives on mergers
CEA: An alternative to merger: alliances

ALAN WOODARD
CEO, Comark Equity Alliance (CEA)

An alternative to merger: alliances