

# **ECONOMIC TRADE-OFFS of AGRICULTURAL CONSOLIDATION**

**Farmer Cooperatives Conference**

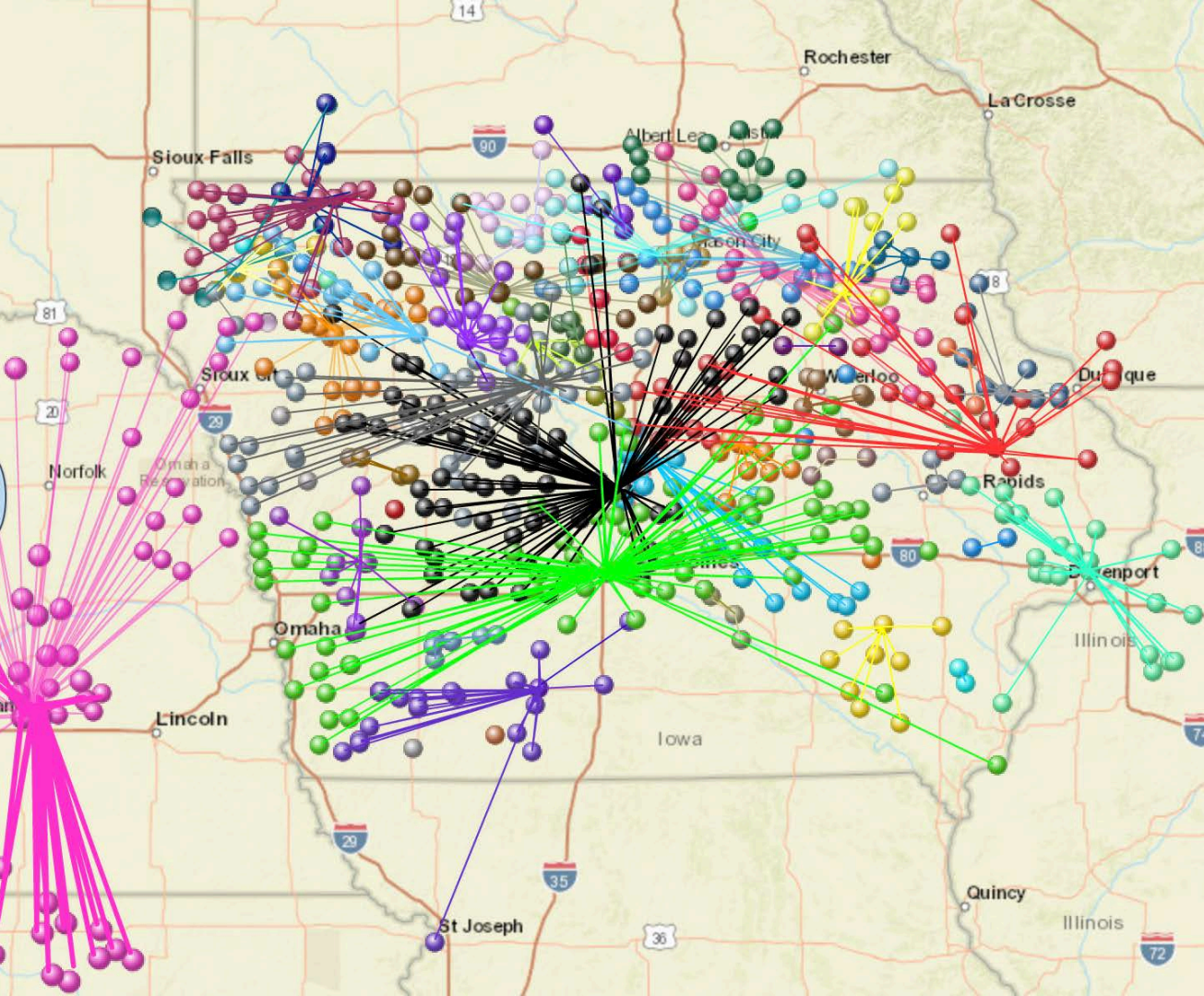


Keri Jacobs, Asst. Professor, Iowa State University

Rich Sexton, Professor, UC Davis

Allen Wegner, Board Chairman, MKC

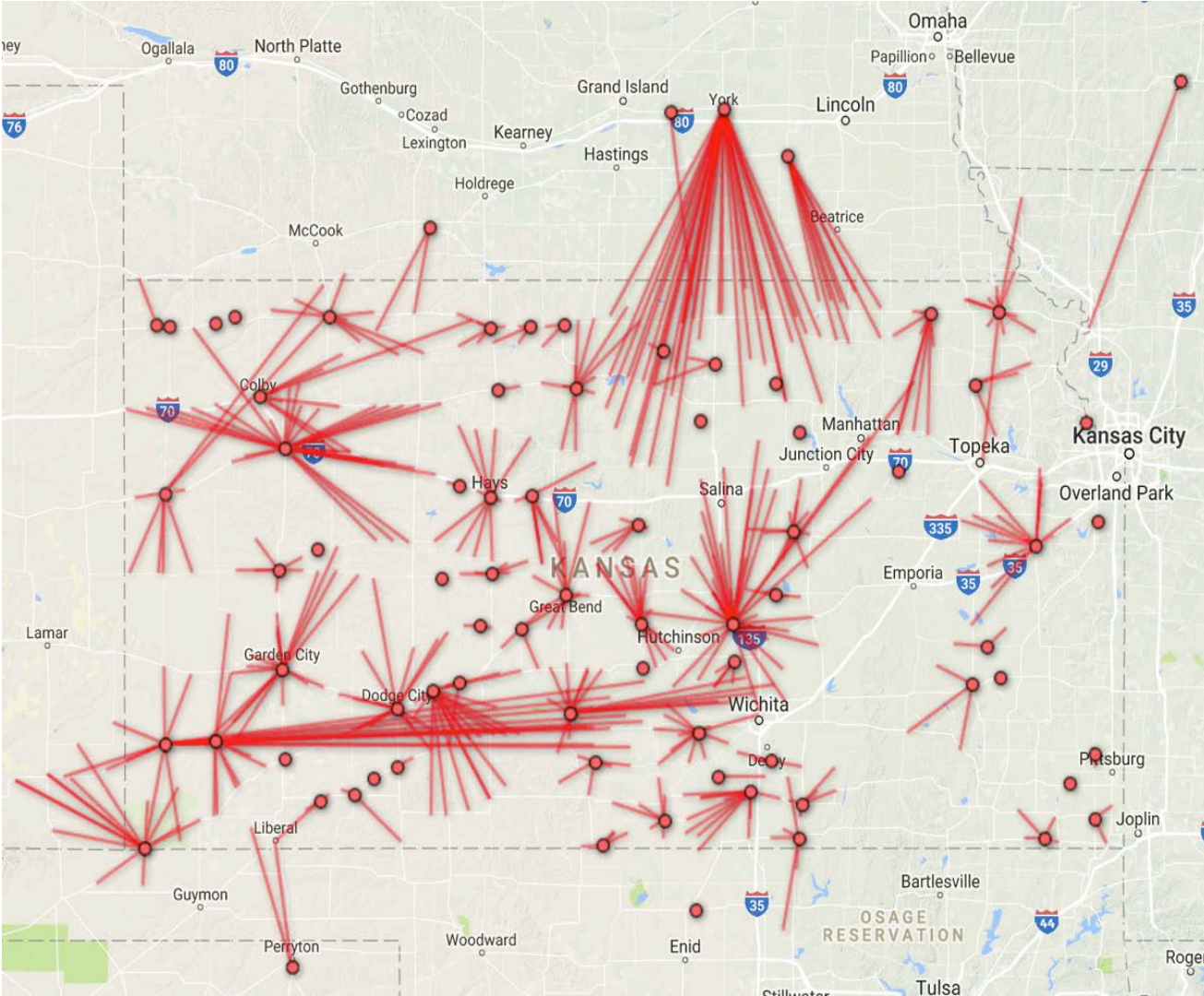
Alan Woodard, CEO, Comark Equity Alliance



## IOWA G&FS CO-OPS

Source: Iowa Institute  
for Cooperatives



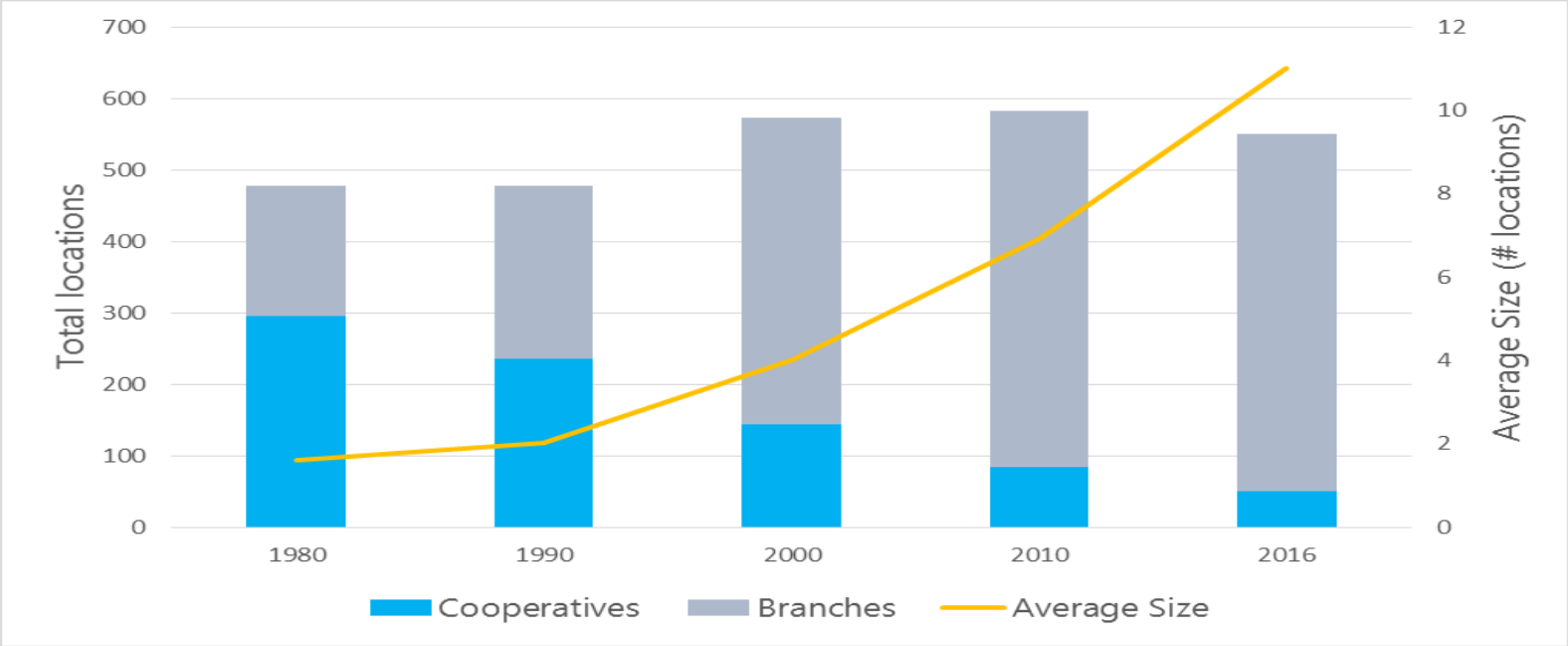


# KANSAS G&F'S CO-OPS

Source: Arthur Capper  
Cooperative Center, KSU



# 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 CRUX

- “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.





## **RICHARD SEXTON**

**Professor, UC Davis**

**Role of consolidation and  
coordination on efficiency  
in supply chains**





## **ALLAN WEGNER**

**Board Chair, Mid Kansas  
Cooperative (MKC)**

**Experiences with and  
perspectives on  
mergers**





**ALAN WOODARD**

**CEO, Comark Equity  
Alliance (CEA)**

**An alternative to  
merger: alliances**

