



# Cooperative Status and Trends: Iowa

**Keri L. Jacobs**

Iowa Institute for Cooperatives Endowed Economics Professor  
Assistant Professor, Extension Economist  
Iowa State University

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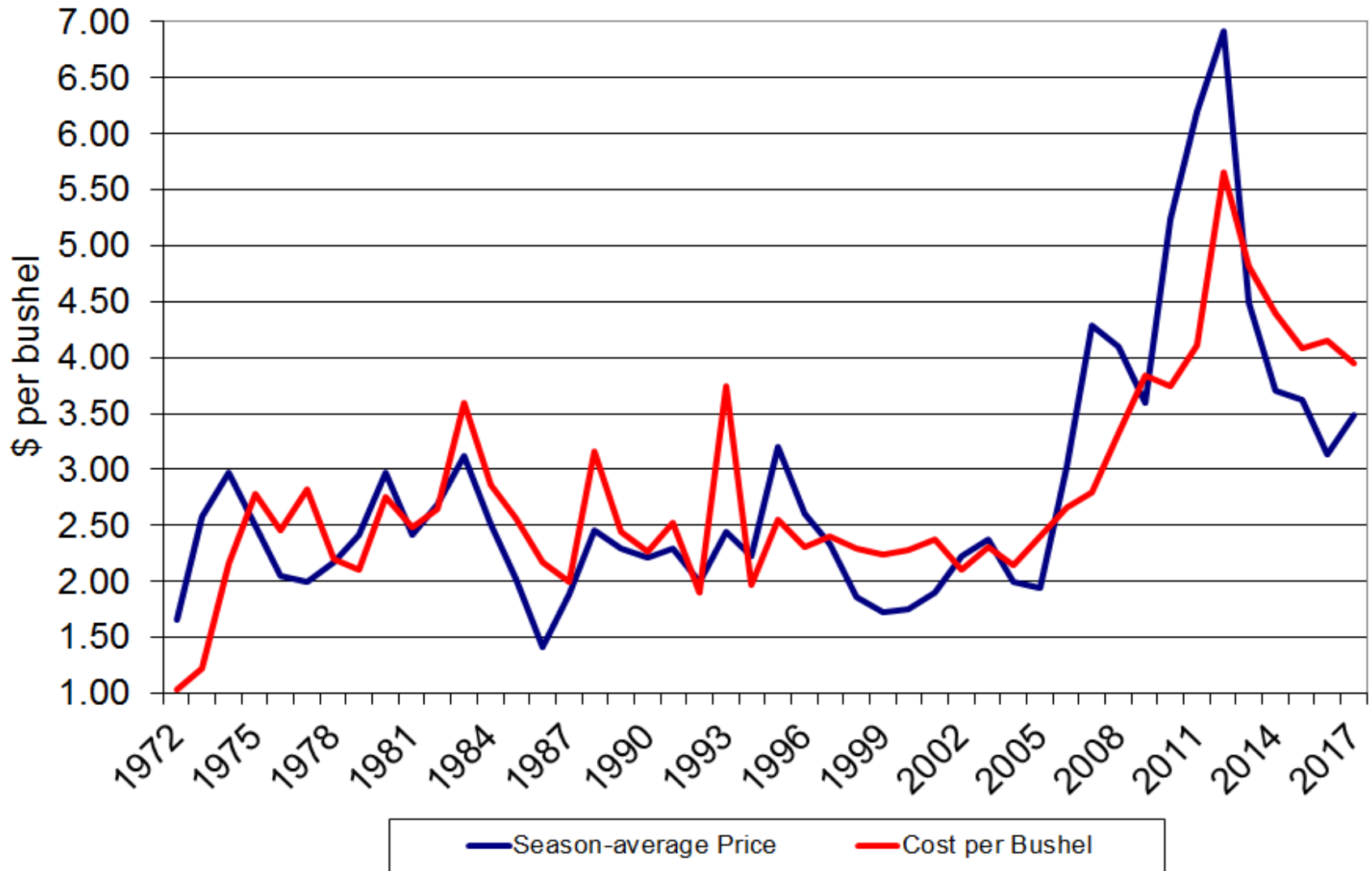
# What's Now



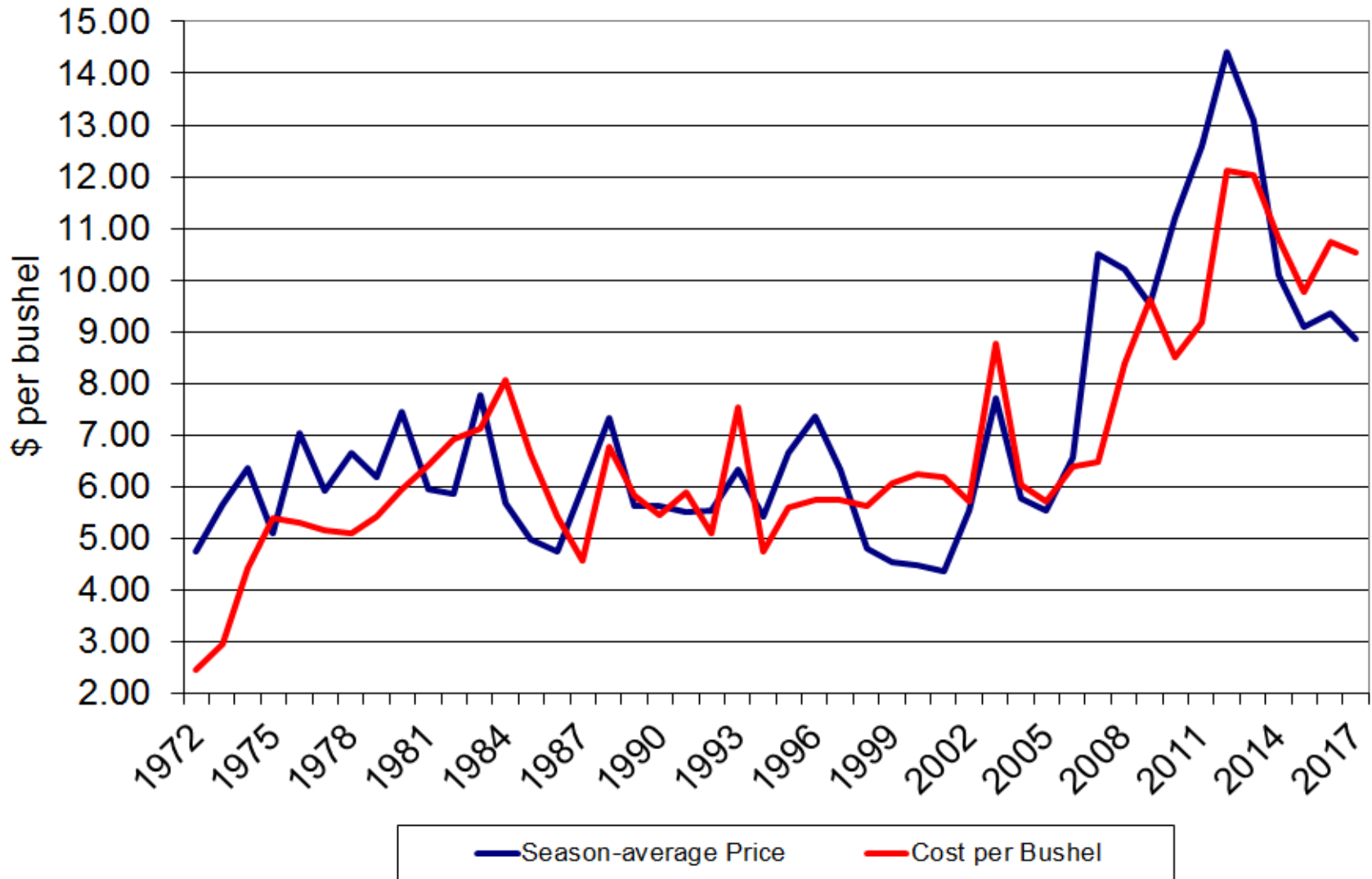
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1. Ag economy drag and waning margins
2. Consolidations
3. Employee and Member Challenges

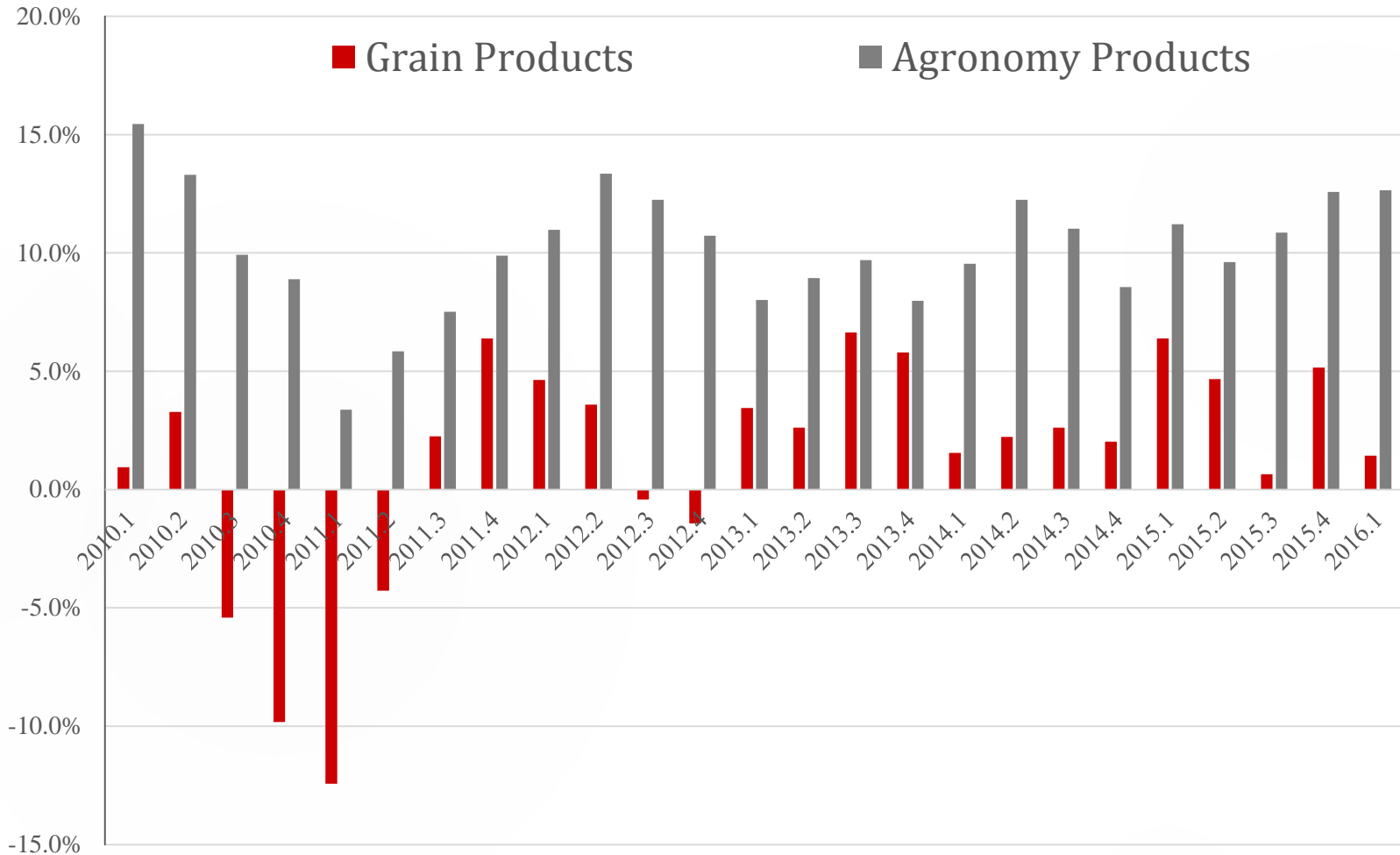
# Iowa Corn Prices vs. Costs



# Iowa Soybean Prices vs. Costs



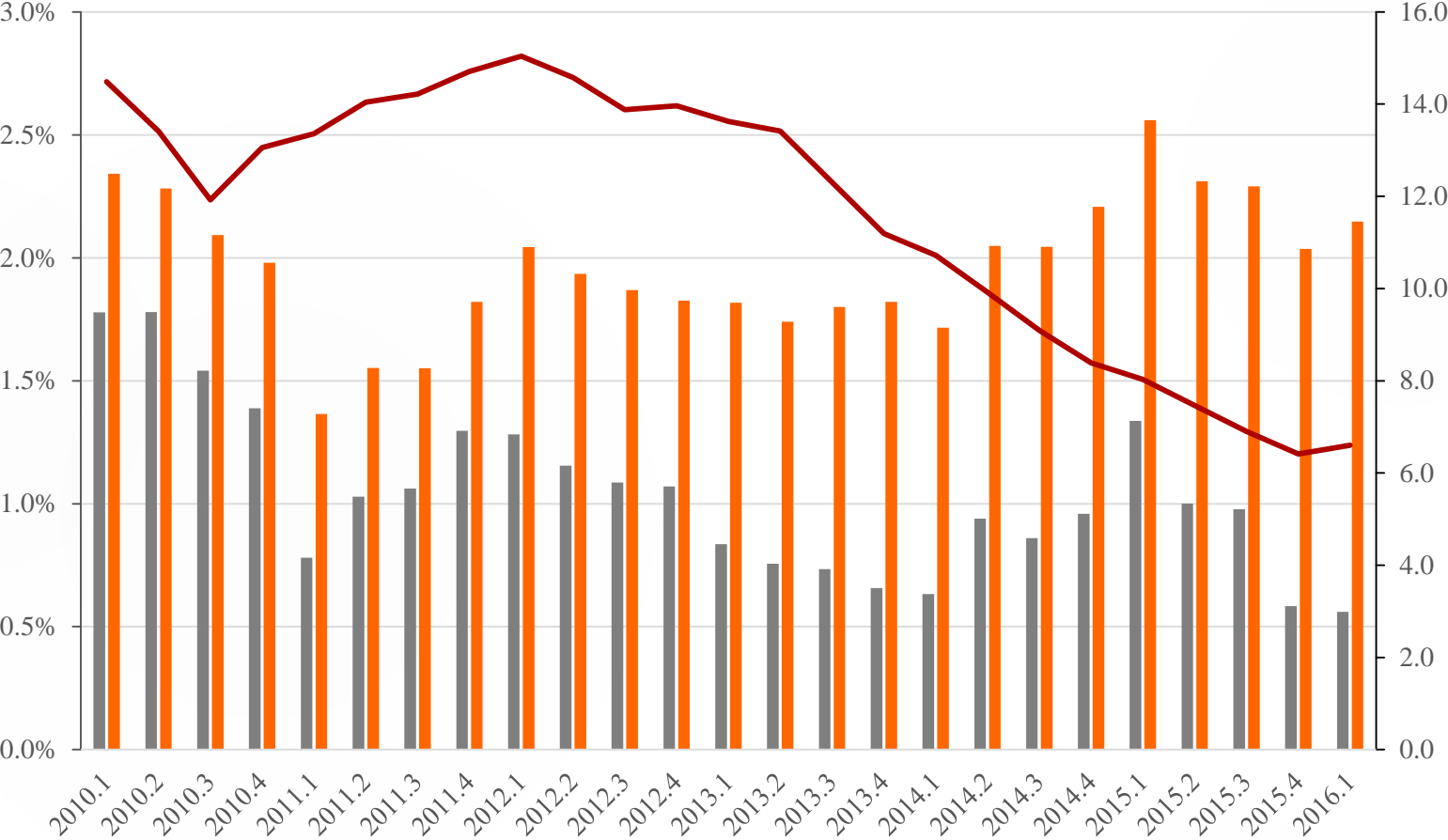
# Margins expected to tighten into 2017



# Regional support has helped



Local Income to Sales
  Total Income to Sales
  Sales to Net Fixed Assets



# Balance sheets still OK

- ✓ Working capital to sales
  - ▶ Guide: 7% of non-grain sales + 1.5% of grain sales
- ✓ Local Leverage
  - ▶ Guide: < 50% of local equity tied up in term debt
- ✓ Term debt to net fixed assets
  - ▶ Guide: < 50% of NFA financed with term debt

<b>Key Financial Indicators</b>	<b>5-Year Average</b>	<b>Q1 2016 YTD</b>
Working Capital to Sales	5.3%	5.4%
Sales to Local Equity	10.82	6.42
Long Term Debt to Net Fixed Assets	53.9%	37.1%
Long Term Debt to Local Equity	51.7%	39.2%
Accounts Receivable Collection Days	43.18	18.97

# Financial Stressors

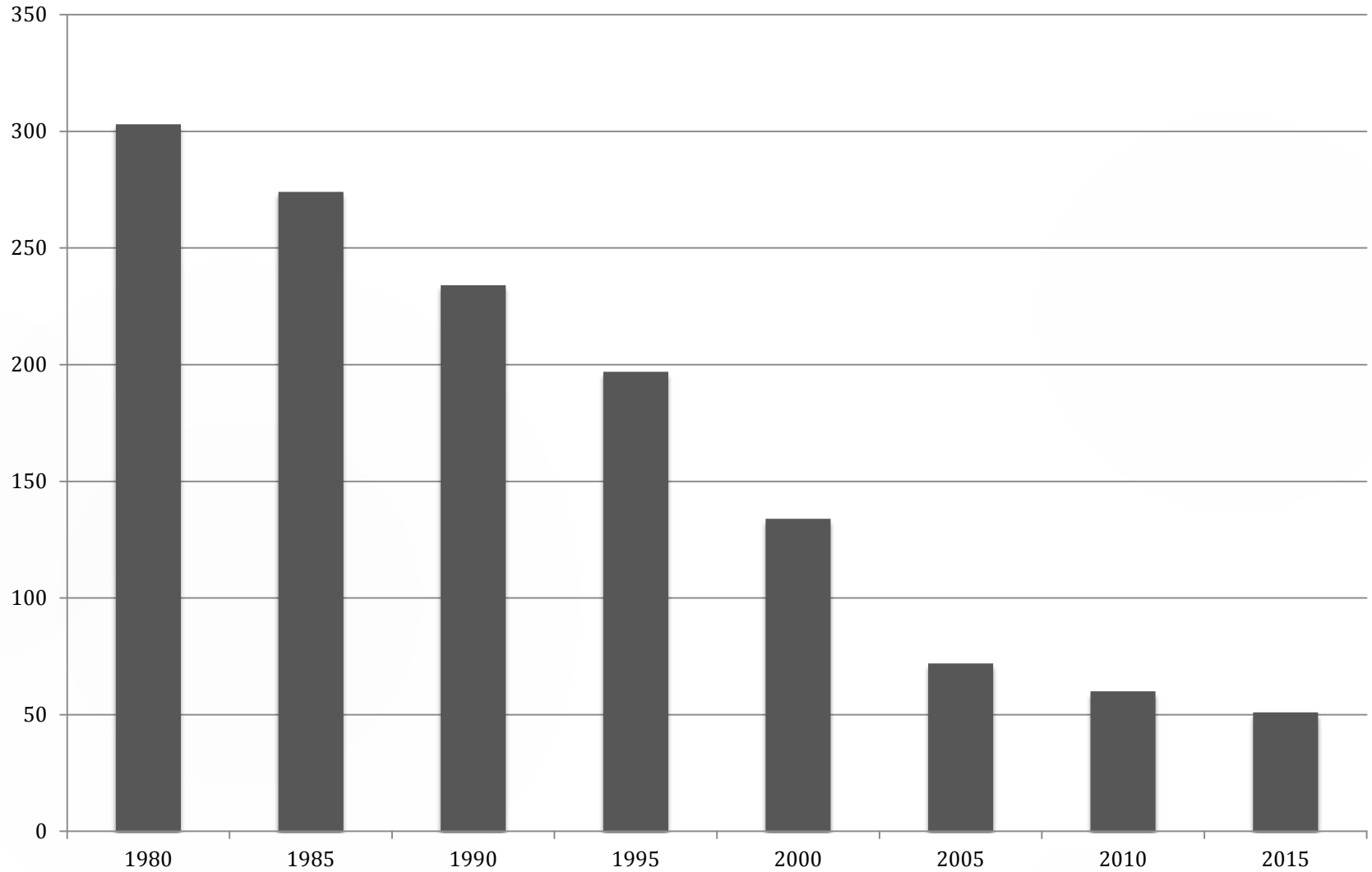
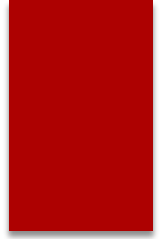


- ▶ Narrowing margins on grain
- ▶ Producers pulling back on inputs
- ▶ Accounts receivables
- ▶ Equity management and member base
- ▶ Regulatory
  - FSMA (HACCP compliance fairly widespread)
  - Product Safety Management exemption
  - Overtime exemption rule update

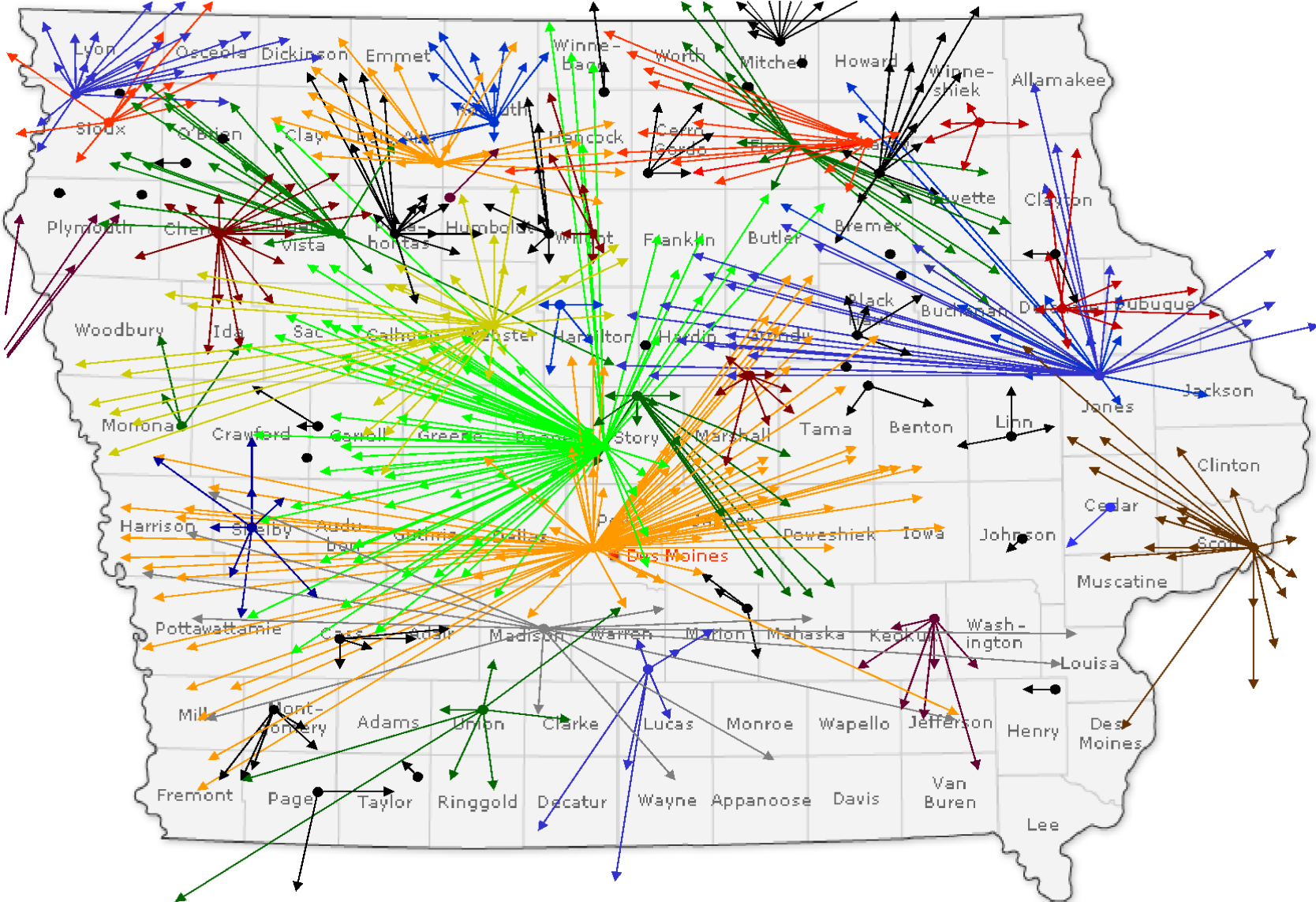


# Consolidation

# Iowa's G & FS Cooperatives



# G & FS in Iowa

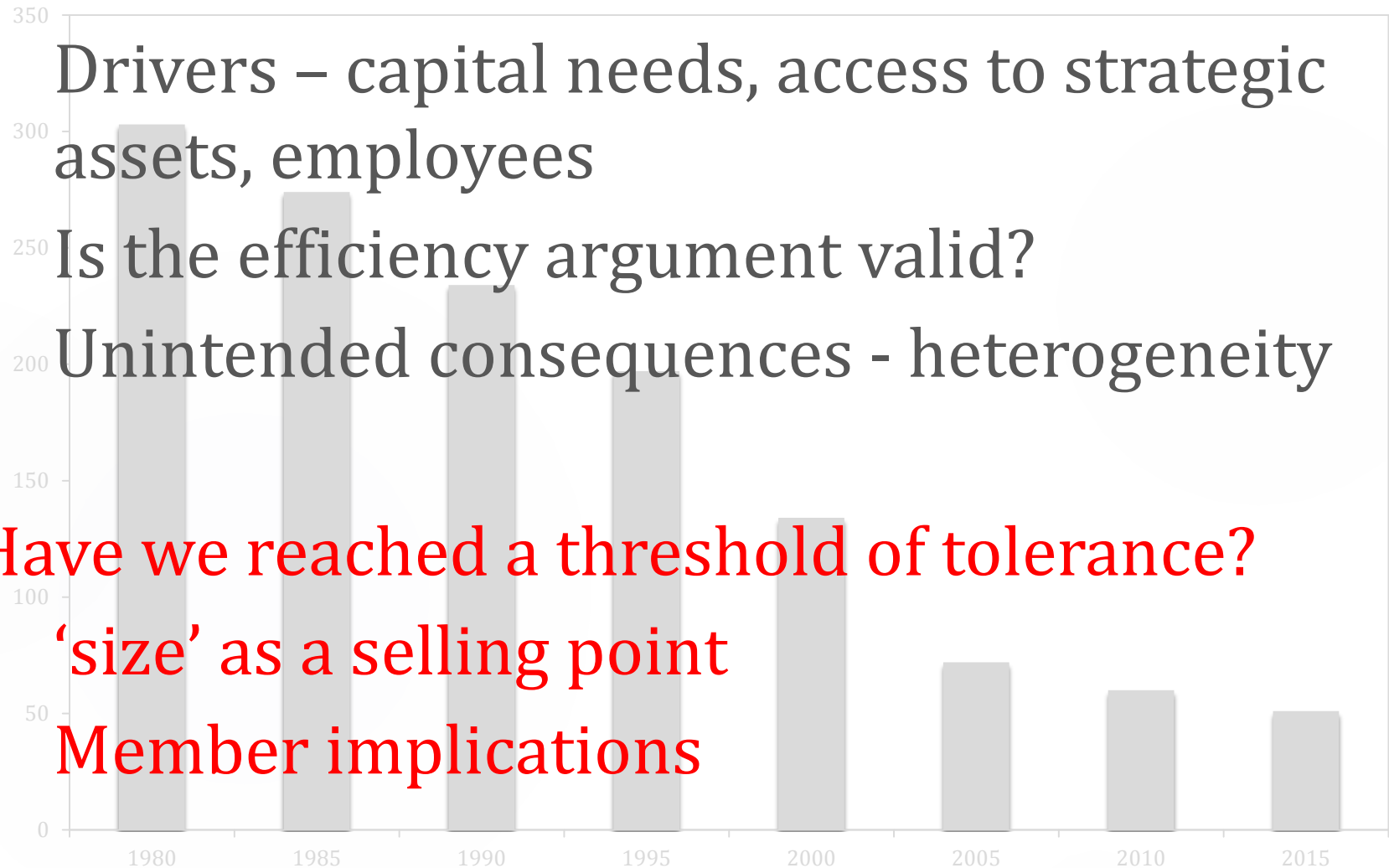


# Consolidation

- Drivers – capital needs, access to strategic assets, employees
- Is the efficiency argument valid?
- Unintended consequences - heterogeneity

Have we reached a threshold of tolerance?

- 'size' as a selling point
- Member implications



# Employees and Members

# What Keeps Boards Up At Night?

- Expanding demographics – where did the average customer go?
- Gap in generational understanding
- Counterparty risks
- Educating members
- Finding employees that ‘get’ co-ops.



# What Keeps Managers Up At Night?

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- Boards



# A few of my projects

## Consolidation

- What are impacts on competitiveness, market power, basis
- Does the efficiency argument pan out

## Soft-dollar costs of workers comp

- How are the safety programs performing? Is it 'worth' the economic cost?

## Understanding producer decisions – N & marketing





Keri L. Jacobs

e: [kljacobs@iastate.edu](mailto:kljacobs@iastate.edu)

web: [kerijacobs.net](http://kerijacobs.net)