

Agricultural Cooperatives and Dilemmas of Survival

by

Thomas W. Gray

**Rural Business-Cooperative Service, USDA,
Washington, DC**

**William Heffernan and Mary Hendrickson
Department of Rural Sociology,
University of Missouri-Columbia, USA**

Journal of Rural Cooperation, 29(2), 2001: 167-192

Abstract

The context of agricultural cooperatives is undergoing major change with the development of various food and information monitoring technologies. Large multi-nationals have moved to take advantage of these developments with the construction of agri-food chains. These chains are being facilitated via various mergers, acquisitions, and alliances, with the power, and deepening power of such deep-pocket organizations as Cargill, ADM, and ConAgra. Cooperatives have been integrated into these chains for their core competencies, generally for their supply functions, and capacity to handle primary commodities. These direct links to the farmers serve as markets for biotechnology innovations, and as a source of raw material for later processing. Agricultural cooperatives in general are not well suited to compete with these giants, given they are highly specialized at the first handler level. However some cooperatives are able to enter the competition along the lines of multi-nationals competition, i.e. non-price competition in product differentiation, branding, advertising, research and capacity expansion. Farmland, Gold Kist, AGP, Land O'Lakes and Growmark are examples. The cost of these positionings is to shift these organizations toward positions that are characteristically less cooperative, and more bureaucratic, and more top down, though likely more efficient, and with greater market penetration.