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Livestock, Wool, Poultry, and Meat Cooperatives

Function, Marketing, and Services



Abstract

Livestock, Wool, Poultry, and Meat Cooperatives: Function, Marketing, and Services

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This report provides a review of current functions and marketing methods used by cooperatives handling livestock, wool, poultry, and meats. Data from 201 cooperatives were analyzed by commodity group and divisions within commodity group. Livestock and wool cooperatives were analyzed by sales volume interval divisions. Poultry cooperatives were analyzed according to primary production: turkeys, eggs, and other processed poultry. The meat cooperatives were analyzed for two divisions: locker and nonlocker cooperatives.

Functions, services offered by, and marketing techniques used by these cooperatives are outlined in this report. Differences within and among commodity groups are also discussed. Both established and potential cooperatives may use this report for performance evaluation or planning.

Keywords: Cooperatives, marketing methods, pooling, services

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Preface

Cooperatives handling livestock, poultry, and products resulting from their production differ in the marketing alternatives and services they provide members. The survey data supported this finding. ACS surveyed 201 cooperatives that market livestock, wool, poultry, and meats. Results of this research are presented in this manuscript.

Survey data, considered across primary commodity groups, reflect differences in the marketing methods used and the intensity of services provided. Accepted marketing methods and the services producers need vary across, and within, the livestock, wool, poultry, and meat industries. Marketing methods used are partially sustained by the industry because of factors such as product characteristics, producer volume, and producer concentration. Economies of size and scale in both production and processing influence industry-accepted marketing methods and the services producers need.

Cooperatives align their functions, marketing methods, and services with their membership's needs. This observation is substantiated by differences in cooperative function, marketing methods, and services within cooperative commodity groups.

Commodities handled, marketing methods used, and services offered differed within the commodity groups. The industry served, cooperative sales volume, and desires of the membership dictate the breadth of services offered by the cooperatives. Producers arrange all or some of the marketing, handling, and technical services that cooperatives may offer. Others they gain through cooperative patronage. Cooperatives augment marketing, production, processing, handling, and other services through offering them to their producer members.

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Highlights

Analyses were performed on 201 respondent cooperatives according to primary commodity sales for livestock (103 cooperatives), wool (77), poultry (13), and meats (8). Some wool cooperatives were analyzed with the livestock cooperatives because lamb pool sales were greater than wool sales. Some significant findings follow:

- Most cooperatives had only one business location and producer membership.
- Wool cooperatives were the most likely to have only one location and producer membership—they also reported the lowest membership eligible to vote.
- Poultry and meat cooperatives provided the largest average sales volumes and were the most likely to exhibit signs of vertical integration. Wool cooperatives had the lowest sales volumes and were the least vertically, or horizontally, integrated.
- Livestock cooperatives were the most diverse commodity group with respect to functions, marketing techniques, and commodities handled.

The livestock and wool cooperatives were each divided into five sales volume divisions for further analyses. Also, poultry cooperatives were analyzed according to primary production (turkeys, eggs, and other processed poultry). Locker and nonlocker meat cooperatives were analyzed separately. The following findings generally apply across all commodity groups:

- Cooperatives with lower sales volumes reported lower numbers of business locations with producer members only and fewer members eligible to vote.
- Cooperatives with larger sales volumes generally used more marketing techniques and offered more services to members.

The cooperatives in each commodity group differed with respect to sales volume, production, and function. These differences are a reflection of their members' needs and financial base necessary to support member services. Some significant findings within commodity groups follow:

- Larger livestock cooperatives handled more species, used more marketing techniques, and provided more services—especially for financing, risk management, and contractual arrangements.
- Most of the wool cooperatives were small wool pools which offered very few services. Wool cooperatives with sales between \$50,000 - \$100,000 were the least likely to offer member services.
- All of the poultry cooperatives handled processed product. These cooperatives generally were the most vertically integrated of all commodity groups. The egg and turkey cooperatives were the smallest in terms of membership eligible to vote. The egg cooperatives were the smallest in sales volumes.
- The locker meat cooperatives were much smaller and more alike than the nonlocker respondents. Very few member services were offered by the locker cooperatives.
- The nonlocker meat cooperatives were very specialized and had much broader financial bases. Nonlocker cooperatives offered more expertise and management alternatives to members than did lockers.

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OVERVIEW

Cooperatives provide producers access to buyers through marketing alternatives and marketing power that may not otherwise be available. Some production possibilities and market outlets might not be accessible to member producers without cooperatives. Many cooperatives also offer various services to producers. Many cooperative member producers do not have the base needed to access certain marketing channels or to obtain services which may be afforded collectively by cooperatives.

Some marketing methods commonly used today have only recently been employed. The form and types of livestock marketed have also changed. Livestock and poultry producers face a dynamic industry. Producers must keep pace with industry changes to remain viable. Auction and terminal markets have been the predominant marketing method used by livestock producers in recent years. Innovative marketing methods, such as satellite video sales and electronic marketing, have displaced many sales previously made at auction or terminal locations. Wool producers now commonly sell their clip by telephone or computer, and the buyer does not have to be present at the wool warehouse or auction site. Poultry rarely are sold live by the cage but now are sold primarily in processed forms.

Many cooperatives offer production contracts and financing, and quickly adopt new marketing technologies to better serve their membership. Others modify established methods to achieve greater benefits for members.

With the livestock, wool, and poultry industries changing rapidly, it is necessary to find the extent that marketing methods are used so that cooperatives may remain abreast of industry adop-

tion. Knowledge of new technologies used by cooperatives can also provide future direction. Cooperatives can apply the information in this report when considering marketing and service alternatives. This action will help them to remain competitive and to prepare for the future.

Many producers turn to cooperatives or private companies for services they may need on their operations. Cooperative services are tailored to their membership's unique needs and may vary considerably from one cooperative to another. Also, the number and breadth of services depend on members' needs and what the cooperative can support. Some cooperatives may simply offer production equipment or supplies to members, but others may provide expert advisement and risk-management options. Also, many cooperatives educate their membership on current trends and industry changes through educational programs and seminars.

Cooperatives known or thought to market livestock, wool, poultry, or meats were surveyed by ACS. Of 369 cooperatives surveyed about the commodities handled, their function, member services, and marketing techniques used, 201 cooperatives are described in this report.

OBJECTIVES

The primary objective was to determine the marketing methods used and the services provided by cooperatives marketing livestock, wool, poultry, or meat products.

Additionally, the survey was used to determine 1) the commodities handled by the selected cooperatives, 2) the functions they performed for their member and nonmember patrons, 3) necessary classifying or stratifying data, and 4) general administrative data to be used for future ACS contact.

A second objective was to judge differences in the cooperatives with respect to commodities handled and sales volume. The survey was designed so that these differences would be apparent.

A third objective was to introduce ACS to the cooperatives marketing livestock, wool, poultry, or meat products.

RESEARCH METHODOLOGY

All cooperatives known or thought to market livestock, wool, poultry, or meat products were surveyed. Survey data from this project and the ACS annual survey were then used to stratify and analyze these cooperatives. Analyses were done for all considered, by commodity handled, and by groups within the commodities of livestock, wool, poultry, and meat. Livestock and wool cooperatives each were divided into five sales volume division groups for further analyses. Turkey, egg, and other poultry cooperatives were analyzed separately. The meat cooperatives were split into lockers and non-lockers for additional analyses. A "followup" report provided to each respondent outlined its response versus a composite of similar cooperatives. This report describes survey findings.

Survey Composition

A survey was composed to 1) assess the commodities handled by the cooperatives and their sales volumes, 2) discover what functions and services were offered to their member and nonmember patrons, 3) determine the services provided, 4) identify the marketing methods used, and 5) gain general administrative information. The survey was designed so that a limited amount of current ACS information also could be verified-i.e., cooperative name, address, phone number, general manager, etc.

The survey was comprised of 10 questions which addressed commodities handled, functions served, services offered, marketing methods employed, sales volumes, and general information about the cooperative (see appendix). Survey data were used to 1) create an extensive cooperative

database, 2) verify current records, and 3) confirm sales volume estimates previously made by ACS.

Sampling Methodology

Cooperatives were initially identified as potential candidates for this project by reviewing ACS files. Cooperatives were chosen if they were known or thought to market livestock, wool, poultry, or meats. The criteria used were:

- 1) livestock, poultry, or wool sales;
- 2) cooperative names that implied these commodities;
- 3) those judged to market meats; and
- 4) known handlers of livestock, wool, poultry, or meats not meeting the above criteria.

The survey was mailed to all 369 cooperatives that met these criteria. Additional surveys were sent to those that did not respond-194 cooperatives-after 2 months. Phone surveys were conducted with 42 cooperatives after not receiving mailed surveys. Data collected by mail and phone were then entered into a data base and analyzed.

The overall response rate was 81 percent. Only 69 cooperatives did not return surveys or could not be reached by phone. Data were estimated for two of these nonrespondents from copies of their annual reports and other ACS surveys. These two cooperatives were included for analyses because of their relatively substantial sales volumes. The remaining nonrespondents (67) were dropped from consideration. Therefore, a total of 302 cooperatives (82 percent) were considered for analyses.

Data Analyses and Usage

The cooperatives were grouped by the highest reported sales volume for livestock, wool, poultry, or meats. These commodity groups were then separated into divisions within each commodity for further analyses. Once these divisions were defined, survey data were summarized for each commodity group, as a whole, and again for each division within the commodity group.

The results of the analyses by divisions were used to create confidential "followup" reports for each respondent. These reports listed the coopera-

tive's data (as provided on its survey) against the summarized data for its division. This report was designed so that cooperatives could compare its data to practices used by similar cooperatives in their division. This direct comparison could then benefit the cooperatives during evaluation or planning.

Cooperative Stratification

Only 201 out of 302 cooperatives that responded were appropriate for analyses. Some respondents were inactive, discontinued operating, or no longer organized as a cooperative-13 cooperatives. Another eight respondents had merged into other cooperatives or had duplicate records. Other respondents did not provide sales volumes for, or indicate handling, the commodities surveyed.

All appropriate responses (201) were examined to form commodity groups according to reported sales volumes for each of the different commodities. The records were again reviewed to

form sales volume, commodity, or functional divisions within each commodity group for secondary analyses (see table 1). Analyses were performed by divisions so that cooperatives with similar function, commodity(ies) handled, and marketing volume could be compared.

Livestock and wool commodity divisions were based on sales volume. Poultry and meat divisions were based on product and function, respectively. The poultry cooperatives are divided according to turkey, egg, or other poultry production. The meat cooperative locker plants were analyzed separate from those nonlocker meat processing cooperatives.

The sales volumes used to stratify the livestock and wool cooperatives were not adjusted to a constant time period or fiscal year. Fiscal year sales volumes were reported for months ending in three different calendar years. Of all respondents used for analyses, data were reported for the fiscal years ending in the calendar years 1990 (93 cooperatives), 1991 (101), and 1992 (5). One cooperative did not provide a fiscal year ending date for their data. Because sales volumes were used only to form commodity divisions, the reported figures were considered appropriate.

Some cooperatives provided sales volumes for more than one commodity group (see table 2). They were analyzed, however, only according to their primary sales commodity and division within that commodity.

Table 1-Divisions used for secondary analyses

Division number	Primary commodity	Co-ops in division	Division factor
<i>Sales volume</i>			
1	Livestock	13	Less than \$100,000
2	Livestock	34	\$100,000 to \$999,999
3	Livestock	30	\$1 million to \$9,999,999
4	Livestock	14	\$10 million to \$99,999,999
5	Livestock	12	Greater than \$100 million
6	Wool	24	Less than \$10,000
7	Wool	35	\$10,000 to \$49,999
8	Wool	9	\$50,000 to \$99,999
9	Wool	4	\$100,000 to \$999,999
10	Wool	5	Greater than \$1 million
<i>Production</i>			
11	Poultry	5	Turkey
12	Poultry	4	Egg
13	Poultry	4	Other poultry
<i>Function</i>			
14	Meats	4	Locker
15	Meats	4	Nonlockers

Table 2-Sales volume reports, by primary commodity

Primary commodity ¹	co-ops in group	Sales volume reports for:			
		Livestock	Wool	Poultry	Meats ²
Livestock	103	103	14	2	1
Wool	77	2	77	0	1
Poultry	13	1	0	13	0
Meats	8	0	1	0	8

¹Cooperatives could report sales volumes for more than one selected commodity. Sales reported in each cooperative's primary commodity were greater than sales reported for other commodities.

²Meats commodity may include sales of animal byproducts such as rendered items and hides,

Some respondents indicated that commodities were handled but did not report sales volumes—and vice versa. No estimates for commodities handled or sales volumes were made because of this discrepancy.

GENERAL FINDINGS

After review of 302 respondent surveys from the 369 solicited, there were 201 livestock, wool, poultry, and meat marketing cooperatives that pro-

vided sales volumes and were in business when surveyed.

More were livestock cooperatives (103) than wool (77), poultry (13), and meat cooperatives (8) combined. Across commodity groups, most cooperatives had only producer members and one location (see table 3). There was a big difference between the number of respondents having only producer members versus having some, or all, cooperative membership. This disparity was also true, but to a lesser extent, for those reporting one versus multiple locations.

Membership eligible to vote was reported by 190 of the 201 analyzed respondents. The average reported was 2,165 members. The reported data that resulted in this average varied greatly. The range in eligible reported memberships was from 3 to 90,000. Therefore, reported average membership numbers should be considered relative to their variability (see table 4). Livestock cooperatives provided the greatest average for voter eligibility. The wool cooperatives were definitely the smallest in voter eligibility.

The reported members eligible to vote varied greatly within commodity groups (see figure 1). Not all cooperatives use the same voting eligibility guidelines—i.e., some cooperatives may go by one share-one vote while others may award votes on a patronage basis. Voter eligibility requirements were not surveyed; therefore, no adjustments were made to these averages for differing requirements. These averages should be used only for comparative purposes.

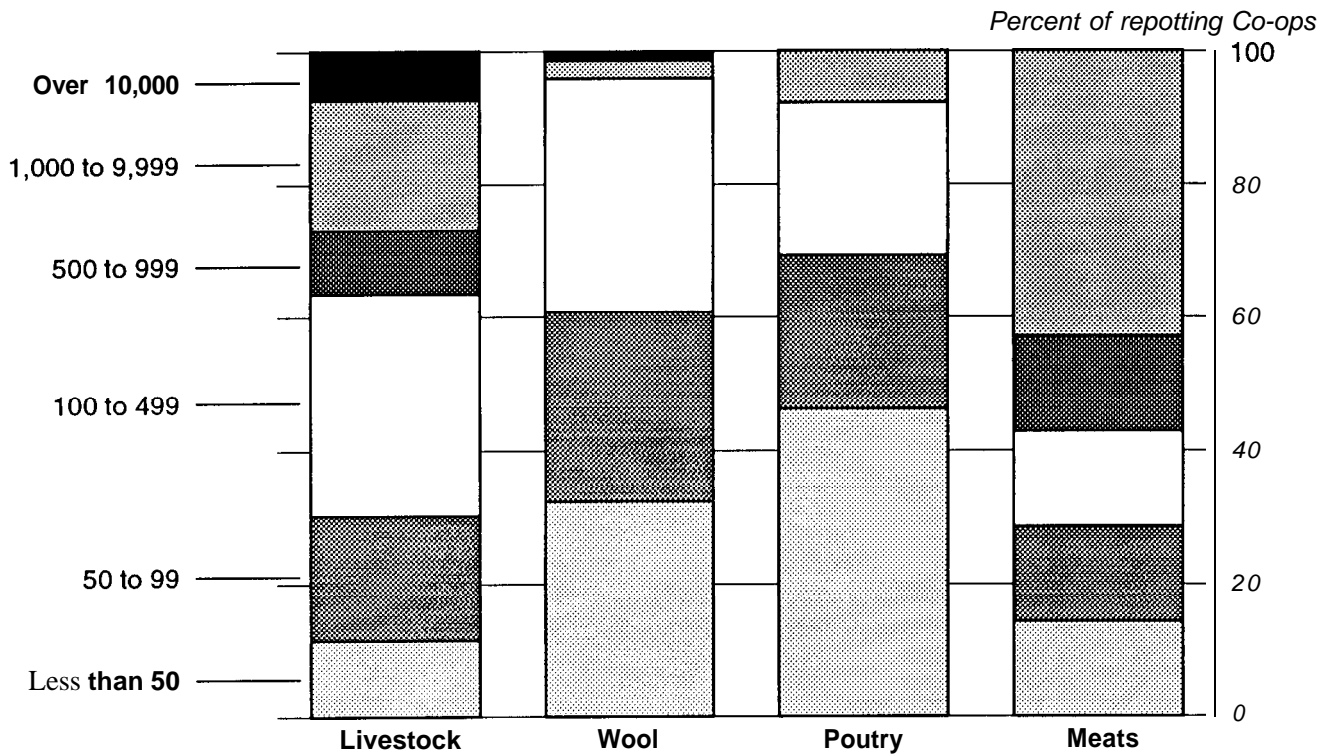
Table 3—Membership composition and number of locations, by primary commodity

Item	Livestock	Wool	Poultry	Meats
Co-ops in survey	103	77	13	8
<i>Percentage of cooperatives</i>				
Membership composition:				
Producers only	78.6	90.9	69.2	75.0
Producers and co-ops	14.6	5.2	23.1	0.0
Cooperatives only	4.9	2.6	7.7	12.5
Not reported	1.9	1.3	0	12.5
Total	100	100	100	100
Number of locations:				
One	71.8	90.9	69.2	75.0
Two to five	9.7	6.5	15.4	12.5
More than five	18.4	2.6	15.4	12.5
Total	99.9	100	100	100

Table 4—Voter eligibility, by primary commodity

item	Livestock	Wool	Poultry	Meats	All reporting
Co-ops in survey	103	77	13	8	201
Co-ops reporting voter eligibility	96	74	13	7	190
<i>Members</i>					
Average	3,507	330	3,037	1,552	2,165
Minimum	5	4	3	45	3
Maximum	90,000	14,161	38,500	6,587	90,000
Standard deviation	11,503.0	1,637.6	10,237.9	2,173.6	8,805.1

Figure 1— Distribution of Number of Members Eligible to Vote ¹



¹ Membership eligible to vote was reported by 90 livestock, 74 wool, 13 poultry, and 7 meat cooperatives.

Cooperative Integration

Most cooperatives sold only one commodity—as indicated by reported sales volume. Only 22 of the 201 respondents reported sales in 2, or more, commodities (refer back to table 2). Livestock cooperatives were the most likely to handle more than one species and more than one commodity. All cooperatives, however, demonstrated a degree of specificity. Poultry cooperatives were the least likely to handle more than one product. None of the respondents were horizontally integrated across all commodities, but some were completely vertically integrated.

Integration can both increase diversity and decrease risks of losses across production phases. Although not a requirement, the likelihood and extent of integration generally increases with relative sales volume.

Both vertical and horizontal integration were shown by each commodity group. Vertical integration was most commonly coordination between production phases from birth to the fabrication of products directly used by the consumer. Horizontal integration was usually the handling of other commodities or species.

Vertical integration for the livestock cooperatives was generally coordination between live animal production phases. The livestock cooperatives, however, were the most likely to be horizontally integrated across commodities—13.6 percent conducted wool pools.

The wool cooperatives were the least likely to be vertically integrated; however, one respondent was both horizontally and vertically integrated. That cooperative slaughtered livestock, produced meats, and marketed wool weavings. The only horizontal integration provided by the wool coopera-

tives was the handling of livestock or meat, in addition to marketing wool. Most commonly, horizontal integration among the wool cooperatives was provided through the offering of lamb pools.

Complete vertical integration from conception to the entry of the consumer market (wholesale or retail in a form used by the consumer) was not prominent for any of the commodity groups. The most likely groups to have this organization were poultry, primarily, and nonlocker meat cooperatives, secondarily. The poultry and meat cooperatives demonstrated very little horizontal integration; however, all of these exhibited some degree of vertical integration with respect to processing, marketing, and service.

Cooperative Function

The primary function of 87 percent of the respondents (175 cooperatives) was to market commodities for members. Livestock or poultry were slaughtered by 17 cooperatives. Most of those that slaughtered livestock were either poultry or meat cooperatives (see table 5).

Pooling, commonly used by cooperatives to increase lot sizes, combines members' production in a single sale lot. These pooled lots result in larger and more homogeneous lots than possible individually. More than half (119 of 201) of the respondents used pooling. Pooling was used for both production and marketing by five of these. Only one used pooling exclusively for production (see table 6).

Table S-Marketing and slaughtering functions, by primary commodity

Primary commodity	Cooperatives reporting	Commodity marketing	Livestock or poultry Slaughter	Marketing and slaughter ¹
<i>Percentage of cooperatives</i>				
Livestock	103	84.5	1.0	1.0
Wool	77	96.1	1.3	1.3
Poultry	13	76.9	61.5	38.5
Meats	8	37.5	87.5	37.5
All used	201	86.6	8.5	5.0

¹ Data in this column are included in the two leftmost columns.

Pooling was most commonly indicated by wool cooperatives (57 of 77-74 percent). Livestock cooperatives also widely used this technique (62 of 103—60 percent). Only 6 poultry and meat cooperatives (out of 21 respondents-29 percent) indicated pooling; however, more of these were expected to use this technique to assemble meat, poultry, or egg product shipments.

There was a dramatic difference in the marketing methods employed by the commodity groups (see table 7) with respect to the number, and specific marketing techniques. Livestock cooperatives predominantly used auctions, commission companies at terminal locations, and special (or graded) sales. Wool cooperatives, however, commonly used special sales. Poultry and meat cooperatives rarely used these sales techniques, but some meat pro-

Table 6—Pooling activity, by primary commodity

Primary commodity	Sale only	Production only	Production and sale	No pooling	Did not answer
<i>Percentage of cooperatives</i>					
Livestock	55.3	1.0	3.9	35.0	4.9
Wool	72.7	0.0	1.3	10.4	15.6
Poultry	38.5	0.0	0.0	53.8	7.7
Meats	12.5	0.0	0.0	62.5	25.0
Total	59.2	0.5	2.5	27.9	10.0

Table T-Marketing techniques employed, by primary commodity

Item	Livestock	Wool	Poultry	Meat	Total ¹
<i>Cooperatives</i>					
Total in survey	103	77	13	8	201
Auction	52	1	1	1	55
Commission Co.	14	0	0	0	14
Special sales	59	19	1	1	79
Direct marketing	35	14	5	3	57
Central buying stations	19	6	0	1	26
Order buy/sell services	24	3	1	0	28

¹ Some respondents indicated more than one marketing technique.

cessing cooperatives might have used these means to procure livestock for cooperative production.

Direct marketing provides several benefits to both the seller and purchaser. Direct marketing can result in 1) reduced transaction/procurement costs; 2) less handling and susceptibility to stress, disease, or deterioration; and 3) more opportunity for premiums based on reputation, quality, and special preparation. Direct marketing is becoming more commonplace as larger lot sizes and special conditioning are demanded. Direct marketing techniques increasingly apply as production becomes more specialized or exclusive marketing arrangements arise.

Direct marketing, central buying stations, and order buying services were all more commonly used by livestock cooperatives (table 7). Most meat cooperatives, however, use some form of direct marketing between sellers and buyers-often through phone conversations.

Electronic marketing by phone, computer, or television was used extensively by livestock and wool cooperatives but was not indicated by their poultry or meat counterparts (see table 8). Livestock cooperatives were the only commodity group to indicate using video-taped media for consignments. Satellite linkages were indicated by 1 poultry and 13 livestock cooperatives. This poultry respondent probably used satellite sales for marketing eggs or egg products.

Contracting operations sometimes increase vertical coordination during production and mar-

keting. Also, contract purchasing agreements are commonly found in membership agreements of small cooperatives to ensure volume and reduced competition. These agreements also may reduce price variability when sales prices are incorporated into contract terms. Contract production is gaining popularity because it may offer greater product control, the ability to increase production volume, and the redistribution of production and price risks (see table 9).

Most cooperatives acted as an agent during transactions (139 of 201); however, ownership was assumed by 28 (see table 10). It is conceivable that cooperatives could take on both roles depending on their policies. Ten livestock cooperatives acted both as an agent only and assumed ownership during transactions.

Another transaction role was bargaining. Cooperatives bargained for both commodities (live-

Table a--Electronic marketing techniques employed, by primary commodity

Item	Livestock	Wool	Poultry	Meat	Total ¹
<i>Cooperatives</i>					
Total in survey	103	77	13	8	201
Electronic marketing	30	28	2	1	61
Video tapes	12	0	0	0	12
Satellite connections	13	0	1	0	14

¹ Some respondents indicated more than one marketing technique.

Table g-contracting, by primary commodity¹

Primary Commodity	Used production /purchase agreements	Offered production \contracts to members	Provided forward contracting arrangement/assistance
<i>Cooperatives</i>			
Livestock	19	12	24
Wool	20	6	6
Poultry	4	5	0
Meats	3	1	1
Total	46	24	31

¹ Some respondents provided more than one contracting means.

Table 1 o-Transaction role, by primary commodity

Primary commodity	Acted as agent	Assumed ownership	Agent and assumed ownership ¹	Unknown
<i>Cooperatives</i>				
Livestock	79	17	10	17
Wool	55	6	0	16
Poultry	2	4	0	7
Meats	3	1	0	4
Total	139	28	10	44

¹ Data are also included in two leftmost columns.

stock, wool, poultry, and meat) and supplies (see table 11).

Cooperatives buy livestock, wool, poultry, or meat for resale or production. This is another transaction role whereby the cooperative acts as the buyer/seller rather than as an agent, negotiator, or facilitator. Commodities were purchased for production by 26 respondents and for resale by 23. Sales of cooperative-owned livestock were primarily indicated by livestock cooperatives (22 of 29 indications). These sales were also noted by 6 of 13 poultry cooperatives-probably for cull or replacement poultry stock. All meat cooperatives indicated meat sales. Also, 6 of 13 poultry cooperatives indicated meat sales (see table 12).

Cooperatives also finance and invest in production (see table 13). This activity can be on behalf of individual members or for the total membership (all members as a whole). Financing member production or purchases is one method; another is

investing cooperative management or capital in production. Seven livestock cooperatives, one poultry, and one meat cooperative did both financing and investing in production. Larger volume cooperatives were the most likely to perform these functions.

Table 1 **n-Cooperative-owned purchases and sales, by primary commodity**

Primary commodity	Purchased for:		Sales of:	
	Production	Resale	Livestock	Meat
<i>Cooperatives</i>				
Livestock	17	13	22	1
Wool	1	1	0	1
Poultry	5	6	6	6
Meats	3	3	1	8
Total	26	23	29	16

Table 1 **I-Bargaining, by primary commodity**

Primary commodity	Bargaining for:	
	Livestock, wool, poultry or meats	Services and supplies for members
<i>Cooperatives</i>		
Livestock	16	11
Wool	17	5
Poultry	2	3
Meats	3	3
Total	38	22

Table **Is-Financing and investing, by primary commodity**

Primary commodity	Financed member production	invested capital or management	Financed member production and invested capital or management
	<i>Cooperatives</i>		
Livestock	7	4	7
Wool	2	0	0
Poultry	1	3	1
Meats	0	0	1
Total	10	7	9

Table 14—**Management, advice, and educational programs, by primary commodity**

Primary commodity	Management provided for:		Advice offered		Educational programs or seminars
	Co-op-owned production	Member-owned production	Managerial	Nutritional	
<i>Cooperatives</i>					
Livestock	15	11	24	25	47
Wool	2	0	6	3	34
Poultry	3	4	4	5	2
Meats	2	1	2	2	2
Total	22	16	36	35	85

Larger cooperatives were more likely to provide management services and technical advice to producers than small cooperatives. Cooperatives indicated that management was provided for both cooperative- and member-owned production. Cooperatives also indicated that management and nutritional advice were provided (see table 14).

Educational programs or seminars were more commonly offered than technical advice. With the exception of training programs (i.e., professional and/or college courses), educational programs or seminars are usually cheaper to provide than maintaining staff with, or contracting for, technical expertise. Therefore, smaller cooperatives, particularly livestock and wool cooperatives, are more likely to incorporate these types of programs into annual or special meetings (table 14).

Risk management is another form of technical assistance offered by cooperatives. Many marketing cooperatives reduce price risk through market advice and marketing alternatives that allow prices to be set during production. Futures market hedging is a commonly used alternative to reduce price risks. Livestock cooperatives were the only commodity group to indicate appreciable futures market hedging as well as offering futures brokering services to members. They also were the predominant group that indicated that futures transaction services and cooperative hedging were performed (see table 15). These activities, like investing and technical services, tend to be used by larger volume cooperatives.

Table 15—Futures market usage, by primary commodity

Primary commodity	Service offered to members	Used for member hedging	Used for cooperative hedging
<i>Cooperatives</i>			
Livestock	12	11	11
Wool	0	1	0
Poultry	0	0	0
Meats	0	0	1
Total	12	12	12

When commodities are marketed, they are generally evaluated by some means. This evaluation often influences or determines prices received. Only 27 respondents (21 of these being livestock cooperatives) indicated that livestock or poultry evaluation was offered to members. Grading and weighing are two common means of evaluation, and many more respondents noted that livestock were graded or weighed than noted livestock evaluation services (see table 16). Livestock, wool, meat, poultry, and egg product prices are generally determined by grade or some other characteristic. Therefore, it is expected that many more cooperatives perform some type of evaluation service for members than those which provided indications.

During marketing and processing, livestock maintenance or care is commonly provided at the sale site (if different from the producer's farm). Only 25 cooperatives indicated that these services were offered to members (see table 17). Many small

Table 1 s-Livestock and poultry evaluation services, by primary commodity

Primary commodity	Evaluation	Grading	Weighing
<i>Cooperatives</i>			
Livestock	21	52	59
Wool	1	2	1
Poultry	3	3	3
Meats	2	1	1
Total	27	58	64

Table 17—Livestock, wool, poultry, and meat handling services offered to members, by primary commodity

Primary commodity	Maintenance or care	Commodity transportation facilitated
<i>Cooperatives</i>		
Livestock	20	28
Wool	2	23
Poultry	2	3
Meats	1	2
Total	25	56

producers of livestock and wool do not have hauling trailers or find it difficult to negotiate transportation for livestock, wool, or poultry. Also, many cooperatives that process poultry or meats

prefer to provide their own transportation to ensure deliveries and scheduling. Livestock or poultry transportation was facilitated by 56 respondents.

Table 1 s-Production supplies and equipment offered to members, by primary commodity

Primary commodity	Production supplies	Production equipment	Feed supply or delivery
<i>Cooperatives</i>			
Livestock	15	7	14
Wool	11	2	1
Poultry	4	2	5
Meats	1	0	1
Total	31	11	21

Table 1 s-Number of locations of livestock cooperatives, by membership type

Number of locations	Membership type				Total
	Producers only	Co-ops only	Both	Unknown	
<i>Percentage of cooperatives</i>					
1	65.0	0.0	4.9	1.9	71.8
2to 5	6.8	0.0	2.9	0.0	9.7
More than 5	6.8	4.9	6.8	0.0	18.5
Total	78.6	4.9	14.6	1.9	100.0

Table 20—Voter eligibility, sales volume reports, and average sales of livestock co-ops, by sales volume

Item	Sales volume in thousands					Total
	Less than \$100	\$100 to \$999	\$1,000 to \$9,999	\$10,000 to \$99,999	Greater than \$100,000	
Co-ops in survey	13	34	30	14	12	103
Voter eligibility: Co-ops reporting	12	33	29	13	9	96
<i>Members</i>						
Minimum	25	5	29	86	42	5
Maximum	356	3,500	90,000	11,000	54,000	90,000
Average	105.6	367.6	3,688.0	3,770.8	18,586.3	3,506.8
Standard deviation	94.4	749.6	16,322.9	3,400.9	15,964.5	11,503.0
<i>Sales volume reports</i>						
Reported sales of:						
Livestock	13	34	30	14	12	103
Wool	6	4	3	0	1	14
Poultry	0	0	2	0	0	2
Meats ¹	0	0	1	0	0	1
<i>\$1,000's</i>						
Average sales:						
Livestock	52.2	493.0	3,416.4	33,101.6	488,530.5	62,579.8
Wool	15.1	18.7	38.1	0	N/A	20.2

¹ Meat sales include revenues for hides and other rendered products.

Production supplies and equipment are commonly offered by cooperatives (see table 18). Cooperatives offer these services to achieve economies of size when purchasing production inputs and also to make cooperative equipment available to members that cannot afford their own.

LIVESTOCK COOPERATIVES

Livestock sales were the primary commodity volume for 103 cooperatives. Most of these (65 percent) had only producer members and one business location (see table 19). No response was given for membership type by two respondents, but they probably have only producer membership.

Membership eligible to vote was reported by 96 respondents. The average number of members for these was 3,507 (see table 20).

Some cooperatives included each eligible shareholder of member cooperatives, and some others included each cooperative member as having only one voting right. Therefore, quoted membership numbers in no way imply patronage or the total number of shareholders-actual or indirect. These values simply relate the number of members that can vote at cooperative meetings.

Great volume differences existed among livestock cooperatives. Livestock sales volumes ranged from less than \$1,000 to more than \$2 billion. Sales values also were reported for wool (14 respondents), poultry (2), and hides (1) though they were insignificant when compared to the sales volumes for livestock (table 20).

All cooperatives handled at least one livestock specie. Generally, the number of species handled increased with sales volume (see table 21). Most of

Table 21—Species and commodities handled by livestock cooperatives, by sales volume

item	Sales volume in thousands					Total
	Less than 5100	\$100 to 5999	51,000 to 59,999	510,000 to 599,999	Greater than 5100,000	
Co-ops in division	13	34	30	14	12	103
<i>Percentage of cooperatives</i>						
Species handled:						
Beef cattle	15.4	52.9	70.0	92.9	100.0	64.1
Dairy cattle	0	0	16.7	50.0	66.7	19.4
Goats	0	0	20.0	71.4	50.0	21.4
Hogs and pigs	30.8	41.2	60.0	92.9	100.0	59.2
Sheep	53.8	14.7	30.0	92.9	100.0	44.7
Horses	0	0	16.7	57.1	41.7	17.5
Number of livestock species handled:						
One	100.0	91.2	60.0	7.1	0	61.2
Two	0	8.8	16.7	0	0	7.8
Three	0	0	3.3	7.1	25.0	4.9
Four	0	0	3.3	28.6	33.3	8.7
Five	0	0	3.3	28.6	0	4.9
Six	0	0	13.3	28.6	41.7	12.6
Other commodities handled:						
Poultry	0	0	10.0	7.1	0	3.9
Wool	46.2	11.8	13.3	0	8.3	14.6
Meats	0	0	0	0	8.3	1.0

the largest cooperatives handled at least three species: beef cattle, hogs and pigs, and sheep. They also were the most commonly handled among all of the cooperatives. All those that handled dairy cattle or goats also handled beef cattle. Only one cooperative exclusively handled horses. Wool, poultry, and meats also were handled. One large cooperative indicated livestock slaughter and carcass or other wholesale meat sales.

Functions and Services

Cooperatives serve their members through functions designed to meet the members' needs and satisfy the cooperative's goals and charter. The vast majority of respondents indicated that livestock were marketed for members-87 out of 103. Most cooperatives acted as an agent for members. Some indicated, however, that ownership was assumed during transactions (see figure 2). Depending on the nature of the transaction, some cooperatives performed both ownership roles.

Livestock volume needed by buyers and producers grows with farm, feedlot, and packer size. Larger lots of livestock are preferred by these large

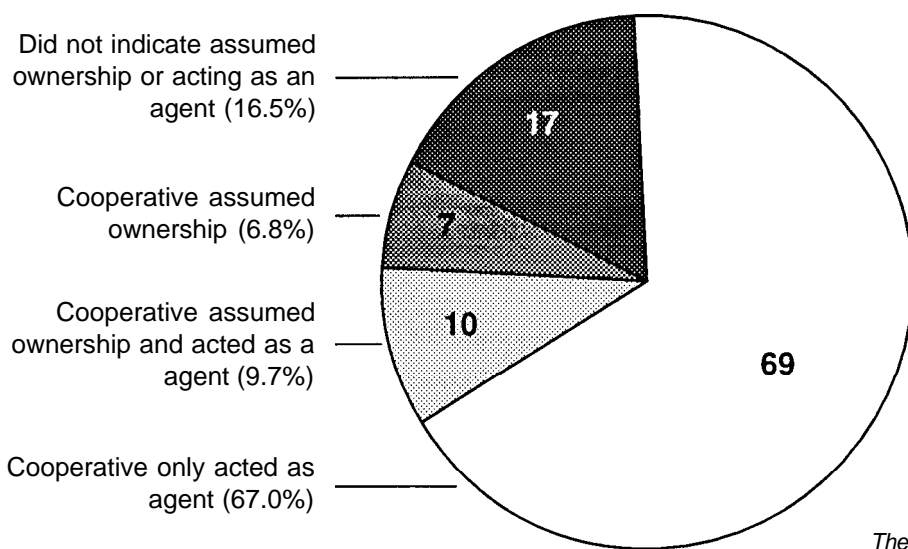
producers because transaction time and costs are less per head. Also, buyers commonly pay premiums for larger more uniform lots than if the same livestock were purchased individually.

Pooling livestock is a method commonly used to assemble larger lots of uniform livestock for sale or production. When livestock are pooled, relatively small lots of similar livestock from individual producers are combined to make one large homogenous lot. Ownership is proportionately shared according to producer input.

Livestock pooling, as a general rule, becomes less common for cooperatives as sales volume increases (see table 22). This is partly due to the increased labor and administrative requirements of assembling the pools and bookkeeping. Livestock pooling was indicated by several of the largest respondents having cooperative members. These pooling activities may have been performed by some of their cooperative members.

More than half the cooperatives (62) indicated that they pooled livestock. Most, 57 of 62, pooled livestock for sale only. Pooling for both production and sales was indicated by four and for production only by one. Slightly more than one third of the

Figure 2— Livestock Ownership Role of Livestock Cooperatives During Transactions



The numbers of cooperative respondents are indicated by values in pie slices.

respondents, 36 of 103, indicated no livestock pooling while 5 did not respond to this question.

The most common livestock pooling characteristic was grade, followed by weight and sex. Muscling and frame, two components of feeder cattle and pig grades, were also perceived as important characteristics. Breed and origin were considered less important than those just mentioned (see table 23).

Pooling wool for sale was indicated by three relatively small volume respondents. The most preferred wool characteristics provided by these three were grade, weight, and type. One of these respondents also ranked grade as being the second most preferred.

Some cooperatives buy and/or own livestock during grazing or finishing. Also, it is not uncommon for livestock to be purchased so that a uniform group is assembled for cooperative resale and/or production. Livestock were purchased for both cooperative production (16.5 percent of livestock respondents) and resale (12.6 percent). Most of those cooperatives which indicated buying livestock also indicated selling livestock. Sales of cooperative livestock were indicated by 21.4 percent of the respondents-22 of 103.

Bargaining is a livestock term commonly used for negotiating prices. Generally, this service is done by cooperatives on behalf of the members. Bargaining for livestock was performed by 16 cooperatives (15 percent of respondents). Supplies were

bargained for by 11. Of these, six bargained for both livestock and supplies. The largest cooperatives were the most likely to bargain for livestock (see table 24).

Increasing numbers of livestock appear to be produced under contract to companies, including cooperatives. Cooperative contract livestock production was specifically noted for hogs and pigs, grass cattle, and **feedlot** cattle. Many of those cooperatives that bought livestock used production/purchasing agreements and offered other

Table x+—Livestock pooling preference profile for reporting livestock cooperatives

Pooling characteristics	Rank of preference ¹						
	1	2	3	4	5	6	7
	<i>Preference reports</i>						
Grade	30	8	5	4	3	2	0
Weight	17	20	10	4	2	0	0
Sex	16	6	8	1	5	4	2
Muscling	9	3	6	1	2	3	0
Frame	9	9	7	7	6	2	0
Breed	2	6	4	5	10	12	1
Origin	3	0	2	3	1	3	18
Volume	1	0	0	0	0	0	0

¹ Preference rankings were given by 60 respondents. More than one pooling characteristic could receive the same ranking. The scale begins with 1 for most important and declines to 7, the relatively least important characteristic. No differentiation was made according to livestock specie.

Table 22—Livestock pooling by livestock cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$100	\$100 to \$999	\$1,000 to \$9,999	\$10,000 to \$99,999	Greater than \$100,000	
	<i>Cooperatives</i>					
Pooling for sale	11	24	18	1	3	57
Pooling for production	0	1	0	0	0	1
Pooling for production and for sale	1	0	0	0	3	4
No pooling performed	1	8	11	11	5	36
Unknown	0	1	1	2	1	5
Total	13	34	30	14	12	103

investment (or financing) services. The larger volume cooperatives were more apt to conduct or facilitate contracts for sale or production. They also were the most likely to finance or invest in production (see table 25).

Production contracts are used as a means to ensure cooperative participation, volume, or to reduce risk for the member and cooperative. These contracts are diverse and are designed according to the needs of the parties. Offering production con-

tracts to members was indicated by 12 percent of the livestock cooperatives (12 cooperatives). Most of these cooperatives reported large sales volumes-half provided sales of at least \$300 million.

Forward contracting establishes future production or marketing actions. Forward contracting is often used to establish a price for livestock to be delivered at a future date. Forward contracting arrangement/assistance was noted by 24 respondents.

Table 24—Bargaining by livestock cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$100	\$100 to \$999	\$1,000 to \$9,999	\$10,000 to \$99,999	Greater than \$100,000	
Co-ops in division	13	34	30	14	12	103
<i>Percentage of cooperatives</i>						
Bargained for livestock, poultry, meat or wool	15.4	2.9	16.7	7.1	58.3	15.5
Bargained for services or supplies	7.7	8.8	6.7	14.3	25.0	10.7

Table 25—Contracting, financing, and investing by livestock cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$100	\$100 to \$999	\$1,000 to \$9,999	\$10,000 to \$99,999	Greater than \$100,000	
<i>Cooperatives</i>						
Total in division	13	34	30	14	12	103
Offered production contracts to members	0	3	2	1	6	12
Arrange/assist members with forward contracting	1	2	6	3	12	24
Used contract production/purchasing agreements	1	4	5	2	7	19
Invested co-op management or capital in production	0	1	3	2	5	11
Financed member production	0	1	2	3	8	14
Purchased livestock or poultry for:						
Production	0	7	3	1	6	17
Resale	0	1	4	2	6	13
Sold co-op-owned livestock or poultry	0	9	4	2	7	22

Production/purchasing agreements sometimes require the member to use cooperative-owned livestock and/or other specific production inputs (feed, supplies, facilities, etc.). These agreements may require the producer to perform contract production for the cooperative, to purchase inputs, or to market with the cooperative. Often cooperatives provide some financing or are an exclusive purchaser of members' production while using production/purchasing agreements. Production/purchasing agreements were used by 19 respondents. Many cooperatives employed a combination of offering production contracts, forward contracting arrangement/assistance, and/or production purchasing agreements (see figure 3).

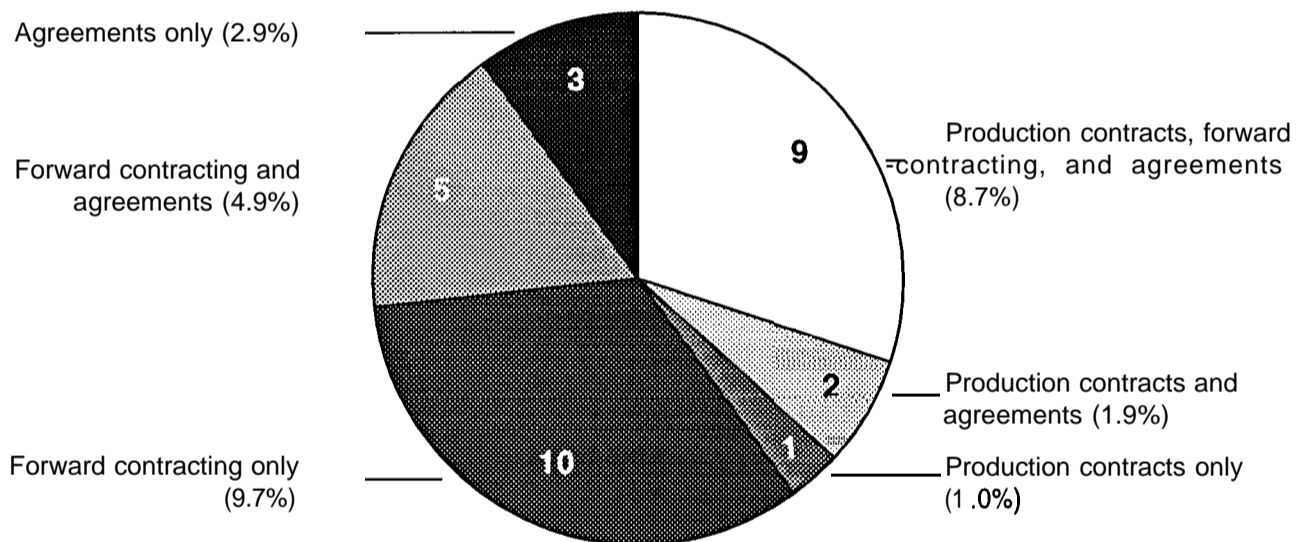
Several cooperatives offer various programs that serve a production financing function. Management or capital was invested in cooperative production by 11 cooperatives, financing member production or purchases by 14, and both production investment and financing of member production by 7 of these respondents (see table 25).

Direct marketing involves the sale of livestock directly to the purchaser without using a livestock terminal or auction market facility. Often, these arrangements call for livestock to go directly from the farm to the buyer. Direct marketing may be by an exclusive arrangement, auction, sealed bid, etc. The important distinction is that the livestock are less susceptible to stress or disease since they do not have to be moved to a central sale site. Direct marketing methods were used by about one-third (35) of the cooperatives (see table 26).

Central buying stations are assembly sites where livestock are purchased and shipped by one or more purchasers. Central buying stations were used by 19 cooperatives. All but one also indicated direct marketing.

Order buyers and dealers fill requisitions placed with them for specified lots of livestock. They usually act as brokers; however, it is not uncommon for them to assume livestock title during transactions. Some of the 24 cooperatives used order buying/selling services as a marketing tech-

Figure 3—Offering of Production Contracts, Forward Contracting Arrangement/Assistance, and Production/Purchasing Agreements by Livestock Cooperatives



*Production contracts: Co-op offered production contracts
 Forward contracting: Co-op offered arrangement/assistance
 Agreements: Co-op offered production/purchasing agreements*

The numbers of cooperative respondents are indicated by values in pie slices.

nique. Some of these may have been subscribers to order buyers not affiliated with their cooperative.

Special or graded sales and livestock auctions were the two most popular marketing techniques with more than half of the respondents-59 and 52 cooperatives, respectively-using them. Special or graded sales were especially used by the smaller cooperatives (table 26). Commission companies are another form of public "auction" style market. Commission companies operate at livestock terminals where sellers have the option of which company manages transactions and handles their livestock before sale. Commission companies were used by only 14 respondents.

Many of the cooperatives used a combination of special sales, auctions, and commission companies (see figure 4). The most common use of these market outlets was the combination of special sales and auctions by 33 cooperatives. Less common was commission companies sponsoring special or graded sales than auctions (4 cooperatives). All three outlets were used by four cooperatives.

Marketing technologies are being improved and coming of age. Electronic marketing by phone, computer, or television was used by 30 cooperatives; video-taped media for consignments by 12 cooperatives; and satellite marketing (using satellite linkages to broadcast sales) by 13 coopera-

tives-mostly for cattle. Both satellite and video usage were more common among the larger cooperatives (table 26). All three techniques (electronic marketing, video-taped media, and satellite sales) were used by nine cooperatives. These marketing techniques will gain popularity as this technology becomes more accepted.

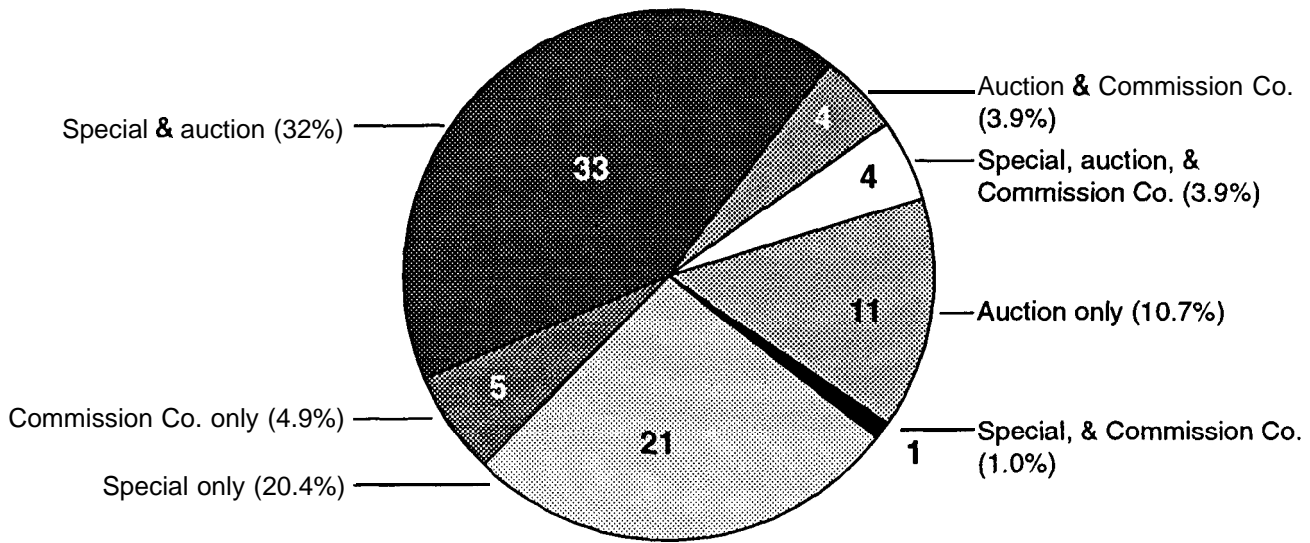
Risk management services were more commonly offered by cooperatives with larger financial bases. Risk management was provided through market advice, access to futures and options **brokerag-**ing services, feeding/production agreements, and insurance opportunities. Futures brokeraging was indicated by 12 cooperatives. Most of these used futures transaction services for members or for cooperative hedging (see figure 5). Although futures hedging opportunities exist for feeder and slaughter cattle, data suggest that the futures market was more commonly used to hedge hogs than cattle.

Nutrition and production advice by field representatives is a common form of management assistance (see table 27). Many of the smaller cooperatives do not have the financial base to provide these services. Many smaller cooperatives, however, obtain this technical servicing through their local Cooperative Extension Service representative or university experiment stations. The service of providing nutrition advice was indicated by 25

Table 26-Marketing techniques of livestock cooperatives, by sales volume

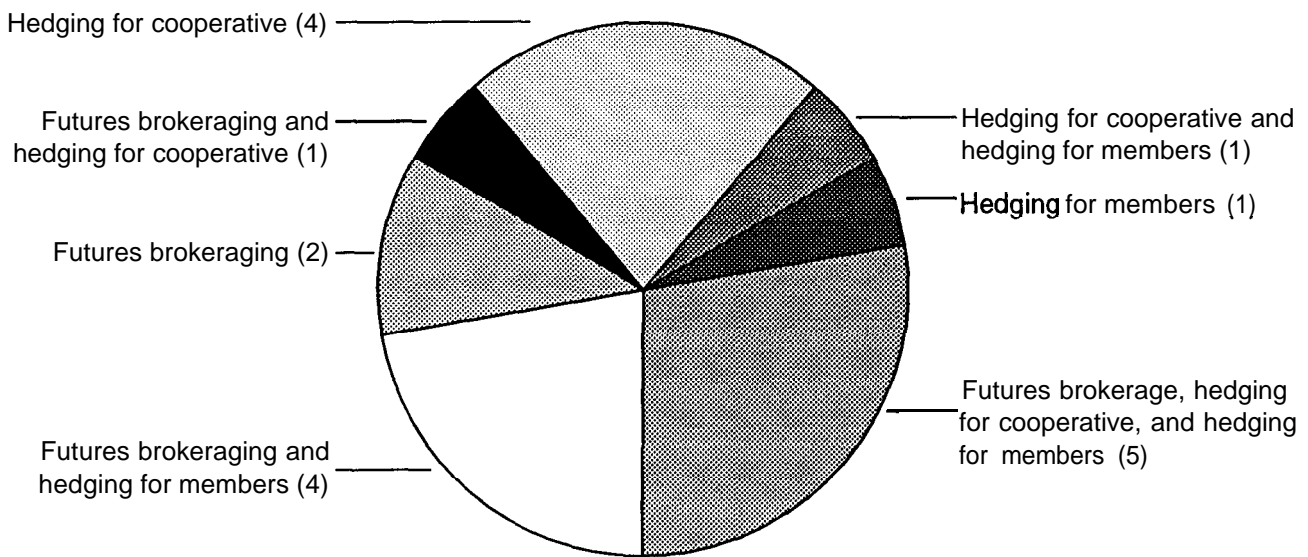
Item	Sales volume in thousands					Total
	Less than \$100	\$100 to \$999	\$1,000 to \$9,999	\$10,000 to \$99,999	Greater than \$100,000	
<i>Cooperatives</i>						
Total in division	13	34	30	14	12	103
Direct marketing services	3	11	9	2	10	35
Central buying stations	0	3	6	1	9	19
Order buying/selling services	0	1	6	6	11	24
Special or graded sales	10	19	12	8	10	59
Livestock auction	3	14	15	10	10	52
Commission company	0	2	2	6	4	14
Electronic marketing	4	6	6	4	10	30
Video-tape media for consignments	0	1	0	4	7	12
Satellite linkages for marketing	0	1	2	3	7	13

Figure 4— Use of Special (or Graded), Auction, and Commission Co. Sales by Livestock Cooperatives



The numbers of cooperative respondents are indicated by values in pie slices.

Figure 5— Futures Contract Use by Livestock Cooperatives



cooperatives and other management advice by 24. Of these, 17 provided both nutrition and management advisement. In addition, actual management was provided by 11 cooperatives for member-owned production, and 15 provided management for cooperative production.

Many livestock terminals, auctions, and special (or graded) sales offer feed, water, and pens for consignors to use when patronizing a sale. Only 20

cooperatives, however, marked that they offered livestock maintenance or care to members. Most of them also offered a combination of other advisement services. One cooperative indicated that stable services were provided.

Most livestock sales provide livestock handling and veterinary diagnostic services (blood testing, palpation, age, etc.) during sales. Only one respondent noted providing assistance during live-

Table 27—Futures market, advice, and management services of livestock cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$100	\$100 to \$999	\$1,000 to \$9,999	\$10,000 to \$99,999	Greater than \$100,000	
Co-ops in division	13	34	30	14	12	103
<i>Percentage of cooperatives</i>						
Futures brokeraging for members	0	5.9	0	14.3	66.7	11.7
Futures transactions used for:						
Co-op hedging	0	8.8	6.7	7.1	41.7	10.7
Member hedging	0	2.9	3.3	14.3	58.3	10.7
Advice for:						
Nutrition	15.4	17.6	26.7	21.4	50.0	24.3
Management	0	5.9	36.7	21.4	66.7	23.3
Livestock maintenance or care	15.4	17.6	13.3	7.1	58.3	19.4
Provided management for production owned by:						
Cooperative	0	14.7	13.3	14.3	33.3	14.6
Members	15.4	5.9	6.7	7.1	33.3	10.7

Table 28—Evaluation services of livestock cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$100	\$100 to \$999	\$1,000 to \$9,999	\$10,000 to \$99,999	Greater than \$100,000	
Co-ops in division	13	34	30	14	12	103
<i>Percentage of cooperatives</i>						
Livestock/poultry evaluation	7.7	8.8	26.7	21.4	50.0	20.4
Livestock grading	53.8	47.1	46.7	50.0	66.7	50.5
Livestock weighing	46.2	50.0	60.0	57.1	83.3	57.3

stock loading. These are common services provided at livestock markets that many respondents probably offer, but did not note on the survey.

Livestock evaluation is a means of assessing an animal's condition, quality, and value (see table 28). This service was a function that some cooperatives performed through livestock tests (i.e., bull tests and feeding trials) and on-farm appraisals. Livestock grading and weighing were two common services used by cooperatives—often used in tandem. One smaller cooperative mentioned the availability of portable scales for members' use. Facilitation of packer feedback on livestock production was noted by one respondent as an evaluation service.

Many cooperatives assist members through information and seminars by the Cooperative Extension Service. This is a method commonly used to entice members to participate in meetings and maintain involvement. Many larger cooperatives publish periodic newsletters and market reports. These keep members informed on industry changes and active within the cooperative. Educational programs or seminars were provided by 47 respondents.

Production equipment and supplies, including feed, are commonly offered to members of farm supply cooperatives. Some livestock marketing cooperatives also offer these services to members (see table 29). Examples of supplies and equipment offered by the cooperatives were veterinary supplies, wool bags and ties, trailers, scales, and feeder

pigs. Seven cooperatives offered production equipment to members, 14 supplied or delivered feed, and 15 offered production supplies to members.

Often, transportation is arranged, rather than provided, by livestock cooperatives. Transportation services were indicated by 28 cooperatives (27 percent). Trailer rentals and livestock deliveries were examples of this service.

Sales Volume

The livestock cooperatives (103) were divided into five divisions by sales volume (table 20). Analyses were performed for all livestock cooperatives and by each division so that sales volume characteristics could be identified.

Average membership eligible to vote increased dramatically as livestock sales volume increased more than \$1 million and again as volume increased more than \$100 million.

The number of locations also increased as sales volumes increased, particularly for the largest cooperatives where all but one had more than five locations. Smaller cooperatives, reporting \$100,000 to \$99,999,999, may have included some central buying stations or assembly points when reporting the number of business locations. These location types generally do not provide as much sales volume, per site, as other types of locations such as auctions or commission companies more commonly found with larger cooperatives.

Table 29—Other services by livestock cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$100	\$100 to \$999	\$1,000 to \$9,999	\$10,000 to \$99,999	Greater than \$100,000	
Co-ops in division	13	34	30	14	12	103
	<i>Percentage of cooperatives</i>					
Production equipment	0	5.9	6.7	14.3	8.3	6.8
Production supplies	15.4	20.6	10.0	7.1	16.7	14.6
Feed supply/delivery	0	17.6	45.1	14.3	0	13.6
Provided or arranged transportation	23.1	14.7	30.0	21.4	66.7	27.2
Educational programs seminars	69.2	41.2	33.3	21.4	91.7	45.6

All but 3 of the 47 smallest cooperatives exclusively handled one specie. The number of livestock species handled increased substantially as sales volumes rose more than \$1 million (table 21). The number of species handled continued to increase to the largest division (sales volumes of \$100 million or more). Primarily, the cooperatives that handled wool were small-most reported less than \$1 million in livestock sales. Reported wool sales were generally small and probably were only annual or seasonal. Although some cooperatives also handled poultry (4) or meats (1), this service was probably a substantial activity for only one respondent.

Livestock pooling decreased as sales volumes increased, except for the largest cooperatives (table 22). Half of the cooperatives reporting \$100 million or more in sales also reported livestock pooling. Because most of the largest cooperatives had some cooperative members, some of the pooling indications may have resulted from their cooperative members' pooling activities.

Generally, each division's livestock pooling preference profiles were similar to the profile for all livestock cooperatives combined. The division profiles were not expected to exactly follow the cumulative profile because 1) no differentiation was made among species and 2) the specie mix of pooled livestock differed within division.

Commonly a cooperative's financial base increases with sales volume. A greater financial base allows the larger cooperatives to use contract production, investment, and financing. Also the marketing methods used become more extensive, specialized, and innovative. This was especially true for the largest cooperatives (tables 25 and 26).

The ability to provide risk management opportunities and technical assistance or advice increased with sales volume. This was especially evident for the largest cooperative division (table 27).

Livestock evaluation and services such as livestock grading and weighing were offered by cooperatives in every division (table 28). These services are used for practically all livestock sales with the exception of those sold on a dollars-per-head basis-very young animals (i.e., feeder pigs and calves), breeding stock, cow-calf pairs, and horses.

A greater proportion of the very small and the

very large cooperatives provided educational programs or seminars (table 29). The smaller respondents probably incorporate these programs into annual or seasonal meetings while the larger are more apt to provide newsletters, fliers, or magazines. Also the smaller respondents may maintain closer contact with the Cooperative Extension Service or producer associations that lend speakers or arrange seminars in conjunction with, or in addition to, these cooperatives.

The extent of marketing services, marketing alternatives, and production possibilities increased with financial base and livestock sales volume. Smaller cooperatives tended to market livestock via less sophisticated methods and were more narrowly focused. Most of these employed a single market alternative and handled a single specie.

WOOL COOPERATIVES

Wool was the primary commodity for 77 cooperatives. Most had only producer membership and one location (see table 30). Five respondents had two to five locations-the three largest volume cooperatives are included in these five. Only two indicated having more than five locations. One of these two accounted for wool pooling member locations, and the other probably included assembly points. One cooperative did not indicate membership composition, but it's believed it had only producer members.

Membership eligible to vote was reported by 74 respondents (see table 31). The average number

Table 30-Number of locations of wool cooperatives, by membership type

Number of locations	Membership type				Total
	Producers only	Co-ops only	Both	Unknown	
	Percentage of cooperatives				
1	87.0	0	2.6	1.3	90.9
2 to 5	2.6	2.6	1.3	0	6.5
More than 5	1.3	0	1.3	0	2.6
Total	90.9	2.6	5.2	1.3	100

of members for these was 330, and only 3 reported membership greater than 500. One reported more than 10,000. Without these 3 cooperatives, the average for the other 71 reporting became only 101 members—a more realistic membership number for typical wool cooperatives.

Sales volume differences among these cooperatives were large.¹ Sales volumes for wool ranged from one 1,000 to millions of dollars (table 31). The average wool sales volume was \$340,857. Only 6 of 77 cooperatives had sales volumes greater than this average. Most cooperatives (68 of 77) had wool sales volumes less than \$100,000. Sheep marketings were indicated by five cooperatives, but only two respondents reported sheep sales volumes, one of which also marketed meats.

¹No sales volume adjustment was made according to fiscal year sales volume reported. Wool prices were significantly greater in 1991 and 1992 than in 1990. Reported sales volumes for 1990 (37 reported) and 1991 (37 reported) were evenly distributed throughout the sales volume range. Only three reported sales volumes for fiscal 1992.

Functions and Services

The vast majority of these cooperatives are small with respect to membership number and sales volumes. The most common function was to market wool—74 of 77 indicated that they marketed wool for members. It is expected that all of these cooperatives perform some marketing function because all reported positive sales volumes. Production and marketing supplies and services are sometimes offered to members by wool cooperatives. Education about current topics in the wool industry also is usually provided at meetings. Much less diversity is seen among wool cooperatives than among livestock cooperatives.

A greater number of buyers and sometimes higher prices, through buyer competition, can be gained through greater lot sizes or total offerings of wool. Pooling wool before sale is a way to capture some of these potential premiums. Typically, when wool is pooled, the cooperative groups members' wool together according to grade, type, or some

Table 31—Voter eligibility, sales volume reports, and average sales of wool cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$10	\$10 to 649	\$50 to \$99	\$100 to \$999	Greater than \$1,000	
Co-ops in survey	24	35	9	4	5	77
Voter eligibility:						
Co-ops reporting	21	35	9	4	5	74
	<i>Members</i>					
Minimum	10	12	26	55	4	4
Maximum	254	450	200	1550	14,161	14,161
Average	66.7	114.9	121.6	440.3	3201.0	329.6
Standard deviation	64.5	101.2	52.5	640.9	5507.5	1637.6
	<i>Sales volume reports</i>					
Reported sales of:						
Wool	24	35	9	4	5	77
Livestock	1	1	0	0	0	2
Poultry	0	0	0	0	0	0
	<i>Thousand dollars</i>					
Average wool sales	4.6	21.5	70.1	210.8	4,786.0	341.1

other characteristic. Lots of wool are sold and the proceeds are then distributed to the owners of the pool in proportion to their share when the wool was pooled. The cooperative collects the proceeds and then 1) deducts any administrative and commission costs, 2) divides the gross returns according to each producer's wool contribution, and 3) distributes the net returns.

The survey specifically asked about pooling

Table 32—Wool pooling preference profile for reporting wool cooperatives

Pooling characteristics	Rank of preference ¹						
	1	2	3	4	5	6	7
<i>Cooperatives</i>							
Grade	18	4	1	0	0	0	0
Type	9	0	0	0	0	0	0
Weight	6	3	0	0	0	0	0
Breed	1	2	1	0	0	0	0
Yield	1	1	0	0	0	0	0
Length	0	1	0	1	0	0	0
Origin	0	0	2	0	0	0	0
Contamination	0	0	1	0	0	0	0
Condition	0	0	1	0	0	0	0

¹ Preference rankings for wool pooling characteristics were given by 32 respondents. More than one pooling characteristic could receive the same ranking. The scale begins with 1 for most important and declines to 7, the relatively least important characteristic. Values shown are after adjustment for sheep pooling responses.

livestock, not about pooling wool. Because of the confusion caused by the question, no numbers are reported here on the number who pool. It is expected, however, that the vast majority of the cooperatives pooled wool for sales. Pooling for both production and sale was indicated by one cooperative.

Wool pooling characteristic preferences were provided by 32 cooperatives, and sheep pooling characteristics by 2. The most preferred wool pooling characteristics were grade followed by type and weight (see table 32).

Livestock or wool were purchased by only one respondent for both cooperative production and resale. One respondent added value to wool and lambs through merchandising and slaughter. They cooperatively produced wool weavings and added value by making and selling lamb sausage. None of the respondents indicated sales of cooperative-owned livestock.

Most cooperatives (55 of 77) simply acted as an agent and did not assume an ownership role during transactions. Sometimes wool is purchased from the members by the cooperative before marketing (cooperative resale) or production (i.e., further processing or craft manufacture). Five respondents indicated that they assumed wool ownership during transactions.

Many membership agreements include production/purchasing agreements. Production/purchasing agreements are contracts that help to ensure member participation in the cooperative

Table 33—Contracting by wool cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$10	\$10 to \$49	\$50 to \$99	\$100 to \$999	Greater than \$1,000	
Co-ops in division	24	35	9	4	5	77
<i>Percentage of cooperatives</i>						
Used contract production/purchasing agreements	20.8	31.4	22.2	0	40.0	26.0
Offered production contracts to members	8.3	8.6	11.1	0	0	7.8
Arrange/assist members in forward contracting	0	5.7	0	0	80.0	7.8

and sales volume. These agreements were used by 20 respondents as a marketing technique. Most of these were probably agreements to purchase members' wool rather than contracts to produce wool for the cooperative.

Contract production is not common among wool pools. Production contracts were offered to members by only six cooperatives-7.8 percent. All but one of those offering production contracts also indicated that production/purchasing agreements were used (see table 33).

Forward contracting is a means to establish a marketing arrangement to be satisfied at a later date. These arrangements allow producers to lock in prices, production plans, and marketing alternatives. Forward contracting arrangement/assistance was provided by six respondents (7.8 percent)—three also used production/purchasing agreements, and one also offered production contracts to members (see figure 6).

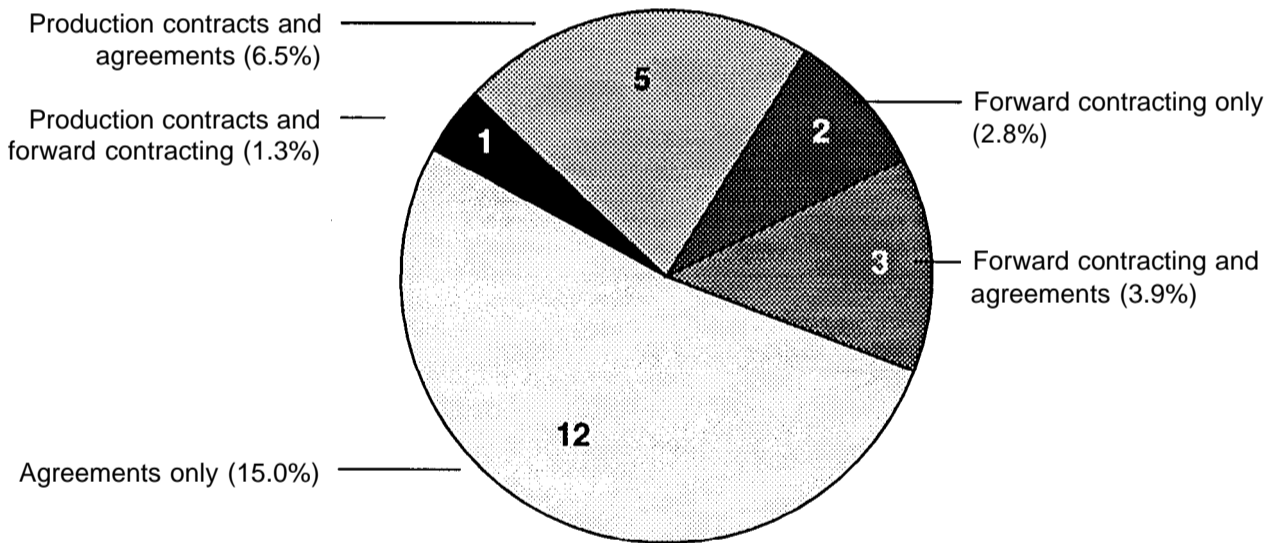
Some respondents provided wool storage and warehousing to enable wool sales at a future time or forward contracts for delivery at a date when prices are greater.

Direct marketing methods (bypassing public auctions or sales) were used by 14 cooperatives. Several respondents used telephone sales techniques (see table 34). Often telephone sales are made with conference calls.

Some producers consign production or place requisitions with order buyers to reduce management needs or to gain marketing expertise not available on their farm. These services are more commonly used for livestock than for wool. Order buying/selling techniques were used by only three respondents. Central buying stations were used by six cooperatives; however, several of these and more may have used central assembly points.

Special or graded auctions or sales were used by 19 wool cooperatives (table 34). It was not discernable from the data whether these sales were for 1) consigned lots that were graded for marketing, 2) sheep or wool sales, or 3) if the sales were seasonal, for special product, or were for production animal sales. Only one respondent indicated that auctions were used for rams as a special sale. Several respondents noted using sealed bids for pool sales. Because of the nature of wool market-

Figure 6— Offering of Production Contracts, Forward Contracting Arrangement/Assistance, and Production/Purchasing Agreements by Wool Cooperatives



Production contracts: Co-op offered production contracts
 Forward contracting: Co-op offered arrangement/assistance
 Agreements: Co-op offered production/purchasing agreements

The numbers of cooperative respondents are indicated by values in pie slices.

ing, the respondents did not use commission companies at a terminal location.

Marketing technologies are being improved and coming of age. Electronic marketing by phone, computer, or television was the most popular marketing technique (see table 34). Electronic marketing was used by 28 of 77 cooperatives. Some of the respondents wrote in comments explaining the medium used—telephone, computer, or television. The comments implied that telephones were more commonly used for marketing than computers or television. While some did use computer marketing, televised wool sales were probably not used. This is partially supported by the fact that no indications for using video-taped media or satellite linkages during marketing were made.

Only two cooperatives indicated that they financed member production/purchases. At least

one of these used advances to members on product marketed through the cooperative. No respondents indicated investment of cooperative management and/or capital in production. One cooperative indicated that they assisted members when obtaining grazing leases.

Often cooperatives will bargain for prices of wool, products, or services for members. Bargaining for livestock or wool was noted by 17 respondents. Only five bargained for services or supplies, and only three bargained for both commodities and services or supplies (see table 35).

Because many wool cooperatives use central assembly points, it is common for them to provide wool transportation to a sale site, packaging (i.e., baling) point, or warehouse facility. Twenty-three cooperatives provided or arranged commodity transportation. Commodity transportation was pri-

Table 34—Marketing techniques of wool cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$10	\$10 to \$49	\$50 to \$99	\$100 to \$999	Greater than \$1,000	
<i>Cooperatives</i>						
Total in division	24	35	9	4	5	77
Direct marketing services	2	6	2	1	3	14
Order buying/selling services	0	0	1	0	2	3
Central buying stations	3	1	0	0	2	6
Special or graded sales	6	6	2	2	3	19
Electronic marketing	11	14	0	3	0	26

Table %—Bargaining and transportation services by wool cooperatives, by sales volume

Item	Sales volume in thousands					Total
	Less than \$10	\$10 to \$49	\$50 to \$99	\$100 to \$999	Greater than \$1,000	
Co-ops in division	24	35	9	4	5	77
<i>Percentage of cooperatives</i>						
Bargained for livestock, poultry, meat, or wool	20.8	22.9	0	25	60	22.1
Bargained for services or supplies	4.2	2.9	0	25	40	6.5
Provided or arranged transportation	33.3	22.9	22.2	25	80	29.9

marily provided by lower volume cooperatives (see table 35).

Risk management, through futures transaction services for members, was provided by only one respondent. This cooperative, however, did not indicate that futures brokering services were offered. Since wool is not traded on the futures exchange, hedging services would not be expected. None of the cooperatives indicated that futures transactions were used for cooperative hedging.

Management was provided by two cooperatives for cooperative-owned production. Both of these cooperatives were small-management was probably for wool preparation before marketing. No cooperatives indicated that management was provided for member-owned production.

Small cooperatives generally do not provide expert technical advice or field representatives on a routine basis because of administrative and cost constraints (see table 36). Nutrition and production advisement were not commonly offered by wool cooperatives. Management advisement was offered by six and nutrition advisement by only three respondents. One respondent noted giving market advice. Livestock maintenance or care was offered by only two cooperatives. One unique respondent offered nutrition advice, management advice, and livestock maintenance or care-they also slaughtered sheep and sold meat.

Educational programs for members are a commonly used tool to keep members active. Educational programs or seminars were provided

by 34 respondents (see table 36). One cooperative noted participating in wool promotion, exhibitions, and 4-H programs. Another noted that shearing schools were sponsored. Lamb-tasting activities were sponsored by one respondent.

Production equipment and supplies, including feed, are commonly offered to members of farm supply cooperatives, and some wool marketing cooperatives also offer these products to members (see table 37). Eleven respondents offered production supplies to members, and two of them offered production equipment. Generally, equipment and supplies include veterinary supplies, shearing equipment, and wool bags and ties. Some respondents also indicated that sheep shearing was provided or coordinated. Only one cooperative indicated that feed was supplied or delivered.

Livestock evaluation was only indicated by one cooperative. Ram testing and flock grading, both means of livestock evaluation, however, were noted by other respondents. Livestock grading was offered by two respondents-one of these also offered livestock weighing.

Wool evaluation was indicated by one respondent. Another noted that wool core samples were taken of members' clip for analysis. Two cooperatives noted that wool was graded. Probably more than these two graded wool for marketing purposes. Wool weighing was also noted; however, it is expected that all of these cooperatives weighed members' wool or obtained those weights from another source.

Table as-Advice and management **services by wool cooperatives, by sales volume**

Item	Sales volume in thousands					Total
	Less than \$10	\$10 to \$49	\$50 to \$99	\$100 to \$999	Greater than \$1,000	
Co-ops in division	24	35	9	4	5	77
	<i>Percentage of cooperatives</i>					
Nutrition advice	4.2	2.9	0	25	0	3.9
Management advice	8.3	0	0	25	60	7.8
Livestock maintenance or care	0	2.9	0	25	0	2.6
Educational programs seminars	45.8	42.9	33.3	75	40	44.2

Sales Volume

The 77 wool cooperatives were divided according to 5 sales volume intervals. Analyses were performed by division and for the complete commodity group.

Grade was definitely the most preferred wool pooling characteristic (table 32). Wool type (usually in relation to white-face versus black-face) was the second most popular. This was especially seen among those with sales less than \$50,000. Low volumes, potential small lot sizes, and less available cooperative grading expertise all are possible reasons for pooling by type. Weight was also chosen as an important characteristic; however, these responses may have been intended to represent sheep pooling preferences.

The primary function of these cooperatives is to market wool for members—indicated by all but three. Although services were offered by many respondents, cooperatives reporting wool sales of \$50,000 to \$99,999 offered few services. Livestock or wool was bargained for by 17 respondents (table 35); however, this function most likely was only for price negotiation. Most acted solely as an agent during transactions (55 of 77), although ownership was assumed by 6.

Often, wool is offered to smaller groups of buyers or to only selected buyers as compared to livestock sales. Therefore, it is not surprising that electronic marketing was the most indicated method used, especially for smaller cooperatives (table 34). Most indicating electronic marketing reported less than \$50,000 in wool sales—25 of 28.

Many of these commonly use telephone conference calls when marketing wool.

Transportation services generally are for wool assembly or delivery to buyers. Transportation services were indicated by 23 respondents. Cooperatives with wool sales below \$30,000 represented 16 of them (table 35).

Wool cooperatives are primarily geared to marketing wool and not servicing members' daily production needs. Most are small, market seasonally, offer few services, and employ only one marketing technique. More than three-quarters of them reported sales below \$50,000 (table 31). The marketing methods were generally designed for seasonal marketing when little or no capital is tied up in facilities or annual salaries for marketing teams. These cooperatives, like smaller livestock cooperatives, commonly employed only a single marketing alternative for members. The largest cooperatives (sales more than \$1 million), however, generally employed more marketing methods than the smaller ones (table 34).

POULTRY COOPERATIVES

Locations and Membership

All 13 cooperatives indicated that poultry was handled except for one, which indicated handling meats. Hogs and pigs were also handled by one cooperative. Cooperative membership was primarily only made up of producers, and most had only one business location (see table 38).

Table **w-Production supply and equipment offerings to members by wool cooperatives, by sales volume**

Item	Sales volume in thousands					Total
	Less than \$10	\$10 to \$49	\$50 to \$99	\$100 to \$999	Greater than \$1,000	
Co-ops in division	24	35	9	4	5	77
	<i>Percentage of cooperatives</i>					
Feed supply/delivery	0	0	0	25	0	1.3
Production equipment	4.2	0	0	0	20	2.6
Production supplies	29.2	2.9	0	0	60	14.3

All cooperatives reported membership numbers. Generally, these cooperatives have few members eligible to vote (see table 39). Sixty-nine percent (9 of 13) indicated less than 100 eligible members. But one respondent reported those eligible to vote in the tens of thousands. This was the only respondent reporting over 500 eligible members. The remaining three cooperatives reported between 100 and 500 eligible members.

There is a tremendous range in reported sales volume for these cooperatives. Sales volumes ranged from 5- to P-digit values (table 39). Poultry

processing cooperatives must handle great volumes to compete in a commodity industry that is very concentrated. These higher volumes provide economies of size and scale, which must be realized for the cooperatives to remain viable. Thus, it is not surprising that these cooperatives have such high sales volumes. The average poultry sales volume was \$110,732,351. All of the cooperatives but one had sales volumes more than \$1 million. Only two cooperatives had sales volumes more than the average, and one reported only a 5-digit sales volume.

Functions and Services

Three primary commodities were handled by these cooperatives: turkeys, eggs, and other processed poultry (birds). The basic function of the poultry cooperatives was to coordinate production, processing, and marketing. The poultry cooperatives are much more vertically aligned than the livestock or wool groups.

Slaughtering livestock and poultry or purveying meat was indicated by 8 of the 13 respondents; 1 federated turkey cooperative and the 4 egg marketing cooperatives did not slaughter. Those that marketed eggs most probably performed some processing function ranging from washing and candling to adding value by producing processed egg products.

All but one of the 13 cooperatives are expected to market poultry for members; however, only 10 indicated this. The remaining cooperative probably marketed poultry to members.

Commodity ownership was assumed during normal transactions by four respondents. More poultry cooperatives, however, probably took title to product at some time during processing before shipment. Two turkey marketing cooperatives acted solely as an agent during transactions and did not assume ownership. No ownership role during transactions was provided by the remaining seven respondents (see table 40).

Few market niches exist in the turkey, broiler, and egg industries. But one of the cooperatives in this group is definitely geared toward a niche rather than a commodity market. One respondent serves a niche market with squabs and other game birds.

Table **se**—Number of locations of poultry cooperatives, by membership type

Number of locations	Membership type			Total
	Producers only	co-ops only	Both	
<i>Percentage of cooperatives</i>				
1	46.2	7.7	15.4	69.2
2to 5	7.7	0	7.7	15.4
More than 5	15.4	0	0	15.4
Total	69.2	7.7	23.1	100

Table **39**—Voter eligibility and average sales volume of poultry co-ops, by primary product handled

Item	Turkeys	Eggs	Other poultry	Total
Co-ops in division	5	4	4	13
Voter eligibility:				
Co-ops reporting	5	4	4	13
<i>Members</i>				
Minimum	4	3	66	3
Maximum	107	111	38,500	38,500
Average	49.6	30.8	\$778.3	3,037.2
Standard deviation	35.0	46.3	16,583.3	10,237.9
<i>Thousand dollars</i>				
Average poultry sales	72,793.4	32,500.0	236,388.4	110,732.4

The survey specifically asked about pooling livestock; however, five respondents indicated pooling for sale (see table 41). No pooling was indicated by seven cooperatives, and one did not respond to the question on pooling. The positive responses to pooling livestock were assumed to be meant for poultry and/or egg products.

Pooling preferences were reported by three for turkeys, one for squabs, and two for eggs. One of the two respondents that reported egg pooling preferences indicated that pooling was not used, and the other did not respond to the question on pooling (see table 41).

Only grade, weight, and sex were provided as turkey pooling preferences. Grade received two

Table 40-Poultry cooperative transaction role, by primary product handled

Item	Turkeys	Eggs	Other poultry	Total
Co-ops in division	5	4	4	13
<i>Percentage of cooperatives</i>				
Assumed ownership	40	25	25	30.8
Acted solely as an agent	40	0	0	15.4
Both	0	0	0	0
Unknown	20	75	75	53.8

Table 41—Pooling by poultry cooperatives, by primary product handled

Item	Turkeys	Eggs	Other poultry	Total
Co-ops in division	5	4	4	13
<i>Percentage of cooperatives</i>				
Pooling for:				
Sale only	60	25	25	38.5
Production only	0	0	0	0
Production and sale	0	0	0	0
No pooling	40	50	75	53.8
Pooling unknown	0	25	0	7.7
Provided pooling characteristic preferences	60	50	25	46.2

most preferred marks. Weight received a first and second order of preference. Sex was chosen as the third most preferred by one cooperative. Grade was the primary pooling preference given by the two that pooled eggs.

Cooperative management or capital was invested in production by four respondents. Member production or purchases were financed by two cooperatives. One of these both invested in production and financed members. All that invested in production or financed members also purchased livestock or poultry for cooperative production (see table 42).

Six respondents purchased livestock or poultry for resale. All of these but one also sold cooperative-owned livestock or poultry. One respondent indicated that livestock or poultry were purchased for cooperative production and that cooperative-owned livestock or poultry were sold; however, they did not indicate purchases for resale.

Table 42-Investment, purchase, and sales by poultry cooperatives, by primary product handled

Item	Turkeys	Eggs	Other poultry	Total
Co-ops in division	5	4	4	13
<i>Percentage of cooperatives</i>				
Invested co-op management or capital in production	40	25	25	30.8
Financed member production	20	0	25	15.4
Purchased livestock or poultry for co-op:				
Production	40	25	50	38.5
Resale	40	75	25	46.2
Sold co-op-owned livestock or poultry	40	50	50	46.2
Sold carcasses or other wholesale meat products	60	0	75	46.2
Slaughtered livestock or poultry, or purveyed meat	80	0	100	61.5

Carcasses or wholesale meat product sales were indicated by six cooperatives—all of which also slaughtered livestock or poultry. All but two which sold meat also sold cooperative-owned livestock or poultry (table 42).

Many membership agreements include production/purchasing agreements between the cooperative and the member. Production/purchasing agreements are contracts which help to ensure member participation in the cooperative and sales volume. Four respondents used these agreements as a marketing technique; five respondents offered production contracts to members; and three poultry slaughterers used both contract production/purchasing agreements and production contracts (see table 43). For these cooperatives, the agreements probably were for contract production of cooperatively owned birds. Forward contracting arrangement/assistance was not provided by any of the respondents.

Direct marketing methods were used by three of the four egg marketing cooperatives and two of the five turkey marketers—a total of five. One of these used electronic and satellite technology for marketing while another used special or graded sales as a marketing technique (see table 44).

Electronic marketing was used by two cooperatives. Only one respondent used order buying/selling services. Central buying stations or commission companies were not used by these cooperatives. Only one respondent indicated that auctions were used and locker services were pro-

vided; however, auction use could have been to satisfy their slaughtering activities.

Bargaining for services or supplies was noted by three respondents. Two respondents bargained for livestock or poultry. The bargaining performed by these two cooperatives was most likely for replacement poultry or for price negotiation purposes.

Production supplies and equipment were offered to members by four and two cooperatives, respectively. Feed supply and delivery were offered to members by five respondents. Transportation was provided by three cooperatives—two of which bargained for livestock or poultry (see table 45). Because the poultry and egg industries typically have large firms and are processor-driven, probably more also provide or arrange transportation. Neither risk management nor futures market usage were indicated by respondents.

Management was provided for member-owned production by four respondents and for cooperative-owned production by three. Two provided management for both. Four respondents indicated that management advice was offered to members—all but one also indicated that management was provided for member- or cooperative-owned production (table 45).

Nutrition advisement was offered by five respondents—three of these also offered feed sup-

Table 43—Contracting by poultry cooperatives, by primary product handled

Item	Turkeys	Eggs	Other poultry	Total
Co-ops in division	5	4	4	13
<i>Percentage of cooperatives</i>				
Used contract production/purchasing agreements	20	25	50	30.8
Offered production contracts to members	60	0	50	38.5

Table 44—Marketing techniques of poultry cooperatives, by primary product handled

Item	Turkeys	Eggs	Other poultry	Total
Co-ops in division	5	4	4	13
<i>Percentage of cooperatives</i>				
Direct marketing services	40	75	0	38.5
Electronic marketing	0	25	25	15.4
Satellite linkages for marketing	0	25	0	7.7
Special or graded sales	0	25	0	7.7
Order buying/selling services	0	25	0	7.7
Livestock auction	0	0	25	7.7

ply or delivery and management advice. Livestock maintenance or care was offered by only two cooperatives, both of which also offered management advice and management for member-owned production (table 45).

Some of these cooperatives maintain close production ties with their producers/members. Three offered production supplies, management advice, nutrition advice, and feed supply or delivery in combination. Production equipment was also offered to members by two of these (table 45).

Livestock or poultry evaluation was offered to members by three respondents. Two of these also provided weighing and grading services (see table 46). Another cooperative indicated that weighing and grading services were provided but did not indicate livestock or poultry evaluation. Educational programs or seminars were offered by only two respondents.

Table 45—Production and marketing services of poultry cooperatives, by primary product handled

Item	Turkeys	Eggs	Other poultry	Total
Co-ops in division	5	4	4	13
<i>Percentage of cooperatives</i>				
Bargained for:				
Livestock, poultry, meat or wool	20	25.0	0	15.4
Services or supplies	20	50.0	0	23.1
Offered members:				
Production supplies	40	25	25	30.8
Production equipment	0	25	25	15.4
Feed supply/ delivery	20	25	75	38.5
Provided or arranged transportation	20	25	25	23.1
Management advice	40	25	25	30.8
Nutrition advice	20	50	50	38.5
Livestock maintenance or care	40	0	0	15.4
Provided management for:				
Co-op-owned production	20	0	50	23.1
Member-owned production	60	0	25	30.8

Poultry cooperatives are relatively large, by design, in order to be competitive in their industry, but some market niches exist. The main objective of the cooperatives is to process and/or market poultry products. These cooperatives are more geared to vertical integration than those of other commodity groups. This organizational structure is not uncommon in the poultry industry and is one of the factors enabling these cooperatives to remain viable competitors.

MEAT COOPERATIVES

Of eight meat cooperatives, six had their membership primarily made up of producers and operated with only one location. One had only cooperative members and more than five locations. The remaining respondent did not reply to the membership question though it is expected that only producer members exist. This cooperative indicated having from two to five locations.

Seven cooperatives reported membership numbers; four of them reported 500 or fewer members eligible to vote (see table 47). The other three cooperatives each reported 1,500 or more members.

Seven cooperatives indicated that meats were handled and livestock were slaughtered. Every respondent sold carcasses or other wholesale meat products. All livestock species listed on the survey, except horses, were handled by at least one of the respondents. None handled poultry, but one handled wool (see table 48). Only three of the coopera-

Table 46—Evaluation and educational services of poultry cooperatives, by primary product handled

Item	Turkeys	Eggs	Other poultry	Total
Co-ops in division	5	4	4	13
<i>Percentage of cooperatives</i>				
Livestock/poultry evaluation	60	0	0	23.1
Livestock grading	60	0	0	23.1
Livestock weighing	60	0	0	23.1
Educational programs or seminars	20	25	0	15.4

tives indicated that commodities were marketed for members, and at least four of those that did not indicate marketing for members probably marketed meat to their members.

The range in reported sales volumes was tremendous. Sales volumes ranged from 5- to 9-digit values. The average meat sales volume was \$108,275,469 (table 48). Only two cooperatives, however, had sales volumes more than \$1 million, and only one cooperative had a 5-digit sales volume. No sales volumes were reported for livestock or poultry.

Locker cooperatives made up half (4) of this commodity group. They will be discussed separately from nonlocker cooperatives because they are so similar in function and service.

Locker Cooperatives

Locker cooperatives slaughter and process meats for sale and/or customers' own use. They

Table 47—Number of locations, membership type, and voter eligibility, by meat cooperative type

Item	Lockers	Nonlockers	Group
<i>Cooperatives</i>			
Total in division	4	4	8
Number of locations:			
1	4	2	6
2 to 5	0	1	1
Over 5	0	1	1
Membership type:			
Producers only	4	2	6
Producers and co-ops	0	0	0
Co-ops only	0	1	1
Voter eligibility:			
Co-ops reporting	3	4	7
<i>Members</i>			
Minimum	NIA	45	45
Maximum	NIA	6,587	6,587
Average	727.0	2,171 .0	1,552.1
Standard deviation	561.9	2,671.5	2,173.6

also provide locker services. These cooperatives generally cater to a local area and are relatively small in sales and service volumes. Livestock production services, if offered, are limited in scope (see table 49).

The four locker cooperatives were similar in function, service, and size. All had only one location and producer members. Only three reported membership eligible to vote, ranging from 181 to 1,500. All the cooperatives reported sales and/or service income between \$100,000 and \$200,000.

Their specific functions were custom processing, locker rentals, and retail meat sales. These cooperatives slaughtered livestock, handled meats, and sold carcasses or wholesale meat products, but did not offer livestock management, care, equipment, or supplies.

Table 48—Commodities and number of species handled of meat co-ops, marketing indications, and sales volumes, by meat cooperative type

Item	Lockers	Nonlockers	Group
<i>Cooperatives</i>			
Total in division	4	4	8
Marketed commodities for members	0	3	3
Species handled:			
Beef cattle	2	0	2
Dairy cattle	1	0	1
Goats	1	0	1
Hogs and pigs	1	1	2
Sheep	1	0	1
Number of species handled:			
One	0	1	1
Two	1	0	1
Four	1	0	1
Other commodities handled:			
Wool	0	1	1
Meats	4	3	7
<i>Thousand dollars</i>			
Average meat sales	141.3	216,409.6	108,275.5

Only two cooperatives indicated handling beef cattle. One of these also handled hogs and pigs, and the other also handled dairy cattle, sheep, and goats (table 48). Because they all slaughtered livestock, probably at least one of the livestock species listed was handled by the two that did not indicate specie(s) handled. No indications were given for livestock pooling.

Livestock and/or poultry and services and/or supplies were both bargained for by two respondents, probably to procure livestock for slaughter and production equipment for the cooperative. One

cooperative indicated that livestock were purchased for cooperative production and resale.

Livestock auctions were used for procurement purposes by one of the respondents. This was the only livestock marketing means noted.

Nonlocker Cooperatives

Distinct differences existed among the four non-locker meat cooperatives. One was a large meat company that slaughtered hogs, two were much smaller and slaughtered lambs, and the remainder rendered livestock and marketed the end products. They all sold carcasses or wholesale meat products. The three cooperatives that slaughtered livestock each acted as an agent while marketing meats for members.

The lamb-slaughtering cooperatives each had only producer members and one location. They reported 50 or fewer members eligible to vote and were the smallest cooperatives in terms of both size and sales volume. The other two cooperatives reported multiple locations (table 47). One of these reported all cooperative members; however, each reported over 2,000 members eligible to vote.

The meats industry is similar to the poultry industry with respect to firm size and concentration, but more potential exists for niche markets among red-meat purveyors. The lamb cooperatives serve niche markets to some extent, but the other two definitely serve commodity markets. Therefore, the high sales volumes exhibited and the range in sales volumes are not surprising. Meat and meat product sales ranged from 6 to 9 digits. Each of the lamb cooperatives had 6-digit sales, and the others had 8- or 9-digit sales. One cooperative indicated that wool was handled but did not provide the sales volume.

The survey specifically asked about pooling livestock. One respondent indicated livestock pooling was used for sale and provided pooling preferences for sheep. The remaining three indicated that livestock were not pooled for production or sale (table 49). It is likely, however, that all of these cooperatives assembled meat and meat products from more than one producer member's production before meat shipment or sale-before or after the cooperative assumed ownership.

Table 49-Pooling and transaction role of meat cooperatives, by meat cooperative type

Item	Lockers	Nonlockers	Group
	<i>Cooperatives</i>		
Total in division	4	4	8
Livestock pooling:			
For sale only	0	1	1
None	2	3	5
Unknown	2	0	2
Ownership during transactions:			
Assumed ownership	0	1	1
Acted solely as an agent	0	3	3
Unknown	4	0	4
Purchased livestock or poultry for co-op:			
Production	1	2	3
Resale		2	3
Bargaining for:			
Livestock, poultry, meat or wool	2	1	3
Services or supplies	2	1	3
Invested co-op management or capital in production	0	1	1
Financed member production	0	1	1
Slaughtered livestock, poultry, or Purveyed meat	4	3	7
Sold co-op-owned livestock or poultry	0	1	1
Sold carcasses or other wholesale meat products	4	4	8
Offered production supplies to members	0	1	1

Only one cooperative invested cooperative management or capital in production and financed member production/purchases. Livestock or poultry were bought for cooperative production by two respondents. Livestock or poultry were purchased for cooperative resale by two respondents. One of these respondents bought livestock for both cooperative production and resale. One respondent indicated bargaining for livestock and services or supplies and also indicated sales of cooperative-owned livestock (see table 49).

Contract production/purchasing agreements were used as a marketing technique by three respondents. One of these also indicated that production contracts were offered to members, and another offered forward contracting arrangement/assistance (see table 50).

Management was provided for cooperative-owned production by two respondents. These offered several management and technical services to their members. Each of these offered management advice, nutrition advice, livestock evaluation, and educational programs or seminars. One cooperative noted that genetic advisement was provided as a service. This advisement was used to coordinate production schedules. One of these cooperatives also provided management for member-owned production (see table 51).

Livestock maintenance or care and weighing were provided by one of the respondents. This respondent also offered feed supply or delivery and production supplies to members (see table 52). Other services were risk management using futures

transactions for cooperative hedging, custom processing, and livestock grading. Transportation was provided or arranged by two cooperatives.

Direct marketing methods were used by three respondents. Electronic marketing and central buying stations were used by the remaining respondent (see table 53).

SUMMARY AND CONCLUSIONS

The cooperatives differed dramatically across commodity groups with respect to their function,

Table 51—Management, advice, evaluation, and education services of meat cooperatives, by meat cooperative type

Item	Lockers	Nonlockers	Group
<i>Cooperatives</i>			
Total in division	4	4	8
Provided management for:			
Co-op-owned production	0	2	2
Member-owned production	0	1	1
Offered advice for:			
Management	0	2	2
Nutrition	0	2	2
Livestock/poultry evaluation	0	2	2
Offered educational programs or seminars	0	2	2

Table 52—Other services provided by meat cooperatives, by meat cooperative type

Item	Lockers	Nonlockers	Group
<i>Cooperatives</i>			
Total in division	4	4	8
Livestock maintenance or care	0	1	1
Feed supply/delivery	0	1	1
Futures transactions for co-op hedging	0	1	1
Provided or arranged transportation	0	2	2
Livestock grading	0	1	1
Livestock weighing	0	1	1

Table 50—Contracting by meat cooperatives, by meat cooperative type

Item	Lockers	Nonlockers	Group
<i>Cooperatives</i>			
Total in division	4	4	8
Used Contract production/purchasing agreements	0	3	3
Offered production contracts to members	0	1	1
Arrange/assist members in forward contracting	0	1	1

Table 53—Marketing techniques of meat cooperatives, by meat cooperative type

Item	Lockers	Nonlockers	Group
	<i>Cooperatives</i>		
Total in division	4	4	8
Direct marketing services	0	3	3
Electronic marketing and central buying stations	0	1	1
Auction	1	0	1

marketing methods used, and services offered. Reported sales volumes ranged greatly within each commodity group as did other aspects of cooperative organization and operations. Cooperative differences and unique features enable them to meet their members' needs while competing within their industry.

Livestock cooperatives primarily marketed livestock for members. This group was the most diverse and contained a greater variety of cooperative operations than the other groups. Basically, the

wool cooperatives marketed members' wool-usually through pooling. The wool cooperatives were the most homogenous within commodity group and were relatively small compared to the other cooperatives considered.

Poultry and meat cooperatives were more apt to perform processing functions than their livestock and wool counterparts. They were relatively specific in function. Poultry and meat cooperatives were either 1) very large in volume and served commodity markets or 2) relatively small (compared with meat or poultry processors) and served niche markets. The locker cooperatives were very **homogenous** and did not offer many member services.

The diversity shown by the respondents exhibits their attention to members' needs, the industries they serve, and the changes in today's agricultural marketplace. Their specialization was demonstrated by the functions performed, marketing methods used, and services provided. These cooperatives must continue to be cognizant of member needs and industry changes. They must be progressive to remain competitive in the future.

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Agricultural Cooperative Service (ACS) provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

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