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ACS Mission and Clientele: Perspective of a Former Administrator

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Cooperatives and the U. S Department of Agriculture face important issues regarding the mission and clientele of the Agricultural Cooperative Service (ACS). As Torgerson has indicated, this is not a new issue. ACS has suffered from changes, often politically inspired, in the priorities of mission and clientele, sometimes extending beyond the scope of the legislation that created it. This shifting has been the case in spite of a persistent deterioration in the competitive market position of moderate sized, commercial farm operations that are the cornerstone of cooperatives' membership. A steady and persistently strengthened base of support for commercial agriculture-based cooperatives could have made a difference in both the strength of cooperatives and their predominantly family farm membership.

It is often politically asserted that smaller farmers, as opposed to commercial family farms, should be the focal point for government support to farmers. Reality, however, suggests that it is the moderate size and family-owned commercial operation that is in the greatest jeopardy—particularly in livestock, fruit, and vegetable production where integrative operations are displacing traditional family and cooperative-based farming.

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Parallel to Land-Grant Universities

Deteriorating support for family farms and cooperatives in USDA has an equally disturbing parallel in the land-grant universities. This shift in resources extends far beyond the reduction in the number of cooperative-oriented positions held by research, teaching, and extension specialists noted by Torgerson. More profound is the shift in resources and programs away from commercial agriculture—toward the problems of suburban and urban America.

Allegedly, this shift *from* support of the farmers, ranchers, and other agribusiness that compose the food and fiber system was made because the political power base of rural representation was changing at federal and state levels. However, as seen in the experience of land-grant universities in the Northeast, colleges of agriculture have no consistent constituency other than farmers, ranchers, and related agribusiness interests, including cooperatives. Turning one's back on this constituency is a death wish. The same lesson applies to ACS.

Parallel to Rural Development Issues

A parallel can also be drawn to the rural development problem so often mentioned by Torgerson as a focal point for ACS activities. The only consistent and true proponent for rural development in the Congress has been the agriculture committees. In all other congressional committees, rural communities must fight a head-to-head battle with urban constituencies—a battle that rural America will likely not win.

Cooperatives, producers, and related agribusiness firms clearly need to recognize that they have a stake in rural development. The most scarce resource in rural America is leadership and management skill (Fisher, Knutson, and Ladewig). Cooperatives and farmers do not have a very good record in providing leadership for rural development. My source of support for this assertion is the lack of farm and agribusiness organization involvement in issues of rural health, education, infrastructure, and business development. Yet, these are the long-run lifeblood of rural communities.

This is not to imply that cooperatives themselves can provide the solutions to rural problems, as might be concluded from some of Torgerson's generalizations. Although a cooperative may be a sufficient force to sink a rural community by a decision to close down a facility, it is seldom a large enough force to save a community that is otherwise dying (Stuhrenberg). Cooperatives, however, can support leadership development, sensitize their membership to rural needs, and add a much needed business sense to decisions made in the process of rural development. In adding this business sense, cooperatives can neither afford nor be expected to make location and investment decisions on any basis other than economic feasibility. Cooperatives and their farmer-owners are in a tough competitive battle affecting their survival. Economically rational decisions will determine the outcome of this battle—just as economically rational decisions will determine the future of rural communities.

From a public goods perspective, cooperatives make a much more important contribution than their importance in rural development. This

involves the societal gains from an economic efficiency perspective resulting from cooperatives entering and competing in a market. Cooperatives are not just another competitor that competes in the market. The user-owner uniqueness of cooperatives and the means of distributing economic surplus can lead the market to a competitive position even if the cooperative is a monopoly in the area. This market impact of cooperatives is a major reason for their existence and special treatment under the law (Knutson 1966).

ACS Mission

ACS programs need to be built on a foundation of support for cooperatives having commercial family farms as the strength of their membership. Cooperatives—local, regional, and national—need to aggressively support this mission and clientele orientation, both for ACS and their land-grant universities. Some might assert that this is an outdated position, but reality suggests that it is the only politically and economically viable position.

ACS can have other lower priority objectives that in many respects complement its central support for commercial family farmers as owners of cooperatives. These may include:

- Providing assistance to farmers in evaluating the feasibility of forming new cooperatives. Cooperative development is an important function that should *not* be viewed as being oriented *primarily* toward smaller farmers or rural residents. For example, cooperatives may find a role in helping farmers conform to new environmental regulations such as implementing integrated pest management (IPM) strategies and best management practices (BMP).
- Providing leadership as an advocate and educator throughout the federal government on behalf of the role for the cooperative form of business organization. It is reasonable to anticipate that in performing this role, ACS becomes a training ground for expertise on cooperatives in the form of professional staff who move from ACS to other agencies of government. ACS management and their agricultural cooperative clientele should view this role positively as making knowledgeable friends in other government agencies.
- Coordinating and setting priorities to determine a national research, teaching, and extension agenda for cooperatives. Although the assumption of such a role could be viewed as meddling in the programs of other state and federal agencies, there is no other logical focal point for the cooperative research, teaching, and extension coordinating function in the public sector. More will be said on this issue subsequently.

ACS Options for Future Assistance

Torgerson outlines five options for future assistance to cooperatives. Comments on each are warranted. Surprisingly, one of the options not discussed, although previously implied, was to expand ACS staff within the existing authority. Considering the relative importance of cooperatives

in agriculture and extensive political pronouncements regarding the need to continue to foster family farms, several years of real increases in the ACS budget are clearly justified.

The ACS mission logically favors a mixture of professionals with M.S./M.B.A.- and Ph.D.-level training. However, budget pressures and retirements appear to have taken their toll on the proportion of professional staff with Ph.D.-level training. Balance can best be restored with sustained real increases in the ACS budget. The burden for delivery of these increases rests directly on the shoulders of agricultural cooperatives—specifically the National Council of Farmer Cooperatives.

Except for some concluding remarks, the remainder of this paper reacts to the specific future assistance options outlined by Torgerson:

- **Expanded authorities.** Consistent with the previous remarks and conclusions regarding the ACS mission and clientele, there is no need for expanded authority. In fact, expanded authority would further dilute the ACS resources, which are already spread too thin.
- **Expanded cooperative agreements.** Land-grant university budget pressures make this an ideal time for ACS and its cooperative clientele to get the attention of university scientists and administrators. Colleges of agriculture are no longer the “fat cats” of our land-grant universities. Grants, as opposed to formula funding, are playing a bigger role in determining what research, extension programs, and, by implication, teaching is done in our colleges of agriculture. In the southern region, grants accounted for 63 percent of the research and teaching *operating and graduate student* budget (not including faculty and staff salaries) for agricultural economics departments in FY 1991/92 (Knutson 1993). This is up from an estimated 38 percent grants and contracts in FY 1981/82. The increased proportion of grants presents an opportunity for cooperatives and ACS to control a larger share of the research done at universities. With the realization that future funding depends on performance, university faculty can be expected to be more productive and responsive to the funders' time constraints. Moreover, with an increased presence of nine-month appointments, it may be possible to acquire the full-time services of qualified university faculty for three-month time periods.
- **Cooperative linkages and centers of excellence.** Budget cuts have made it necessary for universities to make decisions on the areas where they desire to develop superior expertise and performance. The result has been the formation of centers of excellence organized around particular topics and/or individuals. Cooperatives have taken advantage of this situation by establishing chair faculty positions such as the Distinguished Roy B. Davis Professor Chair at Texas A&M University, held by Ed Smith. The biggest payoff from locating ACS professionals at such centers of excellence might result from supporting Ph.D. candidates or superior undergraduates interested in completing an M.S. degree by carrying out specific cooperative research. The result could lead to a continuous flow of cooperative-literate professionals to ACS, to cooperative clientele, and to university faculty positions. As

noted by Torgerson, exchange arrangements with ACS and/or individual cooperatives also have the potential for large payoffs.

- **International program involvement.** Although ACS professional staff have the experience and expertise to become more involved in international development activities, orienting the program in this direction holds the potential for drawing limited resources away from the commercial agriculture mission and its cooperative clientele. Exceptions may exist where U.S. cooperatives are specifically involved in development activity such as Land O' Lakes' work in Eastern Europe. ACS might look for such special cases in seeking involvement in international development activities. Orienting ACS resources toward broader development issues runs substantial risk of undermining U.S. cooperative support.

Concluding Remarks

ACS is a vital resource to cooperatives, family farmers, and other public and private institutions involved in improving the economic efficiency of the food and fiber system. Cooperatives, farm organizations, and USDA need to reassess their level of commitment and support to ACS. At the same time, ACS needs to clearly articulate its mission to its clientele. Neither cooperatives nor ACS can expect to benefit from mixed signals.

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