

# NEWS FROM THE QUENTIN BURDICK CENTER FOR COOPERATIVES

QUENTIN  
BURDICK Center for  
COOPERATIVES

## FINANCIAL CONDITION OF ND AGRICULTURAL COOPERATIVES

This year the Center studied the financial condition of North Dakota agricultural cooperatives. Data from audited financial statements from 120 cooperatives, filed between 2002 and 2006, were analyzed. Inferences about relationships between local financial resource management and profitability are made based on trends in liquidity and solvency. The results of this study are useful to cooperative businesses leaders for evaluating whether determinants of profitability.

The relationship between cooperative size, investment trends, and profitability was also studied. Although only relatively large cooperatives tended to provide financial returns for their members from net income based on local operations, no statistical relationship was found between cooperative sales volume and its profitability. The

most profitable cooperatives were observed to have declining current ratios between 2002 and 2006. Highly profitable cooperatives were observed to maintain larger amounts of current liabilities, relative to member equity. They also had relatively large amounts of long-term debt and were able to secure large changes in the absolute amount of credit. Highly profitable cooperatives also were observed to increase equity investment in fixed assets during 2005 and 2006 at a faster rate than their simultaneous declines in member equity, making use of relatively more debt capital, relative to member equity, than less profitable cooperatives.

A full copy of the report is available online at [http://agecon.lib.umn.edu/cgi-bin/pdf\\_view.pl?paperid=29037&ftype=.pdf](http://agecon.lib.umn.edu/cgi-bin/pdf_view.pl?paperid=29037&ftype=.pdf)

## TOPICS DISCUSSED AT NCERA-194 RESEARCH ON COOPERATIVES ANNUAL MEETING

In November, 2007 a group of cooperative industry leaders and university researchers, called NCERA-194, held its annual meeting in St. Paul, Minnesota. Among the topics discussed were feasibility analysis for machinery cooperatives and theoretical issues associated with measuring the economic impact of cooperatives. Research of immediate interest cooperative

managers include case studies on trends in advising cooperative business CEOs, selected information about the conversion of West Liberty Foods into a cooperative, and information about cooperatives serving minority or foreign populations.

More information can be found at: <http://www.agecon.ksu.edu/acc/ncera194/ncr%20publications.htm>

**Winter 2008**



*Dr. Gregory McKee  
Director, QBCC*

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## IN THE CLASSROOM

This spring 2008 a semester-length class on cooperative business management has been offered at NDSU. Thirty-six students with majors in agriculture or business are enrolled. Some have co-op backgrounds, but many do not.

Cooperative business leaders have been invited into the classroom to enrich student understanding. Richard Schlosser, Vice-President of ND Farmers Union came and discussed what a cooperative is and typical management issues. Chad Sapa, CFO of Cass County Electric Cooperative (CCEC) discussed what CCEC is and financial strategies the co-op has employed. Future invitees to class will discuss legal issues and investment decisions.

Students have also travelled to meet cooperative business leaders.

In March 2007, students from the cooperatives class visited with Chuck Schmidt, CFO of Cass-Clay Creamery, and Scott Handy, President of Cass County Electric Cooperative. Students toured the facilities and listened to brief presentation about what the company does, how many members it has, how its organized like a cooperative, and what kind of benefits it provides to its members. In March 2008 students visited American Crystal Sugar Co., Cass County Electric Cooperative, CoBank, and AgCountry Farm Credit Services.

The cooperatives class will be offered again in 2009. Students from NDSU, and Dickinson State University, will be able to enroll. Arrangements are being considered to allow students from Lake Region State College to enroll as well.

*‘Cooperative business leaders have been invited into the classroom to enrich student understanding’*

## COOPERATIVE BUSINESS CASE STUDIES: CASS-CLAY CREAMERY AND AMERICAN CRYSTAL SUGAR

Two case studies of management decisions made by cooperative businesses in the upper-Midwest have been prepared for student and professional use. This year a study was prepared for readers to assess the strategies Cass-Clay Creamery used to enable them to continue to provide benefits for its membership. Two options Cass-Clay eventually pursued include developing a value-added brand marketing program and considering a unification (e.g., merger) with another dairy cooperative. These strategies resulted in promotion of Cass-Clay branded products in North and South Dakota, Montana, and Minnesota and in being acquired by another dairy co-

operative, Minnesota-based AMPI. This case study invites students to evaluate the need for these strategies and to deduce their implications on the ability of the cooperative to continue to provide benefits to member farmers.

Students will have an opportunity to discuss their impressions of these decisions with Keith Pagel, Manager of the Fargo Division of AMPI, in a classroom setting on March 31 at the NDSU campus.

In a second case study developed this year, students or professionals have the opportunity to assess whether American Crystal Sugar Company should enter the ethanol production industry. International



## CASE STUDIES, CONT'D

trade and public policies affect the United States sugar industry. These two forces are central to the business strategies domestic sugar suppliers develop in order to remain profitable. Since sugar can be used as a feedstock for ethanol, American Crystal Sugar Company, the largest domestic refiner of sugar from sugar beets, is considering whether it should respond to changes in trade agreements and public policy by entering the ethanol production industry. Although there are currently no plants that manufacture ethanol from sugar beet pulp or from sugar beet sugar in the United States, readers are invited to

analyze whether using sugar beets for sugar production alone is the most profitable alternative. Information about international trade issues and public policies is presented in the text which allow readers to consider factors effecting supply and demand for ethanol and how these impact a decision about whether to produce ethanol from sugar beets.

In April 2007, students had an opportunity to discuss their impressions about this issue with Jim Horvath, former CEO and President of American Crystal Sugar, and Dave Malmskog, Director of Business Development at American Crystal Sugar.

*'readers are invited to analyze whether using sugar beets for sugar production alone is the most profitable alternative'*

## THE 10TH ANNUAL FARMER COOPERATIVES CONFERENCE

Participants from the U.S. and Canada attended the conference 'Valuing the Cooperative Business in the 21st Century', held in November in St. Paul, Minnesota. The objective of the conference was to provide co-op directors, managers, government and academia, information on trends and issues impacting agricultural cooperatives and to stimulate critical thinking and the exchange of ideas.

This year the focus of the conference was on the methods agricul-

tural cooperatives use to provide value to their members and how this has evolved over time.

Among the topics discussed by cooperative business leaders were: changes in business structure, how to value cooperative assets during times of economic change, and how to measure cooperative business performance. More information can be found at:

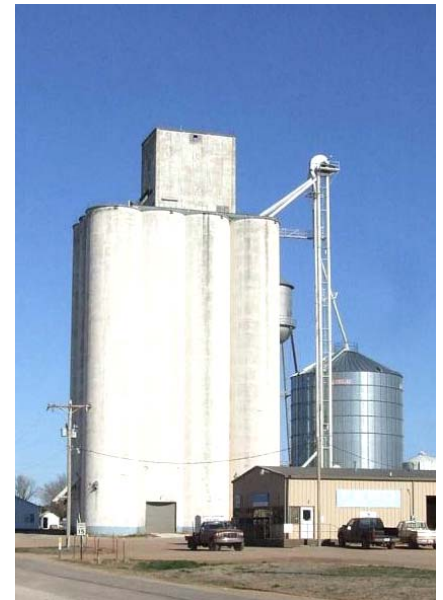
<http://uwcc.wisc.edu/farmercoops07/index.html>

## JOURNAL OF COOPERATIVES

The Journal of Cooperatives is being published again after a nine year hiatus. The journal can be found online at

<http://www.agecon.ksu.edu/accc/ncera194/JOCArticles.htm>. Topics discussed by the journal will include

research articles, case studies, teaching and outreach and book reviews. Archived abstracts of previous journal articles can be found at <http://www.uwcc.wisc.edu/info/ncfc/ncfc.html>. Access to the journal is free of charge.



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The mission of the Quentin N. Burdick Center for Cooperatives is to conduct, promote, and coordinate university education and research on cooperatives, to strengthen cooperatives' operation, and to work toward expanding employment and economic opportunities through cooperatives.

We're on the web. Find us at  
<http://www.ag.ndsu.nodak.edu/qbcc/>

## QBCC EVENTS OF 2007 AND UPCOMING EVENTS

### Bloomquist Lecture

In April 2007, Robert Carlson, president of North Dakota Farmers Union, addressed the 15th annual Bloomquist lecture. He discussed farm programs, farm policy, the attitude of the administration and some current trade issues. A copy of Mr. Carlson's remarks can be found at: [http://www.ag.ndsu.nodak.edu/qbcc/BloomquistLectures/AI\\_Bloomquist\\_2007.pdf](http://www.ag.ndsu.nodak.edu/qbcc/BloomquistLectures/AI_Bloomquist_2007.pdf)

The 16th annual Bloomquist lecture will be held at 7:00am, Wednesday, April 2, 2008 in the Sterling & Crowne Room at the Holiday Inn, Fargo, ND. John Johnson, president and CEO of CHS, Inc., is the keynote speaker. He will speak on CHS' business strategies.

This event is sponsored by American Crystal Sugar, Co., Moorhead, MN.

### Getting Acquainted

In Dr. McKee's effort to get acquainted with cooperative business

leaders in ND and MN, he travelled to events throughout the state. He looks forward to the opportunity to visit cooperative business leaders and members at annual meetings or by invitation to board meetings. These visits help inform the Center about relevant topics for research or education, as well as improve the ability of students to obtain work in cooperative businesses.

### Burdick Biography

In cooperation with the NDSU Institute for Regional Studies, the biography of the late senator Quentin N. Burdick was published last year. The 'Gentle Warrior' is an insightful and warm biography of the late senator. The hard cover book is available through the Institute for Regional Studies, NDSU, P.O. Box 5075, Fargo, ND 58105 or on line at : <http://ndirs.ndsu.nodak.edu/publications/Quentin%20Burdick.htm> for \$28.95 plus \$3.00 S&H.



*Robert Carlson presented the 15th annual Bloomquist Lecture*



*Quentin N. Burdick*

## QBCC ADVISORY BOARD AND MEETING SCHEDULE

The Advisory Board consists of the following members: Bruce Anderson (CHS), Don Anderson (NDSU), D.C. Coston (NDSU), Everett Dobrinski (CoBank), Mike Eggl (Basin Electric), Scott Handy (NDAREC), Dennis Hill (NDCCC), Ron Johnson (NDSU), David Lambert (NDSU), David Loer (Minnkota Power), Greg McKee (NDSU), Alan Qual (Cass Clay Dairy), Mark Watne (NDFU), and David Wells (NDSU).

The Board meets two to three times annually during the following times: in conjunction with the Bloomquist lecture (early spring), the ND state fair (July), and early in the fall. If you would like to have an item discussed by the board, please notify Dr. McKee.