

## Farmer co-op council

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He pointed out that cooperatives have sought market power more often than they have achieved it, and often they appear to have more power than they actually possess. This is due, he said, to the general practice of open membership and freedom to leave a cooperative.

The agricultural economics professor noted that because of its inability in all but rare instances to control industry supply, a cooperative's market share alone is a much less meaningful index of market power than is a firm's share in the industrial market, where high market shares are often correlated with high entry barriers.

Mueller concluded by saying that "it is imperative that any so-called 'reform' of the Capper-Volstead Act recognize the unique and fragile nature of market power held by most cooperatives."

### Cooperative Financial Planning

The serious financial situation that inflation has created for farmer cooperatives was discussed by Gail N. Brown, partner, Touche, Ross & Company, San Francisco. He said the cost of capital has forced some cooperatives into excessive short-term borrowings with attendant high interest rates and increasingly restrictive covenants.

Brown suggested several ways cooperatives can improve their financial positions including: sale of preferred stock; debt financing through commercial banks, investment banks and insurance companies; long-term facility financing; sale of a cooperative's own paper; leasing; financing through industrial revenue bonds and facility bonds; and operating arrangements with non-cooperative corporations and corporations formed by cooperatives.

The San Franciscan noted that provisions of the Revenue Act of 1978 should facilitate build-up of unallocated earnings for cooperatives. He pointed out that this new law, which applies to all Subchapter T cooperatives, allows cooperatives to use the Investment Tax Credit, Energy Credits, and Job Credits. In addition, he said, the law permits cooperatives which don't use the credits to allocate them to members.

Brown emphasized that, now and in the future, the basic equity of cooperatives must continue to be provided by members. All other methods of increasing capital demand, he said, depend in large measure on that strong equity base.

### USDA's Cooperative Programs

Kenneth D. Farrell, administrator, Economics, Statistics and Cooperatives Service, U.S. Department of Agriculture, assured his audience that cooperative programs will retain high visibility and priority within his agency and USDA.

Farrell stated that all information and education functions and publications of the former Farmer Cooperative Service will be retained by ESCS. He added that ESCS has

also created three new program divisions: Cooperative Marketing and Purchasing, Cooperative Management, and Cooperative Development.

The ESCS administrator cited examples of major economic and policy issues, confronting agriculture and cooperatives, which he said his agency should be prepared to address. They included: organization and performance of agricultural markets, procurement and use of capital, public policies toward agricultural cooperatives, and improved market access and participation for low-resource agricultural producers.

Farrell said that much needs to be done to further define the major issues and priorities toward which ESCS should direct its resources. He called upon the cooperative officials present to help develop a strong, responsive program to serve the changing needs of agriculture and cooperatives, and in turn, the public interest in food, fiber and agriculture.

### Most Successful Year

NCFC President Kenneth D. Naden reported that legislative achievements during the 95th Congress marked the most successful two years in the history of his organization.

The achievements included enactment of legislation: extending the investment tax credit to cooperatives, deregulating natural gas prices, and authorizing con-

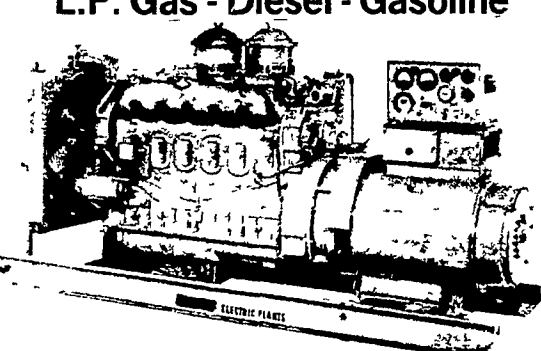
struction of a new Lock and Dam 26 on the Mississippi River.

The NCFC chief executive said that the \$50 million per year savings which cooperatives and their members will realize from the investment tax credit will result in significant economic benefits for rural America.

### Council Officers Elected

Turning to business matters, NCFC delegates elected the following slate of officers for 1979: Chairman, Ronald N. Goddard, executive vice president and chief executive officer, Agway Inc., Syracuse; Vice Chairman, Ralph Hofstad, president and chief executive officer, Land O' Lakes, Inc., Minneapolis; Vice Chairman, Robert L. Gibson, president and chief executive officer, California Canners and Growers, San Francisco; and President, Kenneth D. Naden, Washington, D.C.

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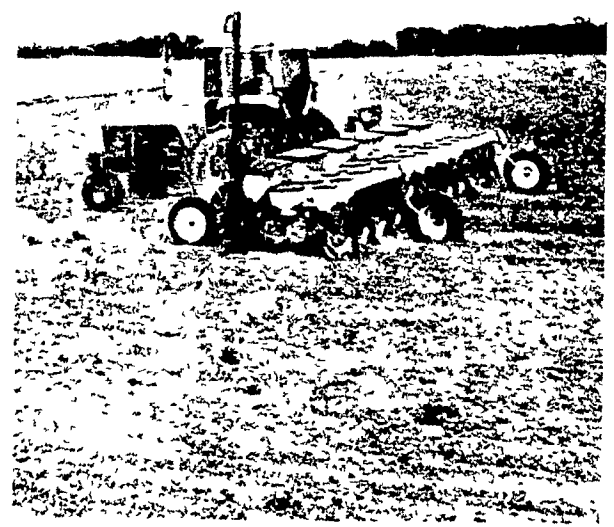
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