

# Farmers Find Success, Fellowship Through Cooperative Purchasing

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costs, and help to promote efficiency

The group, formed three years ago by McKeane farmer Tom Rand with the help of extension agent George Wilcox, consists of about 45 members who meet monthly to share ideas, get information, and coordinate their buying efforts - taking advantage of group discounts on everything from bull semen to fax machines

Initially, Rand says, he assembled the group, known as the Erie County Dairy Producers, after attending a dairy days gathering and hearing about a New York co-op that had done group purchasing

"I called George Wilcox," Rand explains, "and said, 'How do we get one of these going?'"

"George said to get some farmers together, meet over lunch, and discuss some things," Rand said

"There were maybe 10 of us in the beginning, and that's what we did

"I think that's why it has worked out, because when we first got started we just sat down and had lunch and talked; we became friendly with each other," he said.

"Guys would come in and tell stories - maybe about a tractor breaking down - something funny that happened to them. We got to be like a family, and I think that's part of what's made it work - but the savings are pretty substantial."

And although the discounts stem largely from volume, Rand says a large part of saving also comes from paying in cash - a possible reason that many co-ops fail

"You need good people who will pay their bills," Rand said

"Everybody basically knows

we do cash transactions. If you buy something, you've got to pay for it right away. You can save a lot of money by buying in bulk and paying cash. Vendors like it because they like the volume

"That's the trouble with farmers, though," Rand said, "a lot of them are slow about paying. If you tell somebody you'll pay them cash - our volumes are really big - they like that.

"I sell corn and sometimes I don't get paid for a month. But if someone comes in here and says, 'Hey, I want 10,000 bushels of corn and I'll pay you cash for it' - that's nice"

Although the group has enjoyed savings on a number of items - including seed, chemicals, bailer twine, stretch film, tractor tires, engine oil, and paper towels - says extension agent and group participant George Wilcox, it considers other things before making a purchase.

"The purpose isn't solely to negotiate price," he says.

"Basically, they're saying, 'If you bill one person rather than several, we offer you cash and guarantee payment, and we are buying a given volume - that we would like to receive the cash discounts, the volume discounts - those things.'"

With those buys, where they've earned the volume discount, the savings have been in the 25-percent range, with up to 50-percent off on a couple of articles they bought factory direct.

Each deal is individual. But they haven't always taken the lowest price; they've looked at quality, service - those things along with it.

"Their basic philosophy is, 'we'll total up the volume, we'll stipulate the conditions (one delivery point or several), you take a look at it and give us a bid, and we'll decide from there. It's

not a process of pitting one supplier against another - just a straight-forward transaction," Wilcox said

Although most members of the group are dairy producers who joint-purchase dairy-related products, a few grain producers belong to the group, which helps the group also get more favorable

deals on seed

To keep the purchases manageable, Rand says, individual members will take on projects according to what they want to buy.

"I run the meetings," he says. "I have things written down that I want to talk about. After I do that, somebody might say, 'Hey,

how many of you guys are interested in buying 50 gallons of oil?'"

Whoever is interested, says Rand, can write his order on a sign-up sheet or fax it by a certain deadline

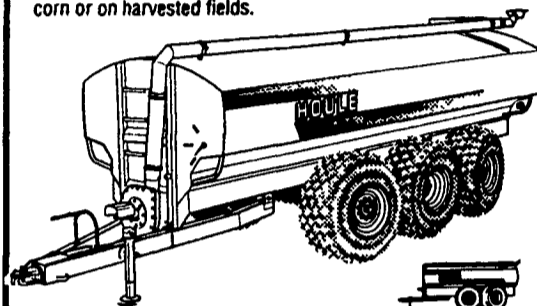
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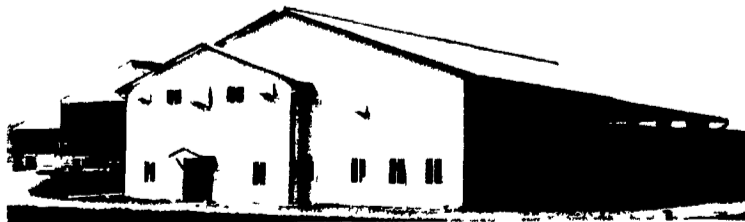
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