



## Unit 8

# Cooperatives in Nebraska

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UNIVERSITY OF  
**Nebraska**  
Lincoln

## **Cooperatives in Nebraska**

### **Unit Objective**

Upon completion of this unit, the student should be able to appreciate the economic activity, career opportunities, and benefits which cooperatives create in Nebraska communities.

### **Competency Levels**

After completion of this unit, the student should be able to:

1. Compare and contrast the types of cooperatives present in the Nebraska economy and the products and services they offer.
2. Calculate the economic activity created by a cooperative in the local community.
3. Identify benefits contributed to the lifestyle of a community through the business activity of a cooperative.
4. Recognize the difference between agriculture concentration and cooperative convergence.
5. Analyze the employment requirements of career opportunities available in a local cooperative by interviewing two present employees in career positions of interest.

### **Presentation**

The instructor needs to:

1. Become familiar with the information and the reference material provided.
2. Lead the discussion using the power point and/or selected references. The discussion guide questions and answers should serve as an outline.
3. Obtain a copy of the most recent annual financial report of a local cooperative to be used as a basis for estimating the economic impact of it in the community.
4. Invite the manager of a local cooperative to be a guest speaker in your classes and address the economic benefits of his/her cooperative in the local community.
5. Distribute the student activity (HO 8.1) to all students in the class. After they have read the instructions, divide the class into small groups of three to give students an opportunity to discuss the questions and arrive at answers.
6. Arrange for a tour of a local cooperative. The purpose of the tour is to become more familiar with the products and services of the cooperative. It would be most appropriate to conduct this tour prior to the student activity (HO 8.1) to better assure successful completion of both activities.
7. Invite a guest speaker to address the class, such as a community representative (mayor, prominent business person, etc.) about non-economic community benefits provided by cooperative(s).
8. Distribute the students' activities (HO 8.2 and HO 8.3) to all students in the class. It may be most appropriate to conduct this activity during or immediately following the guest presentation of the local cooperative manager.
9. Distribute the student activity (HO 8.4) to all students in the class. This activity could be completed in several ways. It could be given as an individual assignment in which the student is responsible for contacts and appointments, or it could become part of the cooperative tour. On the tour, students could be provided time to meet with selected employees and conduct the interview(s) as a group.
10. Distribute the student activity (HO 8.5) to all students in the class and then divide them into working groups of three to complete the assignment.



Key Question: Do any of these cooperatives operate in Nebraska? Are there opportunities for them in the Nebraska economy? If so, which one(s) and why?

In addition to the local cooperatives in many Nebraska communities, regional cooperatives also operate in Nebraska. They provide farm supplies at wholesale to local cooperatives, marketing and processing opportunities for crop and livestock production, services to local cooperatives and direct to owner-users, and other functions. Federated regional cooperatives are owned by the local cooperatives to which they provide services and/or farm supplies and marketing opportunities. Centralized regional cooperatives are owned directly by producers or their customers, while still other regional cooperatives are owned by a combination of individual customers and local cooperatives.

Regional cooperatives operating in Nebraska include:

- CHS, Inc.
- Land O'Lakes, Inc.
- CoBank
- Ag Processing, Inc.
- Affiliated Foods Cooperative, Inc.
- Associated Milk Producers, Inc.
- Dairy Farmers of America, Inc.
- Producers Livestock Marketing Association
- Nebraska Rural Radio Association (KRVN/KNEB/KTIC)
- Farm Credit Services of America
- Cooperative Mutual Insurance Company
- Associated Benefits Corporation
- Growmark, Inc.
- Four Points Federal Credit Union
- United Suppliers, Inc.
- Winfield Solutions, a division of LOL

III. In 2006, Nebraska ranked 7<sup>th</sup> in the amount of cooperative business volume when compared with other states. (S 8.4b) Those states ranking ahead of Nebraska (in order of rank) were Minnesota, Iowa, Wisconsin, California, Illinois, and Kansas. Closely following Nebraska in top ten order were Missouri, North Dakota, and Texas.

Key Question: Why are Minnesota, Iowa, Wisconsin and California the leading states in cooperative business volume?

IV. When discussing the economic impact cooperatives provide in a local community, it is necessary to discuss both the long- and short-term impact. (S 8.5) In the short term, cooperatives inject money in the local economy through salaries, property taxes, utilities, insurance and maintenance needs.

The degree to which these short-term expenditures impact the local economy depends on the self contained nature of the community in which the cooperative is located. If the community is of sufficient size to service the maintenance needs of the businesses, including the cooperative, then the impact is greater than if the cooperative has to look outside the community for those needs. The same can be said about the impact the cooperative's payroll has on the community and its ability to provide housing, food, clothing, and other services to employees. Often, the impact of expenditures for taxes, utilities, and insurance are viewed regionally rather than locally.

Cooperatives may also provide cash patronage dividends to their members depending on the level of business they conduct with the cooperative. These dividends are a potential source of capital injected into the local economy, but its realization depends on the spending habits of the members and the self contained nature of the community.

Local ownership and control of cooperatives is an important aspect to the discussion of their long-term economic impact on the local community. This cooperative principle, in most cases, also contributes to greater stability and dependability not only in the business, but in the local economy. There is less chance that decisions in some distant corporate office will drastically impact the business and in turn the local community. This strength further expresses itself in the business activity member patrons perform in other community businesses while engaging the services of their cooperative.

(Please refer to Units 2 and 5 for additional information.)

So, what is the dollar amount of impact a cooperative exerts in a local community? The source of revenue from which the cooperative pays its cost of doing business comes from the charges it places on the products and services it provides. In other words, in return for the service of receiving, storing, and handling grain, a grain marketing cooperative charges the producer a fee. It is from these service fees and the mark up on products sold (commonly called business margin and/or mark up) that the business pays its expenses. It is also from these "sales" that a basis for determining the short-term economic impact of the business on the community can be determined.

The Bureau of Business Research at the University of Nebraska-Lincoln estimates that for every \$1 of sales generated by a local community business, approximately \$1.60 is contributed to the local economy through payment for its cost of doing business. This contribution will vary from \$1.30 to \$1.90 or more, depending on the community in which the business operates. For example, if a cooperative had an average sales margin of 15 percent and experienced \$150 million of gross sales in an operating year, its gross margin would be \$22.5 million, or an injection of \$36 million into the local economy. (S 8.6a and 8.6b)

**Key Question:** What is the economic impact of local cooperative(s) on our local economy?

**Suggested Activities:** Obtain a copy of the most recent annual report of your local cooperative and figure its economic impact using the figures of the Bureau of Business Research.

Invite the local cooperative manager to your class as a guest speaker on the topic of the economic benefits his/her cooperative provides to the community.

V. In addition to the economic impact a cooperative has on the community, there are other less tangible benefits that cooperatives offer. Some flow to members while others are realized by the entire community. (S 8.7a and 8.7b)

A basic objective of cooperatives is to service the needs of their members. Sometimes this means foregoing larger net profits in return for the good of members. Examples are services available in rural areas as from rural electric cooperatives and artificial insemination associations. Another example exists in availability of supplies for members' use that provide them the best value rather than achieving maximum profits for the cooperative. Supply cooperatives rely heavily on non-biased information from state research stations when making product recommendations to accomplish this service. Therefore, cooperatives also are a comparatively dependable source of reasonably-priced supplies to members, especially in times of shortage or emergency.

On a more personal basis, progressive cooperatives offer their members information that can improve the management of their farming operations. Advice from trained professionals on seeds, pesticides, fertilizers, and other production supplies is a valuable benefit for production management decisions. With the present and future emphasis on environmental considerations in farming, this service will become increasingly important.

Cooperative organizations also support legislation which is beneficial to business and agriculture. The efforts of organizations such as state cooperative councils and the National Council of Farmer Cooperatives provide members an efficient channel through which to express their view points to influence state legislatures and the national Congress. Leadership experience and training obtained in the legislative process, as well as service on the local cooperative's board of directors, provides members a valuable benefit of greater self confidence in all aspects of their lives.

In a larger perspective, cooperatives lead to stronger rural communities. They provide stable sources of both permanent and temporary employment; leadership resources for community projects and organizations; valuable services to non-member residents; and, indirectly through benefits realized by the members, a contribution toward lower food costs.

Key Question: What would our community be like without our local cooperative?

Suggested Activities: Divide class members into small discussion groups to answer the preceding key question. (HO 8.1)

It may be appropriate at this time to conduct a tour of the facilities of the local cooperative(s) to acquaint students with services. It will help them more effectively understand cooperatives.

Invite a community representative (mayor, business person, etc.), preferably a non-member of the cooperative to discuss with the class the benefits of the cooperative to the community.

VI. The 2007 census of agriculture results indicate that agriculture concentration has increased in the last five years. In 2002, 144,000 farms produced 75 percent of the value of U.S. agricultural production. In 2007, the number of farms that produced that same share of production declined to 125,000 (USDA). Further evidence of concentration includes farms with more than \$1 million in sales produced 59 percent of U.S. agricultural production in 2007, while in 2002 this same class only produced 47 percent of all production (S 8.8b and 8.8c). Examples of concentration include the takeover of Continental Grain by Cargill and IBP by Tyson foods. These mergers are often referred to as vertical integration as not only are these organizations involved in the feeding of livestock; they are also involved with processing.

A significant difference exists between agricultural concentration and cooperative convergence. Webster defines “concentrate” as: to gather into one body, mass, or force (power was concentrated into a few hands.) Webster defines “converge” as: to come together and unite in a common interest or focus. (S 8.8a)The idea or concept of convergence is the fundamental principle from which cooperatives exist and is, in fact, the reason why cooperatives were started in our state in the early 1900s. Nebraska, like many Midwestern states, has experienced mergers and unification of many farmer-owned cooperatives in the recent past.

Cooperatives in Nebraska are not in the mode of concentration, but rather in a mode of convergence that is beneficial to the economic well-being of our state. This reorganization is not concentrating power in the hands of a few but rather uniting in a common interest or focus. Because of the one vote per shareholder rule, the voting power of each producer or shareholder remains the same after unification as it was before.



The focus should be on this process making it possible for cooperatives to continue serving members by providing inputs, services, technical expertise, and the marketing of the products of our farmers and ranchers across the state. By converging, cooperatives are positioning themselves to be able to compete with multi-national companies that are operating in Nebraska. They are continuing to be able to provide services and products to their members at competitive prices and still maintain an infrastructure that will allow cooperatives to be sustainable in the future. Convergence is allowing communities to keep services, jobs and investments that fuel the economy. (S 8.9)

Key Question: What are the benefits to a community of a cooperative convergence?

Suggested Activities: Using the National Agricultural Statistics Fact Sheets (<http://www.agcensus.usda.gov/>) research the results of the 2007 census. Discuss farm numbers, farm typology, income, diversity and production data. What conclusions can be drawn?

VII. Professional employment opportunities in local cooperative businesses are primarily in the areas of (1) management and (2) marketing, merchandising and sales. Assuming continued emphasis on environmental considerations and rapid changes in applied technology, positions in related specialties such as the environment, natural resources, waste management, water quality, etc. will be created.

Examples of professional management positions in a local Nebraska marketing and supply cooperative are that of general manager, branch manager, assistant manager, controller and office manager, grain department manager, feed department manager, petroleum department manager, crop production department manager, credit and marketing manager, personnel manager, bookkeeping manager, compliance officer and convenience store manager. Considering the volume of business conducted in a local cooperative, some of these positions will be combined or non-existent. However, most marketing and supply cooperatives will have several of these positions in their organizations. (S 8.11a, 8.11b, 8.11c)

Key Question: What management positions exist in our local cooperative?

Suggested Activity: Construct an organizational chart showing the management positions that exist in your local cooperative. (HO 8.2)

To actually deliver the services of the marketing and supply cooperative to its members, management personnel hire specialists in marketing, merchandising, and sales. These people work in various positions such as grain merchandising, accounting, product sales, product handling, product formulations, product applications, company service, and customer service. (S

8.12) Examples of careers representing various sectors of the Nebraska Career Model can be found on S 8.13 and HO 8.6. An example of topics of study and activities that might be participated in by an individual interested in future employment as a chief financial officer, agronomist or grain merchandiser is provided on S 8.14 and HO 8.6.

Key Question: What marketing, merchandising, and sales positions exist in our local cooperative?

Suggested Activities: Construct an organizational chart showing the service positions in your local cooperative in relation to management. (HO 8.3)

Suggested Activities: Assign students to select one or several occupational positions of interest and interview local cooperative employees in the positions about job qualifications, etc. (HO 8.4)

Based upon the information supplied in HO 8.5, assign students to analyze the agricultural business atmosphere in the community of Growing Brook and create an agricultural cooperative they feel would be successful. The description of the cooperative should be through an organizational flow chart of employment positions. It is suggested this assignment be done in groups of three.

## Instructional Materials

### Slides

- S 8.1a-f - Classification of Cooperatives
- S 8.2a - Marketing Cooperatives in Nebraska
- S 8.2b - Farm Supply Cooperatives in Nebraska
- S 8.2c - Total Cooperatives in Nebraska
- S 8.3 - Password
- S 8.4a - Cash Receipts from Nebraska Grain and Oilseeds in 1997
- S 8.4b - A State Comparison of Cooperative Business Volume - Top 10 States
- S 8.5 - Cooperative Business in a Local Community - Economic Impact
- S 8.6a-b - Cooperative Business in a Local Community - Economic Impact
- S 8.7a - Cooperative Business Presence - Non Tangible Community Benefits
- S 8.7b - Cooperative Business Presence - Non Tangible/Tangible Community Benefits
- S 8.8a-c - Ag Concentration V. Cooperative Convergence
- S 8.9 - Benefits of Cooperative Convergence
- S 8.10 - Are you Smarter than a 5<sup>th</sup> Grader?
- S 8.11a-c - XYZ Cooperative Co. Management Organizational Chart
- S 8.12 - Career Opportunities - Marketing & Supply Cooperative
- S 8.13 - Nebraska Cooperative Career Opportunities
- S 8.14 - Cooperative Career Plan Example
- S 8.15 - Jeopardy

### Handouts

- HO 8.1 - What would our community be like without our local cooperative?
- HO 8.2 - Management Positions of a Local Cooperative
- HO 8.3 - Service Positions in a Local Cooperative
- HO 8.4 - Job Qualifications of Selected Cooperative Employment Positions
- HO 8.5 - The Creation of a Cooperative
- HO 8.6a-b - Nebraska Cooperative Career Examples

### Evaluations

- TS 8.1 - Cooperative Business in the State of Nebraska Test
- TS 8.2 - Answers to the Test

### Suggested Online Resources:

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|--|---|
| <i>National Agricultural Statistics Fact Sheets</i>  | <a href="http://www.agcensus.usda.gov/">http://www.agcensus.usda.gov/</a>                       |
| <i>Nebraska Agricultural Statistics Service USDA</i> | <a href="http://www.nass.usda.gov/ne/cropwthr.htm">http://www.nass.usda.gov/ne/cropwthr.htm</a> |
| <i>Nebraska Career Education</i>                     | <a href="http://www.nde.state.ne.us/NCE/">http://www.nde.state.ne.us/NCE/</a>                   |
| <i>Nebraska Cooperative Council</i>                  | <a href="http://www.nebr.coop">http://www.nebr.coop</a>   |
| <i>Nebraska Rural Development USDA</i>               | <a href="http://www.rurdev.usda.gov/ne/">http://www.rurdev.usda.gov/ne/</a>                     |

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## Management Positions of a Local Cooperative

Management positions in local cooperatives offer opportunities for professional employment in our communities. Like all employment positions they offer chances for advancement through personal growth opportunities. Management positions are distinguished from others in the company by the futuristic decisions people in these positions are routinely expected to make.

What are the management positions in the local cooperative you've chosen to study? What are the names of the people in these positions? What kinds of futuristic decisions are they expected to make?

### Board of Directors

_____	_____
_____	_____
_____	_____
_____	_____

1. What types of decisions are expected of directors?

### Chief Executive Officer (CEO) /Chief Financial Officer (CFO)

2. What types of decisions are expected of the general managers?

### Business Department Managers

_____	_____
_____ Dept.	_____ Dept.
_____	_____
_____ Dept.	_____ Dept.

3. What types of decisions are expected of department managers?

## Service Positions in a Local Cooperative

Most services are provided at the department level within a business. Select a business department within the cooperative to study and identify existing service positions. What are the names of the people in these positions? What kinds of customer services are they expected to provide?

\_\_\_\_\_ **Department Manager**

\_\_\_\_\_

1. What types of customer services are expected of department managers?

### Service Employees

_____ _____, service	_____ _____, service
_____ _____, service	_____ _____, service
_____ _____, service	_____ _____, service

2. In general, what kinds of customer services are all service employees expected to provide?

3. Select one of the service positions you listed above, and identify specific customer services provided by the employee you've named.

## Job Qualifications of Selected Cooperative Employment Positions

Select one or several positions within the cooperative you've studied and interview the current employee in that position. The following chart gives you some idea of questions that are important to ask, but don't let this limit you. Ask questions in which you're interested. Write your questions out before the interview. Call at least one week in advance for an interview appointment.

Position	Job Responsibilities	Educational Background	Opportunities for Advancement
<hr/> <hr/> <hr/>			
<hr/> <hr/> <hr/>			

What additional questions do you plan to ask during the interview?



## The Creation of a Cooperative

*Directions:* Because you've now studied the impact of cooperatives in your community and are familiar with the organizational structure of the business, you are being asked to apply your knowledge in the creation of a cooperative structure to service the perceived needs of Growing Brook, Nebraska and the surrounding area. The background of Growing Brook is supplied below. You are to read the background on the town and create a business structure for the cooperative which you feel will meet the needs of the community and be economically successful. Good Luck!

*Growing Brook is 27 miles northwest of a major metropolitan city and has shown a constant influx of professional, corporate residents in the past 10 years. The majority of these people are highly educated, aggressive, environmentally conscious, 30 to 50 years of age, and have upper middle class incomes. Growing Brook is becoming known as a showplace with an increasing number of small acreages with pastures and horse stables.*

*Growing Brook is a community of 2,500 people with a strong business district. There are two grocery stores, two banks, several fast food operations, a drug store, and assorted other commercial businesses. Agribusinesses include two feed stores, two farm implement dealers, and several mechanic shops. The present grain marketing cooperative provides a small line of fertilizer and crop chemicals. The cooperative has a manager and an assistant manager.*

*The size of traditional farming operations continues to increase, but the number of operators continues to decrease. The reasons are aging farm operators, marginal agricultural income, and the increasing value of farm land used for residential and acreage developments. Most of the farms are used for crop production corn, soybeans, sorghum, wheat and alfalfa. There are a few farrow to finish hog operations in the area. Beef production is primarily small cow/calf herds with only a few beef feedlots.*

*Express your business recommendations through an organizational flow chart of employment positions and the supporting documentation for the organization.*

# Nebraska Cooperative Career Cluster Example



## Chief Financial Officer Career Plan Example

Career  
Chief Financial Officer

<u>Middle School Activities</u>		<u>High School Activities</u>		<u>Post Secondary</u>	
▪ Explore career opportunities	▪ FFA Activities	▪ Agriculture classes	▪ Internships	▪ Ag Conferences	▪ Community College Academic Transfer
▪ Job shadow	◦ FFA Cooperative Speaking	▪ Economics classes	◦ Farm Management CDE	▪ B.S. Agribusiness	▪ B.S. Ag Economics
▪ 4-H	▪ FBLA	▪ Business classes	▪ Student government	▪ B.S. Economics	▪ M.S. Agribusiness
	▪ 4-H			▪ Master of Business	

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## Agronomist Career Plan

Career  
Agronomist

<u>Middle School Activities</u>		<u>High School Activities</u>		<u>Post Secondary</u>	
▪ Explore career opportunities	▪ FFA Activities	▪ Agriculture classes	▪ Internships	◦ Crop Scouting	▪ Associate of Applied Science Degree Agronomy Option
▪ Job shadow	◦ FFA Cooperative Speaking	▪ FFA Activities	▪ Community College Academic Transfer	▪ B.S. Agronomy	▪ Professional Ag Conferences
▪ 4-H	◦ Agronomy CDE	◦ FFA Cooperative Speaking	▪ B.S. Agronomy		
	◦ Land Judging CDE	◦ Agronomy CDE	▪ Professional Ag Conferences		
	◦ Natural Resource CDE	◦ Land Judging CDE			
	◦ Marketing Plan CDE	◦ Natural Resource CDE			
	▪ Student government	◦ Marketing Plan CDE			
	▪ 4-H				

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## Grain Merchandiser Career Plan

Career  
Grain Merchandiser

<u>Middle School Activities</u>		<u>High School Activities</u>		<u>Post Secondary</u>	
▪ Explore career opportunities	▪ FFA Activities	▪ Agriculture classes	▪ Internships	▪ Community College Academic Transfer	
▪ Job shadow	◦ FFA Cooperative Speaking	▪ Economics classes	▪ Community College Academic Transfer	▪ B.S. Ag Economics	
▪ 4-H	◦ Job Interview LSE	▪ Business classes	▪ B.S. Agribusiness	▪ B.S. Applied Science	
	◦ Marketing Plan CDE	▪ FFA			
	▪ FBLA	◦ FFA Cooperative Speaking			
	▪ 4-H	◦ Job Interview LSE			
		◦ Marketing Plan CDE			

# Cooperatives in Nebraska

## Test

### Matching:

The three primary business classifications of cooperatives in Nebraska are marketing, supply and service. Read the business characteristics listed and then match each with the correct cooperative business classification.

### *Cooperative business classification*

A. Marketing

B. Supply

C. Service

### *Business characteristic*

- \_\_\_ 1. Predominant cooperative business classification
- \_\_\_ 2. Examples of this cooperative business classification are electric, telephone and credit unions.
- \_\_\_ 3. At least 50 percent of the business volume in this cooperative business classification is derived from the sale of ordinary production inputs.
- \_\_\_ 4. Cooperatives in this business classification fulfill specialized needs to their members.
- \_\_\_ 5. Cooperatives in this business classification deal in chemicals, feed, seed, fertilizer, and petroleum.
- \_\_\_ 6. Commodities handled by Nebraska cooperatives in this business classification are grain, sugar, and oilseeds.
- \_\_\_ 7. More than 50 percent of the total dollar volume of business is done through the sale of member products.

## Short Answer

There are short- and long-term benefits of a cooperative. They provide both economic and non-economic impacts. Read each of the following questions/statements and respond in as few words as possible, yet be specific.

8. In the short-term, cooperatives inject capital into the local economy through salaries, property taxes, utilities, insurance, and maintenance needs. Why is the degree to which these expenditures impact a local economy dependent upon the self contained nature of the community?
  
  
  
  
  
  
  
  
  
  
9. Why is the cooperative principle of local ownership and control viewed as a positive long-term economic benefit to a local community?
  
  
  
  
  
  
  
  
  
  
10. A local cooperative generates \$125 million of annual gross sales. The cooperative's average sales margin was 12 percent for the year. What is the potential dollar impact of this business on the local economy?
  
  
  
  
  
  
  
  
  
  
11. List five non-economic benefits cooperatives provide members and non-members.

12. Why would cooperative convergence benefit a community?

**Complete the Chart**

13. A major benefit provided to local communities by cooperatives is employment opportunities. Based on your interviews and/or class discussions, complete the following charts by providing the indicated information for a manager and one other employee position of your choice.

<b>Position</b>	<b>Job Responsibilities</b>	<b>Educational Background</b>	<b>Opportunities for Advancement</b>
<b>Manager</b>			
<hr/> <hr/> <hr/>			

# Cooperatives in Nebraska

## Answers to the Test

1. A
2. C
3. B
4. C
5. B
6. A
7. A
  
8. If the community is of sufficient size to service the maintenance needs of the cooperative then the impact is greater than if the cooperative must go outside of the community for those needs. The same can be said of the expenditure of employee salaries. Depending upon the communities ability to offer choices in housing, food, clothing, etc. the impact will vary.
  
9. The cooperative principle of local ownership and control contributes to greater stability and dependability not only in the business, but also in the local economy. There is less chance that decisions in some distant corporate office will drastically impact the business and in turn the local community. This strength further expresses itself in the business activity member patrons perform in other community businesses while engaging the services of their cooperative.
  
10. \$24 million
  
11. Any five of the following: improved service, quality of supplies and products, assured sources of supplies, enhanced business competition, improved farm management, legislative support, local leadership development, stronger rural communities, or goods and services to non-members.
  
12. They are continuing to be able to provide services and products to their members at competitive prices and still maintain an infrastructure that will allow cooperatives to be sustainable in the future. Convergence is allowing communities to keep services, jobs and investments that fuel the economy.
  
13. Answers to this question depend on the information obtained locally during class discussions, field trips, and/or interviews.