

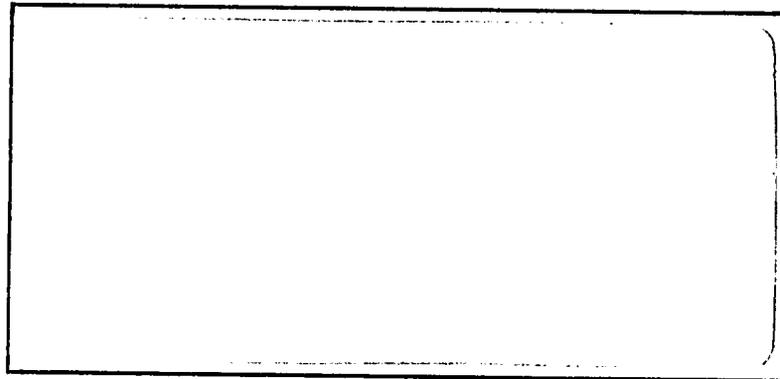
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STAFF PAPERS SERIES

**Unemployment and Underemployment
Institute**

T. T. Williams, Director

INTERNATIONAL ECONOMIC DEVELOPMENT PROGRAM



**Southern University and A & M College
Post Office Box 9846
Baton Rouge, LA 70813**

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**THE ROLE OF COOPERATIVES IN THE
SURVIVAL OF SMALL FARMS
Speech to Grand Marie Vegetable Producers
Cooperative Annual Meeting**

**BY
Leroy Davis**

SOUTHERN UNIVERSITY

UNEMPLOYMENT-UNDEREMPLOYMENT INSTITUTE
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FOREWORD

The Unemployment and Underemployment Institute was created to coordinate all international economic development activities of the 211(d) grant at Southern University.

In 1972, the Agency for International Development (AID) approved a five year grant to Southern University to strengthen and increase its capacity in economic/agricultural economics to enhance Southern's capabilities to contribute to the resolution of problems of rural unemployment and underemployment in developing countries.

The general objectives of the Institute are (a) to develop and coordinate the activities of the University for greater participation in international economic development programs; (b) to make available the capacities and expertise thus developed to public and private agencies involved in industrial development programs; and (c) to conduct research, seminars, and workshops on domestic and international development problems including cooperatives, manpower utilization, small farmers, housing, population, nutrition, leadership training, and community development.

In keeping with objective (a), the University supports several faculty members working towards advanced degrees in the area of economic development and related disciplines, supports undergraduate scholarships to foreign and U. S. nationals in the Department of Agricultural Economics and Economics, provides travel to professional seminars for faculty, foreign exposure to development experiences, and special training on techniques of program design and evaluation.

In keeping with objective (b), the Institute sponsors an International Development Seminar Series, Student-Faculty & Staff Seminar Series, and hosts foreign individuals and groups interested in economic development programs at Southern University.

Results of research projects consistent with the objectives of this program are published under the Institute's Faculty-Staff Research Paper Series. Papers published under this series reflects the diversity of interests and specialties of our faculty and staff.

The above activities of the Institute demonstrate the capacities and expertise of Southern University developed through the 211(d) program. As a result of the 211(d) grant, the Unemployment-Underemployment Institute at Southern University is in a position to offer expert and technical personnel to private and public agencies involved in international economic development programs.

T. T. Williams
Director

THE ROLE OF COOPERATIVES IN THE SURVIVAL OF SMALL FARMS

Speech to Grand Marie Vegetable Producers
Cooperative Annual Meeting

April 6, 1975

by

Leroy Davis*

Thank you Mr. Davis for your generous introduction. I wish to acknowledge Mr. Guillory, other participants, farm patrons of Grand Marie Cooperative, employees of Grand Marie and friends.

Some several weeks ago Mr. Guillory called me by telephone and asked me to participate on this program. I accepted his offer immediately. My agreement to speak on this program was not based on an undying desire to appear on the public platform. I did not come here because Mr. Guillory made an offer I could not refuse. He said he did not have any money; therefore, he is not paying for the services. So, if I do not say anything useful, it will not cost you anything, except a few minutes of your time. I did not come here because I have anything new or earth-shaking to report. Much of what I will say has been said before; many times before. Maybe you have not heard it enough yet. I came here because I wanted to share with you some thoughts on the role of cooperatives and the survival of small farms in America.

Before I get into the meat of this discussion, I want to say a few words on why I feel adequate to speak on this subject. I have always been interested and concerned about the small farm operator; because I am one of you. I grew up on a small farm as a boy. It was then that I first developed an interest in improving the plight of the small operator.

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You may argue, rather convincingly, that I don't know much about small farm operations, from a practical standpoint. You are right. I am one of the millions of displaced small farmers. Many of us could not survive the economic and social difficulties surrounding the small producers. We left and went to the city where things seemed to be much better. So much so that now cities are over crowded, decaying with crime, disease and unemployment. In short, the cities, too, are failing. In the last few years we have started moving back to the country side. Although, we do not call it country any more. We call it the suburban area. In the suburbs we have the best part of the cities and the country side too. We can enjoy the high income and culture (good times) of the cities; and yet have the peace, quietness and clean air of country living.

As my introduction indicated I have attained a fair amount of formal training. But formal training of a few individuals is inadequate to solve the difficult problems facing the low income farmer. However, there are some things we can do to help you. There are many things we cannot do-- because of the lack of time, money or knowledge. There are some things the cooperative, such as Grand Marie, can do to help you. And there are many things that Grand Marie cannot do. There are some things that you and you along can do to help yourselves. I shall outline some of these things later.

For the past two years-I have been developing a team of researchers at Southern University in the Department of Agricultural Economics. Our main purpose is to gear our research efforts to help the small farm operator. We are not so much interested in the larger commercial farmer.

There have been institutions concerned with their problems for many years. We are interested in your problems; that is, the problems of the small farmer and the problems of the low income cooperatives. (If these terms are unpleasant or undesirable, please tell me. I will choose some other terms). We do not have all the answers yet, but we have learned much about you. We need your help and your cooperation; and we need the help and cooperation of Grand Marie and other Cooperatives like Grand Marie. We exist to serve you and to help you solve your problems. We cannot solve your problems for you. You must find solutions to your problems with the help of your cooperative and the help and advice of your state college, Southern University. For the past 18 months we have been working directly and indirectly with Grand Marie. We have also been working with small farms, other cooperatives and federal and state agencies concerned with your welfare. Together, we can change some of the conditions that plague you and others like you. We can encourage you to come to us, come to Grand Marie, go to other extension services, FHA, PCA and other organizations that can help. I admit the track record of some of these organizations have not been good in the past. But many are changing their interest, changing their procedures and changing their clientele. They are focusing more on the needs of the small producers.

What The Small Farmer Can Do

As I said before, there are a number of things that the smaller farmer himself can do to improve his plight. First, let us explore vegetable production some. Compared to other agricultural products, vegetable

production is most risky. That is, the chance of lost of crop, profit and income is greater for vegetables than most other crops. Nobody knows this better than you the producer. Agricultural production (farming), generally, is more risky than non-farm business enterprises, also.

There are basically three types of risks that you face as vegetable producers: (1) production losses, (2) distribution losses and (3) price losses.

Production Losses

From the time that you plow the first field for seedbed preparation, you are taking a chance. As you continue to apply fertilizer and plant the seed, the amount of possible losses increases. You generally, do not know the amount of crop that will be produced at planting time. The amount of vegetables you produce will depend on a lot of things such as, the amount of fertilizer applied, the quality of seed and plants used, the quality of the seedbed preparation, diseases that attach your plants, rainfall, temperature and insects. Most of these hazards can be controlled by the small farmer. You can have soil tests to determine the required or recommended quantities of fertilizer to apply. You can consult your extension agent or cooperative for help in selecting the best varieties of seeds and plants. You can apply chemicals to control diseases and insects. You can prepare your seed properly to obtain good yields, growth and control grain age. And you can even irrigate to provide sufficient moisture, when rainfall does not come.

Distribution Losses

Many losses of vegetable crop occur after the crop has been produced. These losses occur during harvesting, during transportation and while in storage.

Losses during harvesting are damages to the vegetable caused by

machine or humans. Such losses can be controlled by exercising care in handling vegetables during harvesting. Labor must be trained in the proper procedures in handling vegetables in order to keep these losses small. Most of the vegetables produced by small operators are harvested by hand, so machine damage is not a great problem.

Transfer losses are caused by mis-handling the products. Vegetables are damaged by rough handling such as throwing them on the wagon or truck. Improper or poor crating or packaging of vegetables can also cause damages. These damages (cuts and bruises) will lower the quality or grade of the vegetables in the market place; and the farmer and the cooperative will get a lower price. Such damages can be reduced through careful management of transportation and handling of the vegetables.

Price Losses

When the vegetables are planted, each farmer will plant a certain amount based on the present and/or past prices. He does not know what the prices will be until the product is harvested. He is taking the chance of the prices falling from what they were at the time the crop was planted. It is difficult to avoid the losses caused by price changes. If the farmer has the information on projected prices (that is, what the prices will be when the product is marketed or sold), then he can produce different types of vegetables to avoid the prices of vegetables changing. Price changes can also be avoided by forward contracting. That is, agreeing on a price with the buyer before the vegetable is grown and harvested. It is very difficult for small producers to use forward contracting; because you generally do not have enough volume; and the quality of the product is sometime low. But the cooperative can help the small producer. I will talk about how the coop can help later.

In short, the small farmer must operate his farm as a business. . A business exists to earn a profit; it must also survive in order to continue to earn a profit. If the business (small farm) does not earn a profit, it will surely die; it will not live for long. Not only must a successful business survive; it must also grow in size and in volume.

Operating as a business means following business rules and procedures. Good businesses (large and small) and good farmers (large and small) carefully plan their production and marketing activities; keep up with and use new methods and procedures; keep a good set of records to plan and grow by; and seek good advice when problems arise. You as small vegetable producers must do the same things; if you are to grow, earn a profit, and survive.

If you do not, you are doomed to failure as any other business would.

Studies show that most small businesses fail because of poor management practices; the same can be said of small farmers. All of the things I have talked about fail under the category of the management function. You must strive to become a good manager. It requires some hard work; but you are used to hard work. You must not only work hard; but you should plan hard, and you should manage hard to improve the lives and incomes of yourselves and your families. We are here to help you help yourselves to do just that.

What the Low Income Cooperatives Can Do

When I say low income cooperative, I am referring to coops like Grand Marie whose mission is to help low income farmers like you.

There are some 193 cooperatives in the state of Louisiana today. In my opinion, this is not enough to meet the needs of the farmers in the state. We need more cooperatives. The existing cooperatives are all types, from production and marketing farm products to production of electricity and buying food for consumers. Grand Marie has said its purposes are (1) to help you market your vegetables, and (2) help you to buy your farm inputs at a lower cost unit. But Grand Marie can and should do much more than this. Because your needs are much greater than simply selling products and buying fertilizer, feed, seed, implements and supplies. Simple buying and selling of supplies and products may be adequate or good enough for the large commercial producers. But, in my opinion, it is too little for people like you. I also know Grand Marie can not do everything for you; you cannot do everything for yourself; and the state college cannot do everything for you. We can all help and pool our efforts to solve the difficult, complex problems.

Cooperatives generally exists to help you in bargaining or improving your marketing power, and to eliminate the middleman from taking most of the profit away. Cooperatives can also help to improve your management practices; they can help to improve your production procedures; they can help you to improve your planning; they can assist you in acquiring a loan at low interest costs to produce your crops and increase the size of your farm; they may also be able to help in informing you in the area of new information and techniques. Cooperatives could provide custom services for small operators. That is, the cooperative could buy large pieces of equipment and machinery which are too costly for the small producer; and provide the services of the machinery to the small producers at low costs. And the cooperative could provide many

other extension type services that can not be obtained from other agencies. The number of custom agencies are increasing. Many small groups are buying machinery and equipment to do custom work for farmers. This certainly seems to be a reasonable possibility.

I admit, what I have just charged the small cooperative with is a tall order, indeed. Mr. Guillory will argue, rightly so, that he does not have enough money or people to do all of those things. I agree whole heartily. But my job here is to outline what is needed.

The coops will need to increase its staff. It will need to have a better trained cadre of people, experts in the various areas. More members and patrons of the coops will be needed. The cooperative will need more capital or money.

How should the coop proceed to acquire these resources? It will certainly not acquire them over night. The cooperative can not expect all the resources to come from one source, but from several sources. Some long range careful planning is needed, with inputs from the cooperative, farmers and helping agencies. Several sources will be needed to provide adequate capital to do the job. The Bank for Cooperatives alone will not be enough; the Extension Service alone will not be adequate; local banks and other agencies will need to cooperate. It must be a combined effort in order to succeed.

I want to congratulate Grand Marie for doing a good job up to this point. I only want to point out some areas of critical need.

What the State Universities Can Do

I will be the first to admit that our track record with the low income producer is poor. We have done somethings; we are doing more; but have certainly not done enough. The specific role of the State University is to

provide technical assistance in the form of research and extension programs.

It was not until 1972, that Southern University received funds earmarked specifically to aid the low income proportion of farmers in the State. Before that time, we received funds only for teaching purposes in agriculture at Southern University. All funds for research and extension went to the major state university and the Experiment Station at L.S.U. From 1972, to the present date, you can blame both L.S.U. and Southern University for not coming to your aid when called.

In the past few years both institutions have been doing more to help the small producers. But the leadership in this effort, especially in research, has been given to Southern University.

We have a research problem area called "Small Farm Operations". Under this program, several research projects are underway and more are being planned. These research programs have come late, but hopefully not too late to help some of the small producers who are still in the business of farming.

We must "beef up" our efforts in the research arena to help you help yourselves. We must also develop the kind of extension outreach programs to meet your needs. Our research should be geared more toward solving the specific problems as you see them. We do not have all the answers; but we should keep trying until workable solutions are found to the critical issues confronting you. We need your input to steer us along the right tracks. The research units, the extension service, the coops and the farmers must all work together. Our research must be timely and relevant. It must be problem-oriented and goal-directed. Too much research in the past has gone toward the big commercial farmers. Most of the research and extension programs developed in this country have been aimed at the larger operators. We now know that helping the larger producer alone will not solve the farm problems.

Some people have hoped the small producers would just disappear. But we (you and I) know the small producer is still here. So, we must do what is necessary to help you help yourselves.

Again, I say to you, I think our research and extension programs must have the small farmers' and low income cooperatives' input. Without this input, we will not meet your needs fully and completely. You must help identify the important problems and issues.

What Other Agencies Can Do

There are many federally sponsored and federally associated agencies who are in business to help farm people. Many of the agencies you know of, or have heard about: Such organizations as the Land Bank, PCA, SCS, ASCS, FHA, Bank for Cooperatives, Crop Reporting Service and so on, are designed to help farmers.

Even though these organizations are designed to help all farm producers, all most all of their efforts have served the large and medium size farms. They have not responded sufficiently to the needs of low income producers.

These organizations will have to develop new programs and new procedures to help the small producers. Programs and procedures must be designed to help the low income producer, with the input of the low income farmers. He must serve on the governing boards and help formulate and implement policies and programs. We have seen this type of organization work fairly well in some of the poverty programs in the cities. The small farmers should be given some chances also to help solve his own problems.

Current Trends in Vegetable Production and Marketing

The American Institution of Cooperation (AIC) is made up of many cooperatives throughout the United States including 18 coops in the State of Louisiana. The Opelousas Production Credit Association is a member of AIC. The AIC publishes a book each year on the cooperative movement, important problems and issues. The recent issue has the following to say about vegetable cooperatives:

Though a limited number of fruit and vegetable cooperatives engage in coordinated production and marketing, a study of seven reveals benefits possible.

Such coordination assures stability to the industry and a fairer return to growers. Other benefits are: Lower sales and promotion costs; adequate financing by pooling resources; higher sales value of total production; improved standardization of products and packages; and reduced transportation and distribution costs.

Cooperatives in the study coordinate efforts by two different methods. Three expanded operations by acquisition; four by joint marketing efforts.

Requirements for effective marketing unfold out of the experiences of the seven cooperatives. These include a multifaceted member relations program; market development based on centralized sales negotiations; continuing product research and brand development; farm-to-buyer quality control; specialized plants; cooperative purchasing of production and marketing supplies; uniform cost-accounting; and coordinated transportation with well placed distribution centers.

Here it is clear that the problems are the same at the national level as they are at Grand Marie.

On the production side in Louisiana over the past 20 years we have seen a decrease in the total production of most vegetables including Irish potatoes, tomatoes, cabbage, snapbeans, shallots and green peppers. At the same time yield per acre has increased somewhat and total acres in vegetable production is declining. In essence, we are becoming less important as a vegetable producing state. We have failed to keep up with the competing states such as Texas, Florida and California. We must reverse these trends if we are to survive as a major vegetable-producing state.

Research Results at Southern University

- (1) The number of small farms are decreasing rapidly; black operated farms are decreasing faster than white.
- (2) Small Farmers are working more and more of the farm to supplement those farm income with non-farm income. This will help insure the survival of small farms.

- (3) Small farmers are better off economically than rural people who do not operate farms. They are not as poor as people who do not own or operate farms.
- (4) Small farmers generally are planning to keep farming in the future. Very few small farmers plan to sell their land.
- (5) Small farmers have good attitudes about the farm; many want their sons to become farmers.
- (6) Small farmers would grow and increase their size of operation if they could find the capital to expand.
- (7) Small farmers generally do not seek the advice of the Extension Service, PCA, FHA and other organizations associated with farming.
- (8) Small farmers do not keep good records as they should; but are willing to work with the Extension Service at Southern University to develop a record-keeping system.

We have other results that will be published later.

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