

The Contribution of Farmer Cooperatives to the Kansas Economy

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Farmer cooperatives contribute value in many ways to their members and to their communities. Cooperatives provide services and products at competitive prices, market commodities, support the community philanthropically, and provide local jobs and taxes. These activities contribute to the vitality and sustainability of the agricultural economy and communities across rural America. Yet, the economic contribution of the Kansas grain marketing and farm supply cooperative sector to the overall Kansas economy is unknown.

Economic contribution analysis is a tool for understanding both the direct contribution of the cooperative sector, and the strength of their economic linkages with other businesses, households, and government. The purpose of this ACCC Fact Sheet is to discuss and show the total economic contribution of grain and farm supply cooperatives for the Kansas economy. Knowing the contribution of cooperatives to Kansas will provide needed information to policymakers regarding the importance of the cooperative sector to Kansas.

Cooperatives have unique economic relationships with their members and communities due to their purpose and principles as a member-owned organization. Profits generated by cooperatives largely remain in the local economy because the board of directors is made up of members who decide how these profits will be utilized. These profits could be reinvested into the cooperative’s infrastructure or could be distributed as patronage back to the member. Yet, the dynamic of the actual relationship of cooperatives with its local economy cannot be fully shown by these modeling efforts (Zeuli and Deller, 2007). Nonetheless, seeking to quantify the economic impact of these businesses will show the quantifiable value of Kansas cooperatives.

Data Discussion

The information available for this research included a survey of Kansas farmer cooperative managers, the CoBank Risk Analyst database and the Kansas Department of Labor (DOL) quarterly census of employment and wages. Each data set have merits and limitations, but collectively the data provide the necessary details for an informed analysis. Clymer (2019) provides the details about how the data were combined for the economic contribution analysis. Table 1 presents a summary of the 2017 total farmer cooperative sector activity in the state of Kansas.

Table 1. 2017 Kansas Farmer Cooperative Summary Statistics

Variables	Total in Kansas^a (\$ in Millions)
Grain Sales	\$8,052
Input Sales	\$1,477
Total Sales and Income	\$9,866
Employee and Benefit Pay	\$309
Cash Patronage Paid	\$71
Property Taxes Paid	\$22
Total KS agriculture cooperative jobs	4,652

Note: ^a Amounts are calculated using the 2017 CoBank Risk Analyst data, the 2017 Kansas Department of Labor data, a survey of Kansas farmer cooperative managers, and calculations from Clymer (2019).

Total Economic Contribution Results

The summary data about the Kansas farmer cooperative sector is utilized to estimate the broader economic contribution made by the industry. IMPLAN, an economic accounting and analysis software, provided the necessary framework to quantify the total industry “ripple effects,” or flow of dollars, through households, governments, and other industries in the state of Kansas. Thus, the impact of farmer cooperative activity was more broadly represented. Table 2 details the direct and total effects of Kansas farmer cooperatives on the state’s economy and were based on estimates from Clymer’s (2019) IMPLAN model.

Kansas farmer cooperatives’ make a broader contribution to the Kansas economy. Farmer cooperatives employ 4,652 people, but this leads to a larger effect on the total Kansas employment numbers. Why? The economic activity of the cooperative and their employees create additional jobs in the state because of interdependences that exist throughout the economy with other business sectors. In fact, farmer cooperatives are closely connected to more than double the direct number of jobs they create in Kansas. For every farmer cooperative employee, another 1.15 jobs are closely tied to the cooperative job.

Table 2 Total Contribution of the Kansas Farmer Cooperative Sector (2017 \$)

Impact Type	Employment	Total Output (\$ Millions)	Member and Labor Income (\$ Millions)	Total Income ^a (\$ Millions)
Direct Effect	4,652	\$1,068	\$380	\$679
Total Effect	10,002	\$1,865	\$631	\$1,117
Multipliers	2.15	1.75	1.66	1.64

Note: ^a Total Income impact accounts for employee compensation, member income, net interest, property and income taxes, and business profits.

Total output of Kansas farmer cooperatives surpasses \$1 billion. Output represents the value of production or in the case of cooperatives, gross margin. Cooperatives also contribute to over \$850 million of additional output to other business sectors in the state of Kansas. For every \$1 of output by a cooperative, an additional \$0.75 of output is created.

Kansas farmer cooperatives also contribute a significant amount of income to the state. Total income accounts for employee compensation, member income, business profits, taxes, and other types of income. The total income directly generated by farmer cooperatives is \$679 million. This includes \$380 million paid out as member and labor income. Once the “ripple effect” of the income is calculated, over \$1.1 billion of total income flows throughout the Kansas economy.

Conclusion

Cooperatives provide value to their members and to their communities across Kansas. As agriculture continues to evolve, the cooperative sector is also evolving. This provides motivation to show the quantifiable value of Kansas cooperatives. While we can capture some of the economic contribution these entities provide, we also acknowledge there are non-market values associated with aspects such as member satisfaction and community viability.

From jobs to income, Kansas grain marketing and farm supply cooperatives contribute significantly to the overall Kansas economy. This research measured the economic contributions of cooperatives to illustrate the role cooperatives serve in a local economy. Cooperatives contribute significantly to their farmer-members by providing services, creating value, and paying significant amounts of cash patronage.

The overall Kansas economy benefits too because for every cooperative job that exists, another job throughout the economy is supported. Other industries benefit from the additional amount of business that is created from the activities of farmer cooperatives. Cooperative management, boards of directors, and industry advocates are encouraged to utilize this information to communicate the value of the Kansas cooperative sector to policy makers and members in their own communities.

Sources:

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