

17. The Evolving Farmer-Cooperative Landscape

Brian Briggeman

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Brian Briggeman is a Professor in Agricultural Economics at KSU, and the Director of the Arthur Capper Cooperative Center. His research and extension program include topics on agricultural finance, agribusiness and cooperative management and macroeconomic implications for U.S. agriculture. He also teaches agricultural finance. Prior to joining KSU, Brian was an economist with the Federal Reserve Bank of Kansas City. He holds a bachelor's degree in agribusiness from KSU, an M.S. degree in agricultural economics from Texas A&M University and a Ph.D. degree in agricultural economics from Purdue University. He is originally from Iuka, Kansas where his parents own and operate the family farm.

Abstract/Summary

Kansas grain marketing and farm supply cooperatives are in the midst of significant change. Tighter margins, elevated competition, and heightened consolidation are shaping the current environment. In this presentation, Dr. Brian Briggeman will discuss the evolving Kansas cooperative landscape as well as share a recent research project aimed at helping Kansas cooperative board of directors and senior management teams better navigate the current environment. In particular, a set of grain storage and crop production maps of Kansas will be presented to show some of the challenges and opportunities facing cooperatives.

The Evolving Kansas Co-op Landscape

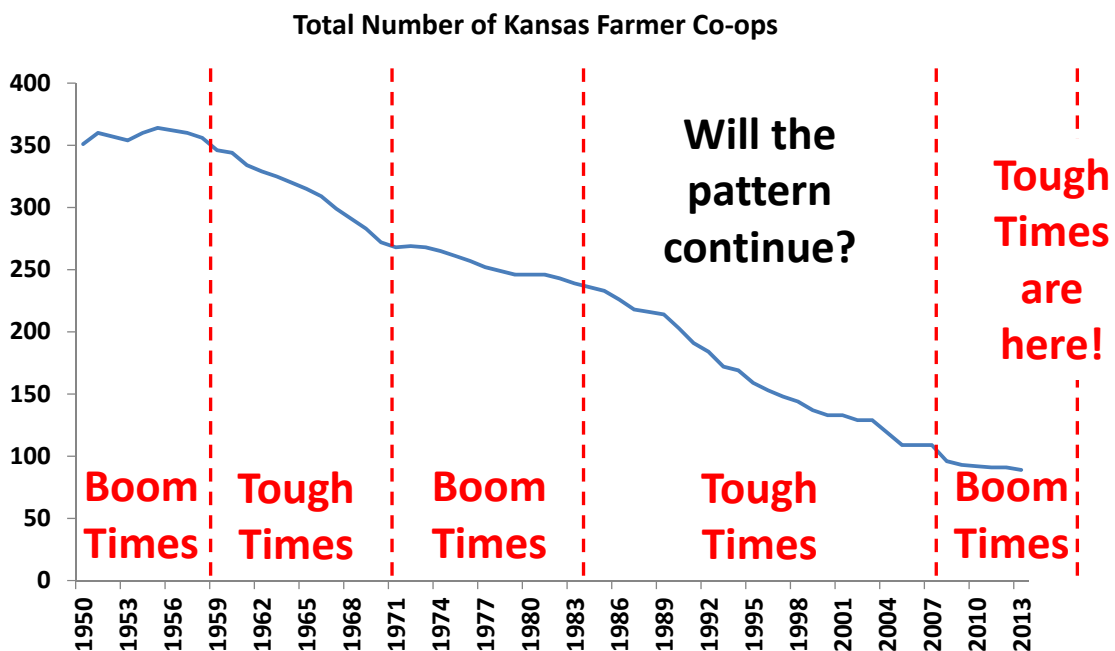
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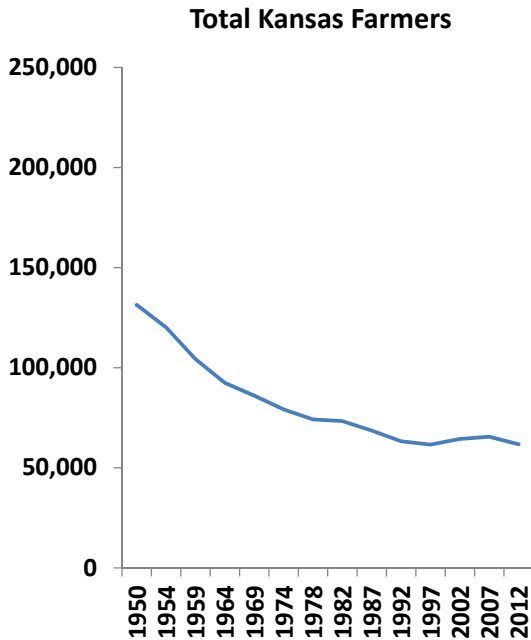
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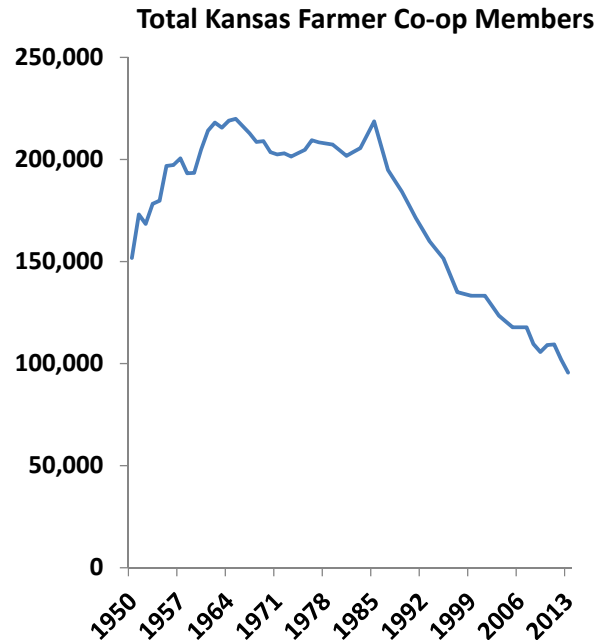
Total number of Kansas farmer co-ops has fallen and the pace of decline might accelerate.



The number of Kansas farmers and co-op members has plummeted.

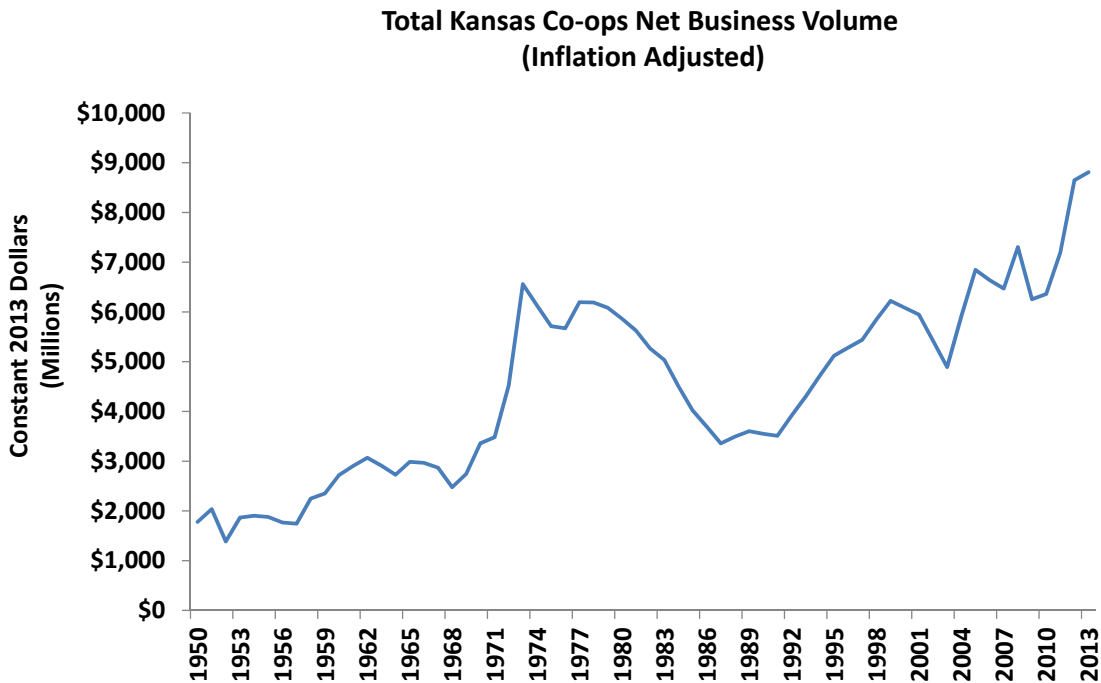


Source: USDA Census of Agriculture



Source: USDA NASS

While total numbers have dropped, total amount of business conducted with Kansas farmers has surged.



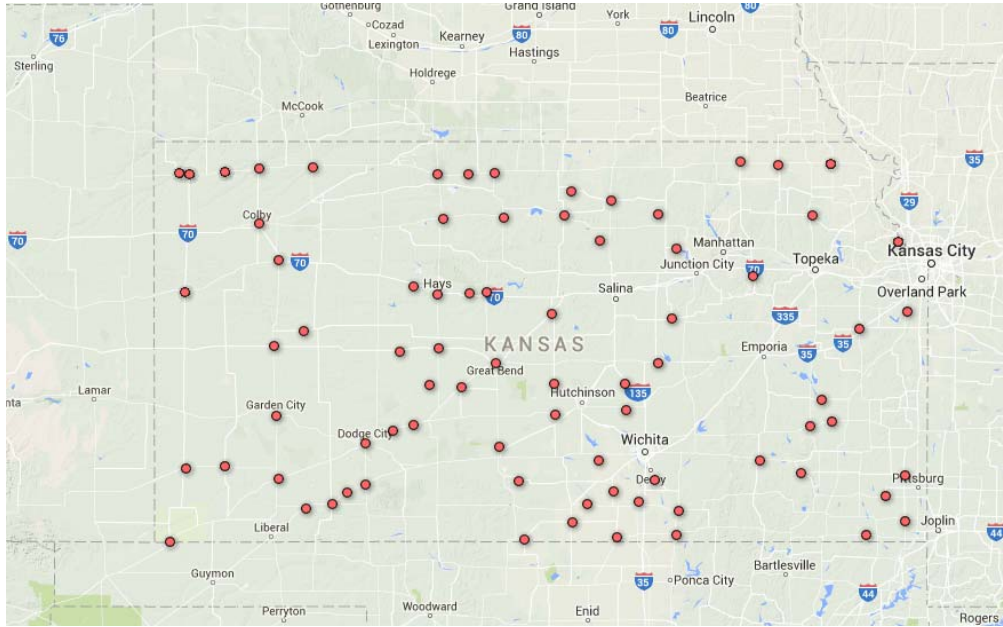
Source: USDA NASS

Furthermore, the balance sheets of Kansas farmer co-ops have drastically changed.

- Total asset values have nearly quadrupled
 - 2005 avg. \$10.9MM to 2014 avg. \$41.5MM
- Total liabilities have surged
 - 2005 avg. \$6.3MM to 2014 avg. \$23.9MM
- Working capital has skyrocketed
 - 2005 avg. \$1.6MM to 2014 avg. \$7.9MM
- Equity structure has changed
 - 2005 avg. 70% Allocated to 2014 avg. 50% Allocated
- Bottom line, cooperatives must be able to manage this significant change

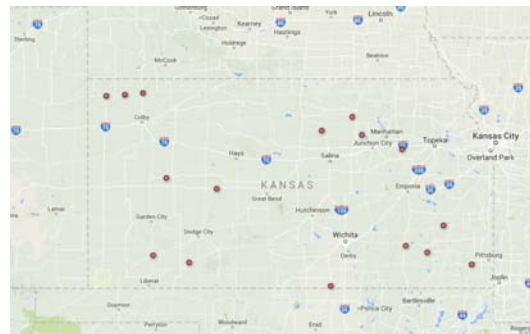
MAPPING KANSAS FARMER COOPERATIVES (FOCUSED ON GRAIN AND/OR FARM SUPPLY)

Today, there are 78 farmer cooperatives with headquarters located in Kansas.



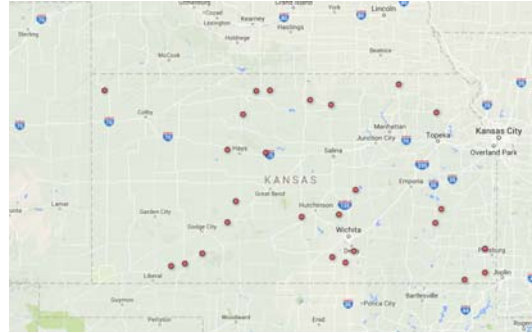
Of the 78 co-ops, there are 18 that have either zero or one grain location.

Farmer Co-op	Headquarter	Total Grain Locations
Farmers Union Co-op	Spring Hill	0
Leavenworth County Cooperative Association	Lansing	0
Alma Co-op Oil Assn.	Alma	1
Beardsley Equity Co-op Association	Atwood	1
Cooperative Grain and Supply Company	Bazine	1
Delphos Cooperative Association	Delphos	1
Farmers Co-op Elevator Assn.	Morganville	1
Farmers Co-op Grain Co.	Caldwell	1
Fowler Equity Exchange	Fowler	1
Fredonia Cooperative Association	Fredonia	1
Healy Cooperative Elevator Co.	Healy	1
McCune Farmers Union Co-op Association	McCune	1
McDonald Co-op Equity Mercantile Exchange	McDonald	1
Piqua Farmers Co-op Assn.	Piqua	1
Severy Co-op Association	Severy	1
Sublette Cooperative, Inc.	Sublette	1
Wakefield Farmers Co-op Association	Wakefield	1
Wheeler Equity Exchange	Wheeler	1



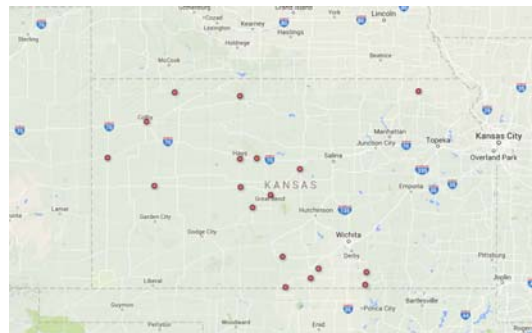
Of the 78 co-ops, there are 26 with 2-5 grain locations.

Farmer Co-op	Headquarter	Total Grain Locations
Cloud Co. Co-op Elevator Assn.	Concordia	2
Farmers Co-op Grain Co.	Abbyville	2
Farmers Union Mercantile and Shipping Assn.	Stockton	2
Golden Belt Co-op Assn., Inc.	Ellis	2
Minneola Co-op, Inc.	Minneola	2
Randall Farmers Union Co-op	Randall	2
Woodson County Cooperative Association	Yates Center	2
Central Plains Co-op	Smith Center	3
Meade Co-op Elevator and Supply Co.	Meade	3
Farmers Co-op Grain Association	Conway Springs	3
Golden Valley, Inc.	Rozel	3
LeRoy Cooperative Association, Inc.	LeRoy	3
Offerle Co-op Grain and Supply Co.	Offerle	3
Producers Cooperative Assn.	Girard	3
St. Francis Mercantile Equity Exchange	St. Francis	3
AgCo, Inc.	Russell	4
Farmers Co-op Elevator Company	Halstead	4
Farmers Cooperative Association	Columbus	4
Jackson Farmers, Inc.	Holton	4
Mulvane Cooperative Union	Mulvane	4
Plains Equity Exchange and Co-op Union	Plains	4
Bartlett Co-op Assn.	Bartlett	5
Beattie Farmers Union Co-op Assn.	Beattie	5
Cooperative Grain and Supply	Hillsboro	5
Farmers Co-op Grain Association	Wellington	5
Pro-Ag Marketing	Kensington	5



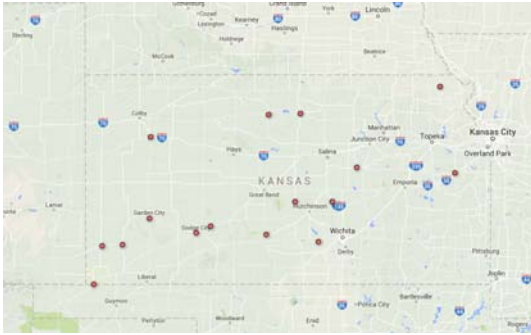
Of the 78 co-ops, there are 18 with 6-10 grain locations.

Farmer Co-op	Headquarter	Total Grain Locations
Ellsworth Co-op	Ellsworth	6
Farmers Cooperative Equity Company	Isabel	6
Mid-State Farmers Co-op	Rush Center	6
Pawnee County Cooperative Assn.	Larned	6
Rangeland Cooperatives, Inc.	Phillipsburg	6
Two Rivers Co-op	Arkansas City	6
Valley Co-op, Inc.	Winfield	6
Great Bend Co-op Assn.	Great Bend	7
OK Co-op Grain Co.	Kiowa	7
Scott Cooperative Assn.	Scott City	7
Anthony Farmers Co-op	Anthony	8
Danville Cooperative Association	Danville	8
Decatur Cooperative Association	Oberlin	9
Hi-Plains Cooperative Assn.	Colby	9
United Ag Service, Inc.	Gorham	9
United Plains Ag, a division of CHS, Inc.	Sharon Springs	9
Midland Marketing Co-op	Hays	10
Nemaha County Cooperative Assn.	Seneca	10

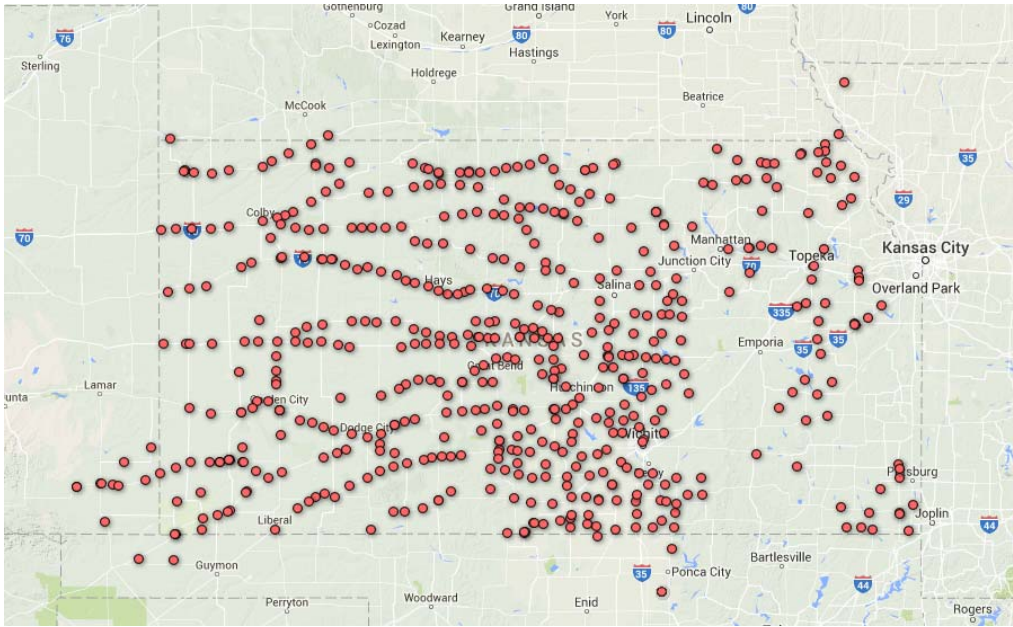


Of the 78 co-ops, there are 16 with 11 or more grain locations.

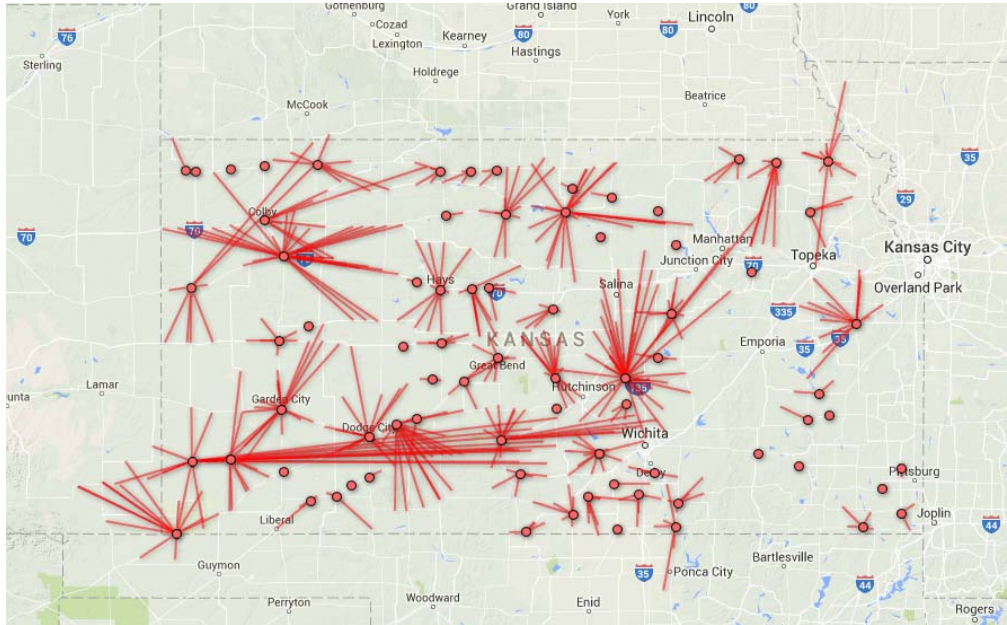
Farmer Co-op	Headquarter	Total Grain Locations
United Prairie Ag	Ulysses	11
Agri Trails Cooperative	Hope	12
Farmers Cooperative Elevator Company	Cheney	12
Midway Co-op Assn., Inc.	Osborne	12
Ag Partners Co-op, Inc.	Hiawatha	13
Elkhart Cooperative Equity Exchange	Elkhart	14
Pride Ag Resources	Dodge City	15
Ottawa Cooperative Assn.	Ottawa	16
Alliance Ag and Grain LLC	Spearville	17
Central Prairie Co-op	Sterling	17
Kanza Cooperative Association	luka	18
Garden City Co-op, Inc.	Garden City	20
Skyland Grain, LLC	Johnson	21
Farmway Co-op, Inc.	Beloit	22
Frontier Ag, Inc.	Oakley	31
MKC	Moundridge	38



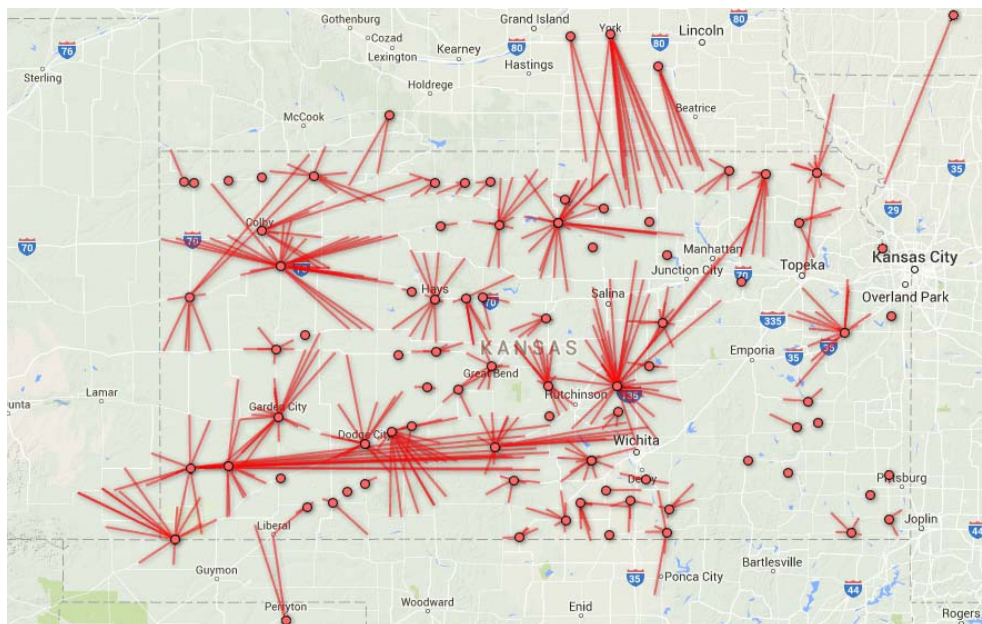
All together, Kansas based farmer co-ops have a total of 532 total grain locations.



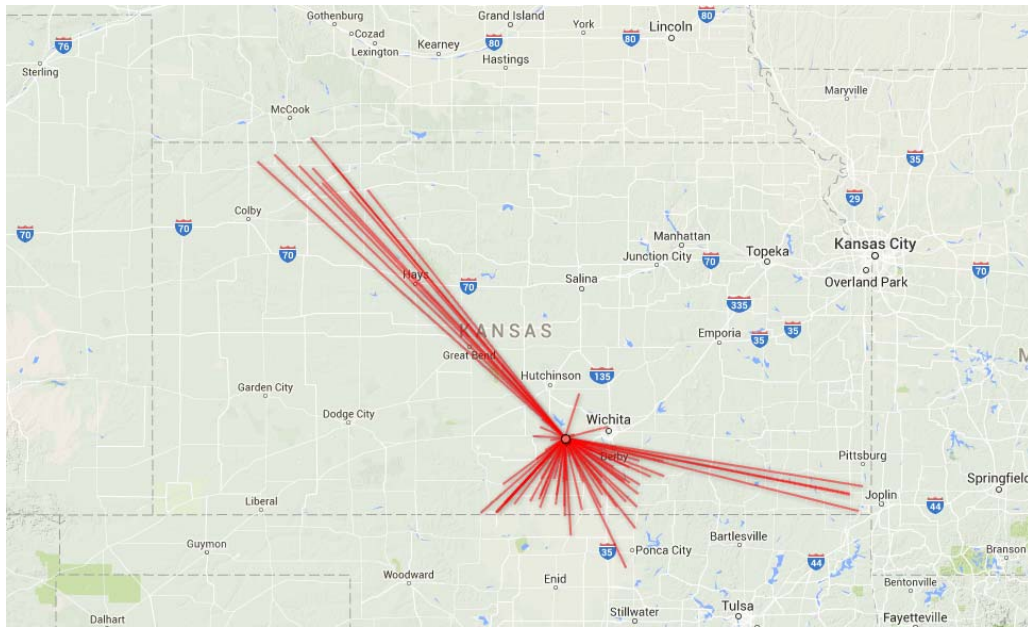
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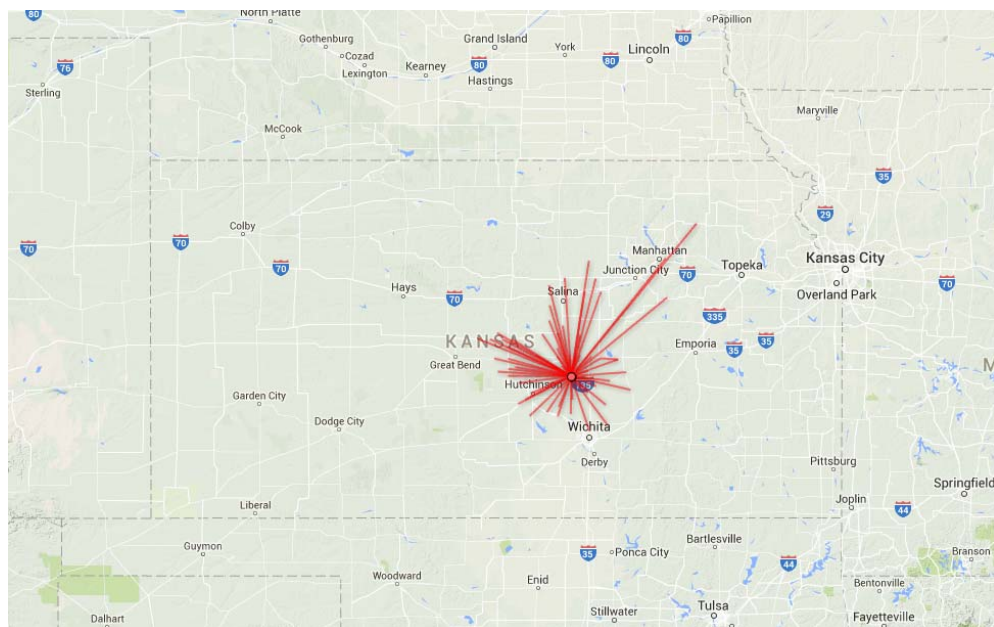
In addition, neighboring co-ops in other states have grain locations in Kansas (552 total grain locations).



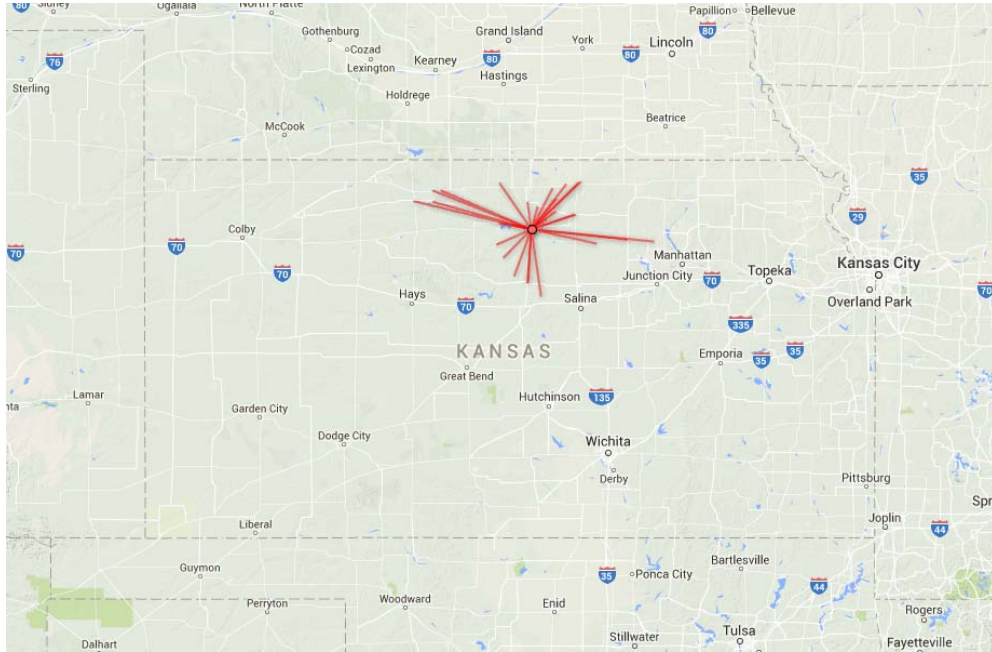
Kansas also has a number of examples of cooperatives cooperating together - CoMark (74 Grain Locations)



Kansas also has a number of examples of cooperatives cooperating together - TMA (60 Grain Locations)

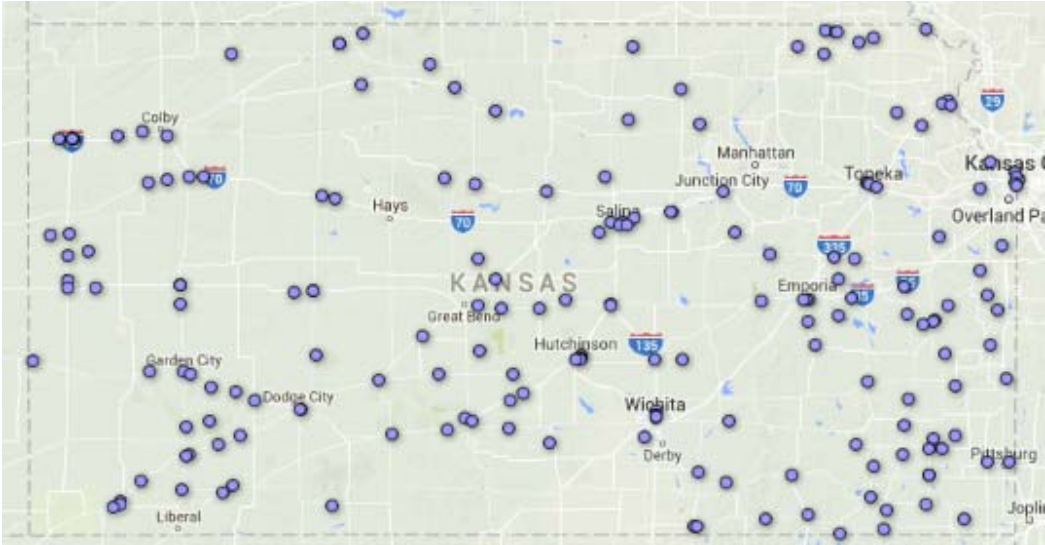


Kansas also has a number of examples of cooperatives cooperating together - AgMark (40 Grain Locations)

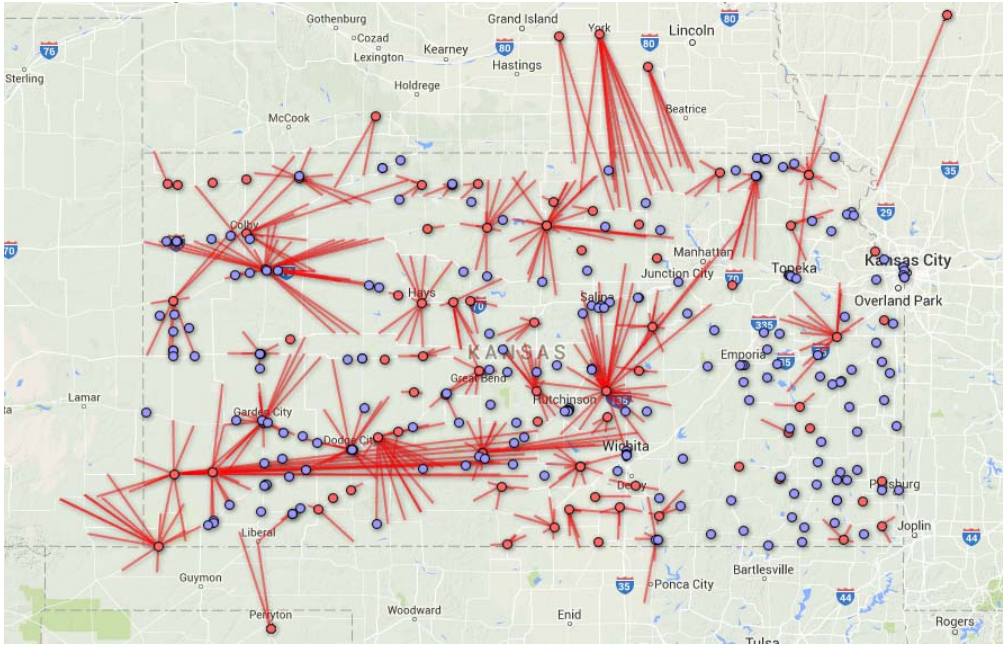


COMPETITIVE LANDSCAPE: MAPPING NON-COOPERATIVE GRAIN LOCATIONS

In Kansas, there are 191 non-cooperative grain locations (commercial).



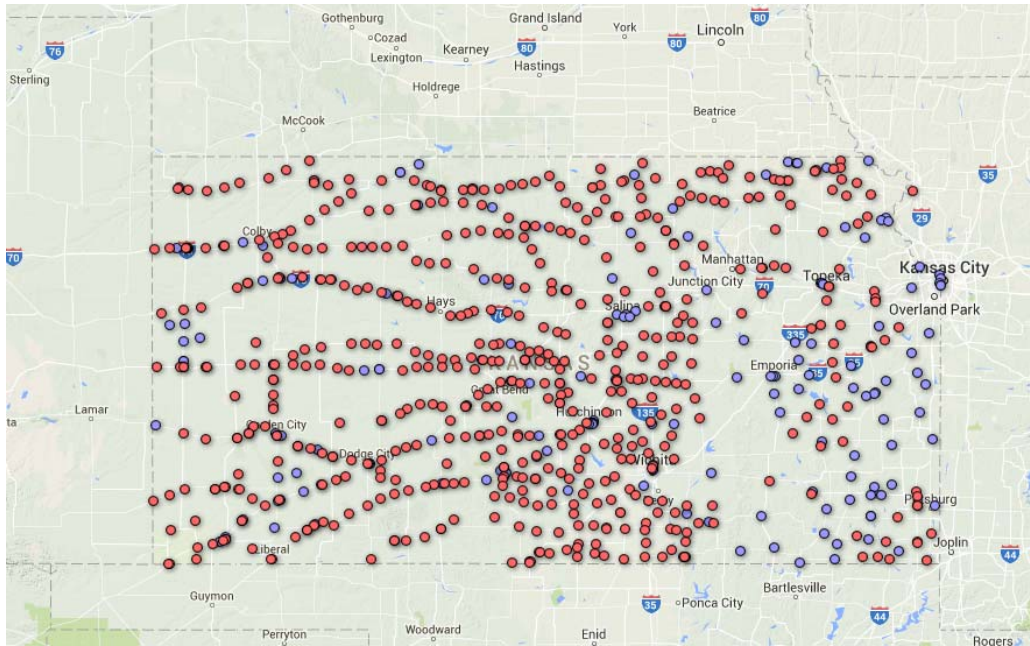
Cooperatives in Kansas have considerably more grain locations (552) than non-cooperatives (191).



Cooperative grain locations (red); Non-cooperative grain locations (blue)



Cooperatives in Kansas have considerably more grain locations (552) than non-cooperatives (191).



Cooperative grain locations (red); Non-cooperative grain locations (blue)

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Concluding thoughts

- The current economic environment is creating financial pressures on cooperatives
 - Budding Accounts Receivable issues
- Cooperatives have a significant presence in the Kansas grain storage landscape
 - About 40% of all storage is tied to a co-op
- How will merger and acquisition activity affect cooperatives over the next 5 years?
 - What are the factors affecting this activity?

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Thank you

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