

DAIRY COOPERATIVES AND THEIR ROLE IN THE UNITED STATES

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Dairy cooperatives, or more specifically milk marketing cooperatives, are a major institution in the milk industry in the United States. In 1992, 264 dairy cooperatives marketed producer milk in the U.S., and an estimated 82 percent of all producer milk was marketed through a cooperative in which the dairy farmer was a member-owner.¹ The other 18 percent of producer milk was marketed by “independent” or “non-member” dairy farmers. In terms of dairy farm numbers, approximately 106,000 dairy farms of the 130,000 dairy farms defined as commercial dairy farms in the U.S. have a milk marketing cooperative affiliation.

Structure of Dairy Cooperatives

Dairy cooperatives, like other farmer cooperatives, are for profit corporations which operate at cost by allocating net margins back to their producer members on a patronage basis. Dairy cooperatives are chartered by state statute in the state in which they are headquartered. In cooperatively marketing their products, farmers and their cooperatives enjoy a significant anti-trust exemption under the Capper-Volstead Act of 1922.

The structure of dairy cooperatives has reflected the same trends that have described dairy farms and processing plants in recent decades, i.e., fewer and larger. Table 1 reports these trends.

Even while 87 percent of the dairy cooperatives have disappeared during the 1950 through 1991 period, the share of producer milk marketed by cooperatives has increased markedly to the 82 percent level. While the 82 percent market share looks to be strong in the aggregate, there are some milk markets in the United States in which the cooperative movement is limited

Table 1. Number of Dairy Cooperatives and Farm Level Share of Milk Marketed by Dairy Cooperatives, U.S., 1950-1991.

Year	Number of Dairy Cooperatives	Farm Level Share of Cooperative Marketing
1950-51	2,072	53%
1960-61	1,609	61%
1969-70	971	73%
1974-75	631	75%
1985-86	394	78%
1990-91	264	82%

Source: Agricultural Cooperative Service, USDA.

and the proportion of non-member producers is substantial.

Almost all of the reduction in the number of dairy cooperatives is explained by merger-consolidation activities. A rapid transition to the present regional cooperative structure occurred mostly in the 1965-1975 period. A cooperative such as Associated Milk Producers Inc., for example, has scores of smaller predecessor cooperatives in its genealogy. At the present time, the top 25 dairy cooperatives in the United States which are only 9 percent of the total number, market more than 60 percent of all producer milk (see Table 2).

In some instances, cooperatives have federated to pursue some common marketing-pricing objectives. A federation is a cooperative whose membership includes individual cooperatives that maintain independent corporate status. Associated Dairymen, Inc. and Great Lakes-Southern Milk, Inc. were early versions of federated activity. Presently, most federated activity is reflected in organizations such as Central Milk Produc-

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¹Agricultural Cooperative Service, USDA, Farmer Cooperatives, October 1992, p. 19.

Table 2. Top 50 Dairy Cooperatives, 1992.

Rank	Dairy cooperative	Member milk volume (bil. lbs.)	Number of members	Rank	Dairy cooperative	Member milk volume (bil. lbs.)	Number of members
1	Associated Milk Producers, Inc. San Antonio, Texas	16.50	14,729	25	Swiss Valley Farms Company Davenport, Iowa	1.41	2,205
2	Mid-America Dairymen, Inc. Springfield, Missouri	8.61	13,108	26	Allied Federated Coop. Canton, New York	1.39	1,397
3	California Milk Producers Assn. Artesia, California	5.76	393	27	Danish Creamery Assn. Fresno, California	1.34	125
4	Farmers Union Milk Marketing Coop. Madison, Wisconsin	5.64	10,751	28	Alto Dairy Cooperative Waupun, Wisconsin	1.26	1,275
5	Darigold Farms Seattle, Washington	4.92	1,350	29	Carolina-Virginia Milk Prod. Assn., Inc. Charlotte, North Carolina	.99	445
6	Land O'Lakes, Inc. Minneapolis, Minnesota	4.20	5,580	30	Independent Co-op Milk Prod. Assn., Inc. Grand Rapids, Michigan	.95	782
7	Milk Marketing, Inc. Strongsville, Ohio	3.81	5,855	31	Upstate Milk Cooperative, Inc. LeRoy, New York	.90	570
8	Dairymen, Inc. Louisville, Kentucky	3.62	3,362	32	First District Association Litchfield, Minnesota	.89	1,200
9	Atlantic Dairy Cooperative Southampton, Pennsylvania	3.53	3,580	33	Golden Guernsey Dairy Coop. Wauwatosa, Wisconsin	.87	962
10	Dairymen's Cooperative Creamery Assn. Tulare, California	3.50	287	34	Tampa Independent Dairy Farmers' Association, Inc. Tampa, Florida	.82	129
11	California Cooperative Creamery Petaluma, California	3.21	505	35	Bongard's Creameries Bongard, Minnesota	.80	1,290
12	Manitowoc Milk Producers Coop. Manitowoc, Wisconsin	3.06	3,462	36	Prairie Farms Dairy, Inc. Carlinville, Illinois	.78	747
13	Michigan Milk Producers Assn. Novi, Michigan	2.95	2,750	37	St. Albans Cooperative Creamery, Inc. St. Albans, Vermont	.73	573
14	Western Dairymen Coop., Inc. Thornton, Colorado	2.85	1,075	38	Magic Valley Quality Milk Producers, Inc. Jerome, Idaho	.71	87
15	Wisconsin Dairies Coop. Baraboo, Wisconsin	2.77	4,650	39	Gulf Dairy Association, Inc. Kentwood, Louisiana	.61	582
16*	Agri-Mark, Inc. Lawrence, Massachusetts	2.49	2,044	40*	Cass-Clay Creamery, Inc. Fargo, North Dakota	.48	879
16*	Dairylea Cooperative, Inc. East Syracuse, New York	2.49	2,300	40*	Tillamook County Creamery Assn. Tillamook, Oregon	.48	197
18	Maryland & Virginia Milk Producers Assn. Reston, Virginia	2.25	1,359	42	Valley of Virginia Coop. Milk Prod. Assn. Mt. Crawford, Virginia	.45	293
19	Florida Dairy Farmers Assn. Fort Lauderdale, Florida	1.95	192	43	Central Pennsylvania Milk Marketing Co-op Reedsville, Pennsylvania	.40	235
20	Milwaukee Cooperative Milk Producers Brookfield, Wisconsin	1.88	2,021	44	Farmers Cooperative Creamery McMinnville, Oregon	.38	114
21	San Joaquin Valley Dairymen Los Banos, California	1.80	228	45	Cal-West Dairymen, Inc. Walnut Creek, California	.31	35
22	Southern Milk Sales, Inc. San Antonio, Texas	1.66	1,246	46*	Huntington Interstate Milk Producers Huntington, West Virginia	.30	500
23*	Eastern Milk Producers Coop. Assn. Syracuse, New York	1.55	2,200	46*	Tri-State Milk Cooperative West Salem, Wisconsin	.30	640
23*	United Dairymen of Arizona Tempe, Arizona	1.55	105	48	Plainview Milk Products Cooperative Kellogg, Minnesota	.27	286
				49	Humboldt Cooperative Creamery Assn. Fortuna, California	.24	130
				50	Ellsworth Cooperative Creamery Ellsworth, Wisconsin	.22	400
					TOTAL	110.82	99,210

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Source: Hoard's Dairyman, October 10, 1993.

ers Cooperative in Chicago, which are primarily mechanisms for operating over-order price pools.

The Agricultural Cooperative Service of the USDA estimates that dairy cooperatives in the United States hold \$4.4 billion in assets. Member equity or net worth totals \$1.7 billion. Much of the \$2.7 billion liability represents loans from the Farm Credit System bank for cooperatives—Cobank.

Activities of Dairy Cooperatives

The 264 dairy cooperatives in the United States vary widely in size, marketing functions pursued, and impact in the market served.² Several of the dairy cooperatives have fewer than 50 members, while a large regional cooperative like Associated Milk Producers, Inc. has over 16,000 producer members. Some cooperatives are essentially bargaining associations that maintain an office and may offer members field services. Others have extensive facilities for handling and manufacturing reserve milk through processing and marketing operations. Similarly, some dairy cooperatives do not have enough control over the supply of milk in their market to have any bargaining power. Others have substantial market power and are able to implement effective and coordinated marketing-bargaining programs.

Table 3 shows the business volume of dairy cooperatives and this business volume as a percentage of total business volume for all types of marketing coop-

eratives for 1987 through 1991. Annual business volume ranged from a low of \$16.37 billion for 1987 to a high of \$20.72 billion for 1990 before declining to \$18.83 billion in 1991. The decline in 1991 was due to lower milk prices rather than a decline in milk volume. Dairy cooperatives account for more than a third of total business volume of all marketing cooperatives.

In most dairy cooperatives, the milk producer signs a one- to three-year membership agreement (contract) which commits the producer to marketing all milk through the cooperative and which commits the cooperative to doing various things for the producer. The basic objectives or reasons for joining a dairy cooperative from a producer standpoint are:

1. to be guaranteed a market outlet.
2. to bargain for the best price terms possible in the marketplace, including over-order premiums in federal milk marketing orders.³
3. to have milk marketed efficiently, i.e., balancing plant needs, diverting of market surpluses, assembling producer milk.
4. to have the highest quality producer milk possible shipped to the market.
5. to be effectively represented in legislative, regulatory, and public relations arenas.

Financing of dairy cooperatives is handled somewhat differently by each cooperative. Some dairy cooperatives acquire equity (member) capital by retaining a portion of the net income as allocated or unallocated patronage. Another approach is to utilize an assessment per cwt. from the producer milk check. The assessment, which is usually referred to as a per unit capital retain, often in the range of 1 percent to 2 percent of the gross blend price, may cover operating expenses as well as member investment in the cooperative. The member investment portion (equity capital) of the assessment or allocated patronage is generally revolved back to the member in a specified time period, usually seven to ten years.

The federal dairy price support program has become highly market oriented since the mid-1980s. Most of the time, market forces instead of federal support prices now determine dairy product prices and in turn

Year	Dollar business volume (\$ billion)	Dairy co-ops as a percent of all marketing co-op's \$ business volume (%)
1987	\$16.37	37.2
1988	17.78	36.3
1989	18.34	34.4
1990	20.72	35.8
1991	18.83	33.5

Source: Agricultural Cooperative Service, USDA, *Farmer Cooperatives*, November 1989, November 1991 and October 1992.

²This paragraph is adopted from *Who Will Market Your Milk?* by Robert Jacobson, et al., Texas Agricultural Extension Service, D-1058, March, 1978, p. 15.

³For example, during November 1992 the average premium obtained by dairy cooperatives on class I (beverage) milk was \$1.09 per hundredweight for all federal milk marketing orders. These premiums ranged from no premium for Phoenix, Arizona to \$3.07 for Chicago, Illinois (Dairy Market News, Vol. 59, Report 46).

farm milk prices. As a result, dairy product prices and farm milk prices have become much more variable. Although changes in dairy product prices and farm milk prices are closely related, normally there is a time lag between these price changes. These variable prices and the time lag have made operating margins more variable for those dairy cooperatives manufacturing members' milk into cheese, butter and nonfat dry milk. Further, variable product prices have adversely affected cooperatives' inventory values of dairy products when prices take a sudden downturn. The financial conditions of dairy cooperatives have been adversely impacted by product price and inventory value changes. Table 4 reports net incomes of dairy cooperatives during 1987 through 1991. Net income declined more than 40 percent from 1989 to 1990 (\$270.0 billion to \$161.3 billion) as unexpected sharp declines in cheese prices during mid-summer resulted in substantial inventory losses. Net income only partially improved in 1991.

Year	Net income (\$ Millions)
1987	\$201.5
1988	269.9
1989	270.0
1990	161.3
1991	190.3

Source: Agricultural Cooperative Service, USDA, *Farmer Cooperatives*, November 1989, November 1991 and October 1992.

Market Operations and Market Shares of Dairy Cooperatives

In pursuing both their market guarantee objective and their bargaining objective, the leaders in many dairy cooperatives concluded early on that cooperative owned and controlled milk plant operations would be required. Until 1950, cooperative plants in fluid milk markets engaged primarily in butter-powder processing as a means of balancing supplies in fluid milk markets. Prior to 1950, dairy cooperatives in manufactured dairy product regions such as the Upper

Midwest had been very active in plant operations. For example, in 1936, 39 percent of the butter in the United States, 25 percent of the natural cheese, and 17 percent of the dry milk products were manufactured at cooperative plants (but only 5 percent of fluid milk products).

In research reports published in 1984 and 1994, the Agricultural Cooperative Service (ACS) of the USDA reported product manufacturing activity by dairy cooperatives over time. Market shares are reported for 1957 and 1980 with estimates for 1990 in Table 5.

The ACS report also indicates that in 1991, cooperatives manufactured other dairy products including (1) bulk condensed milk, with a 27 percent market share, (2) dry whey products, with a 48 percent market share, and (3) yogurt, with an 3 percent market share. Over 20 percent (81) of the total 381 plants owned by cooperatives in 1992 operated only as milk receiving stations.

In the recent years, there appears to have been some retreat from fluid milk processing by cooperatives. The sale by Michigan Milk Producers Association of their McDonald plants to a cooperative grocery chain (Country Fresh), and the attempt by Dairymen, Inc. to go joint venture on several fluid processing plants that were owned are symptoms of the retreat. Joint ventures in manufactured dairy products, particularly cheese, as illustrated by the several Leprino joint venture activities with cooperatives, have become a more significant activity in the milk industry in the past couple of years.

Dairy Cooperatives and Federal Milk Orders

The federal milk marketing order program interfaces closely with dairy cooperatives. Federal milk orders operate in 40 fluid milk markets and regulate 80

Dairy Product	Market Share			Number of Co-op Owned Plants, 1992
	1957	1980	1992	
Butter	58%	64%	65%	48
Dry Milk Products	57%	87%	81%	52
Cheese	18%	47%	43%	80*
Cottage Cheese	14%	22%	16%	75
Ice Cream/Ice Milk	4%	10%	10%	37
Fluid (packaged)	(1964) 9%	16%	13%	25

*The Agricultural Cooperative Services reports that 43 dairy cooperatives operated 80 plants making American cheese, 46 plants making Italian cheese, and 10 plants making process cheese in 1992.

Source: Agricultural Cooperative Service, USDA, Report No. 40, July 19184, and Report 133, April 1994.

percent of the grade A milk in the United States. During 1990, 83.7 percent of the 100,400 dairy farmers shipping milk in federal order markets belonged to one of about 200 dairy cooperatives qualified in the program.⁴

Frequently questions arise as to what cooperatives do versus what the order does in federal order markets. Dairy cooperatives must qualify or be certified as legitimate organizations in order to gain some privileges from the order program. These privileges include:

1. The cooperative is entitled to block vote for its members on most order provisions.
2. The cooperative is entitled to blend or pool its various proceeds from the sale of member milk. In contrast, an investor-owned dairy company is required to pay dairy producers or its suppliers of grade A milk at least the minimum established class prices and blend prices under the federal order. Although a cooperative must pay competitive prices to retain membership, it is not bound by these established minimum blend prices.
3. The cooperative may collect proceeds for its members from handlers from the sale of member milk.
4. Members of cooperatives that perform marketing services for members are exempt from market services charged non-members.
5. Cooperatives may move or direct milk in a manner not permitted proprietary handlers.

The U.S. Secretary of Agriculture has given the Dairy Division of the Agricultural Marketing Service (AMS) responsibility for determining whether a dairy cooperative qualifies to be certified as an organization entitled to these privileges. Qualifying cooperatives need to meet the following five conditions:⁵

1. It must be an association of agricultural producers.
2. It must be engaged in marketing milk.
3. It must be operated for the mutual benefit of its members.
4. Its operations must be controlled by its members.
5. The value of its non-member business must be less than the value of its member business.

Marketing orders are not a substitute for effective cooperatives. As noted in federal order publications

contrasting the programs, “An order cannot assure that a market will be found for every producer’s milk at all times. It cannot secure the most economical utilization of milk. Nor can it perform many of the other marketing functions such as procurement of supplies, economical transportation of milk, and other services which are among the normal functions of milk producers’ associations.”⁶

Table 6 indicates the member-non-member proportions in the Federal order by regions in the United States in December 1990. The North Atlantic region reflected the lowest proportion of dairy farmers belonging to dairy cooperatives, 66.9 percent; and the West North Central region showed the highest at 96.7 percent.

Table 6. Percentage of Federal order producers belonging to cooperative associations by region, December 1990.

Federal order region	Cooperative members (%)	Cooperative members as a percent of total milk marketed (%)
North Atlantic	66.9	67.2
South Atlantic	77.9	81.6
East North Central	88.1	88.9
West North Central	96.7	96.8
East South Central	74.3	62.8
West South Central	84.2	84.4
Mountain	89.3	90.6
Pacific	89.8	88.9
All Federal order markets	83.4	83.7

Source: Correspondence with USDA, Agricultural Marketing Service, Washington, D.C., November 1992.

Table 7 indicates that, on average across the federal order program for May 1990, dairy farmers who were members of cooperatives delivered more milk per farm than did dairy farmers who were not members of cooperatives. On average, cooperative members marketed 95,730 pounds of milk, about 7 percent more than non-members. However, in 22 of the 42 states that had both cooperative members and non-members delivering milk, non-member dairy farmers were larger. For some states, non-members were substantially larger.

⁴USDA, AMS, Federal Milk Order Market Statistics, April 1992, FMOS-383, p. 38 and correspondence with the Agricultural Marketing Service.

⁵Agricultural Marketing Service, USDA, The Federal Milk Marketing Order Program, Marketing Bulletin No. 27, Jan. 1989, p. 31.

⁶Questions and Answers on Federal Milk Marketing Orders, AMS-559, AMS-USDA, March 1975, p. 12.

Table 7. For Dairy Farmers Marketing Milk Under Federal Orders, Average Milk Delivery per Producer for all Producers, Producers who are Members of Dairy Cooperatives, and Non-Member Producers, by State, May 1990.

State	Average delivery per producer ^{1/}			State	Average delivery per producer ^{1/}		
	All producers	Cooperative members ^{2/} (pounds)	Non-members		All producers	Cooperative members ^{2/} (pounds)	Non-members
Alabama ^{3/}	145,666	116,029	172,202	Nevada	856,889	856,889	---
Arizona	1,265,336	1,202,746	2,629,804	New Hampshire	104,796	83,880	132,274
Arkansas	76,735	78,149	61,114	New Jersey	92,500	96,715	85,133
California	1,367,452	870,837	2,277,911	New Mexico ^{3/}	1,286,288	1,286,288	^{4/}
Colorado	254,499	246,040	963,353	New York	83,559	80,254	87,162
Connecticut	128,022	129,055	125,244	North Carolina	113,794	113,794	^{4/}
Delaware	100,539	98,068	118,795	North Dakota	71,826	71,826	---
Florida	683,774	708,908	150,933	Ohio	74,892	73,476	77,863
Georgia ^{3/}	185,689	195,033	145,114	Oklahoma	108,201	100,643	164,854
Idaho ^{3/}	312,790	313,700	307,021	Oregon	219,188	221,631	207,306
Illinois	83,723	84,249	55,740	Pennsylvania	69,217	69,595	68,505
Indiana	72,536	74,607	67,181	Rhode Island	73,772	69,357	89,470
Iowa	74,852	74,960	72,625	South Carolina	172,472	180,379	130,783
Kansas	87,406	86,639	101,923	South Dakota ^{3/}	78,032	78,067	73,630
Kentucky ^{3/}	61,165	60,873	61,689	Tennessee ^{3/}	95,658	89,842	102,481
Louisiana ^{3/}	108,455	108,408	111,037	Texas	218,431	217,642	223,397
Maine	60,752	71,470	54,060	Utah	190,025	188,435	199,236
Maryland	106,275	109,669	50,831	Vermont	88,967	87,125	115,563
Massachusetts	93,254	90,919	109,939	Virginia	107,097	108,028	99,067
Michigan	88,369	89,287	81,180	Washington	298,469	296,331	311,999
Minnesota	72,838	72,962	69,823	West Virginia ^{3/}	76,783	79,336	65,247
Mississippi ^{3/}	99,889	98,537	118,147	Wisconsin	77,616	77,623	76,240
Missouri	74,969	76,482	68,990	Wyoming ^{3/}	86,705	86,705	---
Montana	61,693	---	61,693	All States Combined ^{3/}	94,405	95,730	89,661
Nebraska	87,684	87,318	90,604				

^{1/} Producer deliveries divided by the number of producers. Dashes indicate that there were no producers of that type marketing milk under Federal orders.

^{2/} These figures for some states may be understated to the extent that the milk of a cooperative member is more likely to be marketed under more than one federal order than is the milk of a non-member.

^{3/} The figures for these states have been adjusted for producers marketing milk under more than one federal milk order during the month.

^{4/} Restricted, pertains to the marketings of fewer than three producers. Data are included with cooperative members.

Source: USDA, AMS, "Federal Milk Order Market Statistics for April 1992," FMDS-383, p.49.

For example, in Arizona non-members shipped more than twice the amount of milk as did cooperative members. In California, non-members shipped more than two and one-half times more milk than did cooperative members.

Non-Excludable Benefits

Dairy cooperatives, as voluntary membership organizations, face the continuing problem of non-excludable benefits. Non-excludable benefits are programs or benefits established by a cooperative for its members and at a cost to the cooperative, but these benefits cannot be excluded from producers who are not in the cooperative. Two examples illustrate how this occurs.

Historically, dairy cooperatives were very supportive of the generic advertising and promotion pro-

grams financed by dairy farmers. In many cases, cooperatives made promotion assessments mandatory for their membership. In the 1940s, 1950s, and 1960s, the American Dairy Association and the National Dairy Council drew their fundamental producer support from dairy cooperatives. By 1970, dairy cooperatives were instrumental in creating the United Dairy Industry Association, which brought regional promotion and education association into one federation so as to make program production and delivery more efficient. The stronger demand for milk and dairy products and higher price levels that presumably were stimulated by the various promotion-research programs benefitted *all* dairy farmers, not just those supporting the programs. One outgrowth of this fact, and one which effectively resolved the non-excludable benefits problem in the promotion area, was the creation of the National Dairy

Promotion and Research Board through passage of the Dairy Production Stabilization Act of 1983, which mandated a 15-cent per cwt. promotion assessment on all milk producers.

The second example concerns marketwide services. Marketwide services include activities such as transporting milk and balancing market supplies by a handler, usually a cooperative, in ways that benefit the total market but the costs of which are borne by the organization providing the service. Marketwide services therefore have historically been a part of the non-excludable benefits area. As a result of some authorizing language in the Food Security Act of 1985, cooperatives as well as other handlers can petition to have federal market orders amended to have costs of such services at least partially covered out of the monthly pool. As a result, all producers who benefit pay a share of the cost. Such provisions were enacted into the Chicago Regional Order in November, 1987.

Schrader, Babb, Boynton and Lang did extensive research comparing the performance of cooperatives and proprietary agribusinesses.⁸ Grade A and grade B dairy farmer perceptions of milk buyers' performance were obtained. Proprietary handlers were judged superior to cooperatives for the level of prices paid to farmers. However, in general, dairy cooperatives handling grade A milk were thought to perform better than proprietary handlers in guarantee of market and payment, cost reductions and voice in decisions of the firm that affect farmers. Fewer statistically significant differences in perceived performance of cooperatives and proprietary milk buyers were found among grade B producers.

In "measured" rather than perceived performance, Schrader et al. found few significant differences between the prices offered by cooperatives and proprietary firms. Cooperative cheese plants were found to be more efficient and had lower operating costs than their proprietary counterparts. Returns on total assets were high for cooperative cheese plants. Cooperative cheese plants and cooperative fluid milk plants performed more services for farmers than proprietary plants.

Influencing Public Opinion

Approximately 40 of the larger dairy cooperatives

are affiliated in a nonprofit corporation known as the National Milk Producers Federation, with offices in Arlington, Virginia. The main purpose of NMPF is to advance the interests of dairy farmers and their cooperatives in the United States. Primary areas of attention have included:

- dairy price supports
- import quotas
- federal market orders
- standards of identity
- labeling
- food safety concerns
- co-op anti-trust and tax issues
- domestic food donation and export enhancement programs.

Dairy cooperatives individually also attempt to provide input and influence national legislation through their own political action committees. Funds for these committees are obtained by voluntary contributions from member dairy producers. Examples of political action committees includes the Land O'Lakes PAC of Land O'Lakes, Inc.; TAPE of Associated Milk Producers, Inc.; ADEPT of Mid-America Dairyman, Inc.; and SPACE of Dairymen, Inc. NMPF does not operate a political action committee. At the state level many states have trade associations that are supported by and represent the interests of cooperatives, including dairy cooperatives, on state issues.

Conclusions

The dairy cooperative movement is healthy and dairy cooperatives are in a relatively strong market position. Among major farm commodities, milk ranks first in total dollar value of products marketed by farmers through cooperatives—\$18.8 billion in 1991. The \$18.8 billion value of milk marketed is approximately 34 percent of the \$56 billion worth of all farm commodities sold annually through one of the 2,519 agricultural marketing cooperatives in the United States. The major challenges confronting dairy cooperatives continue to be those of operating efficiently and resolving membership problems. The trends toward fewer and larger dairy farms is forcing dairy cooperatives to find new ways of treating their members equitably as compared to treating them equally. The development of a more market-oriented dairy sector gives all the more reason for effective cooperative marketing.

⁸Lee F. Schrader, E. M. Babb, R. D. Boynton, and M. G. Lang, Cooperative and Proprietary Agribusinesses; Comparison of Performance, Research Bulletin 982, Purdue University, Agricultural Experiment Station, April 1985.

