



THE ECONOMIC PAMPHLETEER
JOHN IKERD

Reflections on cooperation

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When I was growing up in the late '40s and early '50s, the local “farmers’ exchange” was where we sold our chickens and eggs and bought feed for our chickens, pigs, and dairy cows. The exchange was operated by a cooperative, the Missouri Farmers Association or MFA. Its jingle on the local radio station proudly proclaimed,

“MFA, MFA, it’s the profit-sharing way. All agree, plain to see, it’s the farmer’s friend.” I didn’t have any reason to doubt its claims.

However, the MFA has long since betrayed its farmer-members’ trust by supporting the industrialization of agriculture. During the mid-1990s, the president of the MFA regularly

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Why did I name my column “The Economic Pamphleteer”? Pamphlets historically were short, thoughtfully written opinion pieces and were at the center of every revolution in western history. Current ways of economic thinking aren’t working and aren’t going to work in the future. Nowhere are the negative consequences more apparent than in foods, farms, and communities. I know where today’s economists are coming from; I have been there. I spent the first half of my 30-year academic career as a very conventional free-market, bottom-line agricultural economist. I eventually became convinced that the economics I had been taught and was teaching wasn’t good for farmers, wasn’t good for rural communities, and didn’t even produce food that was good for people. I have spent the 25 years since learning and teaching the principles of a new economics of sustainability. Hopefully my “pamphlets” will help spark a revolution in economic thinking.

proclaimed that Missouri only needed a few dozen large farming operations, and smaller farmers should look elsewhere for their future. As a young agricultural economist, I had made similar statements. I didn't know any better at the time. The leader of a farmers' cooperative, however, should not have been so naïve — or perhaps uncaring. Economic efficiency is good only insofar as it improves the well-being of people. The large agricultural cooperatives in the U.S. have become virtually indistinguishable from the rest of corporate agriculture.

Consequently, I have been skeptical of cooperation as a strategy for agricultural sustainability. I have been forced to reconsider, however. As I have written previously in this column, I believe we are going to have to re-create the entire food chain linking consumers and farmers, “from dirt to dinner plate.” Our current food system is dominated by large corporations that keep relentless pressure on producers to increase economic efficiency in order to maximize returns to their stockholders. This pressure is a natural consequence of “vertical integration.” It is more economically efficient to extract and exploit than to renew and regenerate because economic value is inherently short-run in nature. In a struggle for economic survival, farmers are being forced to deplete and degrade the natural and human resources upon which long-run agricultural productivity ultimately depends.

My first thought was that we simply needed to restore true economic competition to the food system. We needed a large number of small farms and food firms, accurate information about products and prices, and the freedom to make economic choices without coercion or persuasion. If we removed corporate influence and control, we would remove the economic pressure to exploit and extract. We just needed to replace vertical integration with vertical competition.

With further thought, however, I realized that economically competitive markets also are driven toward ever-greater economic efficiency. In truly competitive markets no competitor has the ability to retain profits for itself or its investors. Still, if there is a possibility of increasing economic efficiency at any level within the system, competition will provide a profit incentive to do so. Profits provide economic incentives to expand production, which forces competitors to adopt the same or similar technologies or methodologies “to remain competitive.” As producers expand production, prices fall and/or costs increase until initial increases in profits disappear, for everyone.

A similar process takes place at other levels in a vertically competitive system as prices and costs adjust to new technologies. The benefits of economic innovations are eventually reflected in lower product prices or higher-value products for consumers. In a purely competitive market, all benefits from increases in economic efficiency at any level in the food system, including farming, ultimately would be passed on to food consumers. Farmers would remain under continuous pressure to exploit their natural and human

resources to remain competitive and ultimately to survive.

As I have indicated in previous columns, I believe sustainability ultimately will depend on replacing vertical integration and vertical competition with vertical cooperation. I started writing about the need for vertical cooperation in 2011, before I learned the United Nations had designated 2012 as the “International Year of Cooperatives.” I have continued to read and write about cooperatives during the year. In a vertically cooperative food system, prices at the various levels within the system would be determined through cooperation rather than by competition. There would still be incentives for economic efficiency, in that those

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who had lower costs would retain greater economic benefits. However, prices at all stages in the system would be set at levels that would not force anyone to exploit and extract to survive economically. Sustainability would take priority over economic efficiency.

This conclusion complicates economic sustainability in that cooperative relationships are ultimately social and ethical in nature. There is a tendency within the sustainability movement to try to redefine economic value to include social and ethical values. However, economic value, as it is generally understood and reflected in today's economy, is individual, instrumental, and impersonal in nature; it is an exchange value. It is not social or ethical. The decision to cooperate rather than compete, as opposed to cooperating as a means of competing, is a cultural or ethical decision. The actual act of cooperation is inherently personal and thus social in nature. There will always be some point in time in a cooperative organization where it will be more economically efficient for some members to compete rather than cooperate. Cooperation is rooted in long-run ethical and social values, whereas economic value is inherently short-run in nature.

As we have seen, a legal cooperative business structure will not ensure the type of cooperative

relationships necessary for sustainability. I recently spent a month in Poland teaching economic sustainability at the Lublin Institute of Technology.

During the trip I was able to talk with members of the National Academies of Science of both the Ukraine and Poland. I thought Eastern Europe might be fertile ground for sustainable cooperation. Instead, I learned the old Soviet Union used cooperatives to impose their will on unwilling rural communities. My contacts there saw little hope for restoring faith in cooperatives as sustainable organizations. Even the classic "Rochdale Principles" for cooperatives,¹ such as open membership, may not be consistent with sustainable social relationships. Classical cooperatives may not

be the answer.

Nevertheless, I believe that cooperation, by whatever name, will be essential for sustainability. Sustainable cooperatives may be called alliances, collaboratives, affiliations, networks, or any of a variety of names. Their sustainability will depend on the willingness and ability of people to establish and maintain cooperative economic relationships, sustained by social relationships, rooted in shared social and ethical values. Consequently, learning the art and science of human relationships could well be the greatest challenge of sustainability. 

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¹ According to Wikipedia, "The Rochdale Principles are a set of ideals for the operation of cooperatives. They were first set out by the Rochdale Society of Equitable Pioneers in Rochdale, United Kingdom, in 1844, and have formed the basis for the principles on which co-operatives around the world operate to this day." See http://en.wikipedia.org/wiki/Rochdale_Principles