

Kara O'Connor: Proposed changes offer a soul-searching moment for co-ops

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A packed legislative hearing in Madison last week was a good reminder of what is beautiful about cooperatives. It also revealed a lot about what is broken. The topic of that hearing was Assembly Bill 353, a bill that would allow co-ops to make some fairly un-democratic changes to their bylaws – provided that co-op members vote democratically to do so. If the bill (and its Senate companion SB 281) passes, co-ops will be able to change their bylaws to give non-members voting rights on the board and limit members' access to financial and other records of the co-op. In addition, one co-op in the state – Cooperative Resources International, with subsidiaries Genex and Agsource – would be allowed to award voting rights based on patronage rather than one member, one vote.

Cooperative Network, Foremost Farms, and of course CRI lined up to testify in favor of these new freedoms, emphasizing that the bill simply seeks to give co-ops more “flexibility.” Taking a different perspective were nearly a dozen farmers, representing operations of all different sizes and types, who thought that having non-members voting on their cooperative boards sounded like a terrible idea. They similarly panned the portion of the bill that would allow CRI to distance itself from the one member, one vote principle. These farmers politely pointed out that if a business like CRI needs more “flexibility” to give big members more say than small members, then maybe CRI needs to consider a different corporate form. Voting rights based on how much business you do is effectively the model of a shareholder-based corporation, not a member-owned cooperative.

Supporters of the bill returned again and again to their fallback argument – “If you don't like these changes, your co-op doesn't have to adopt them! Don't worry, no one will force your co-op to do anything you as coop members don't want to do.” The bill's skeptics were, well – skeptical. The final speaker of the day, an attorney

who specializes in cooperative law, managed to put a finger on the central tension. “For as much the opponents of this bill are emphasizing how much they love cooperative principles; they don’t seem to trust their cooperatives very much.”

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He hit the nail on the head. There are a whole lot of farmers in Wisconsin who love cooperative principles — and hate how their own cooperatives have abused them. Co-ops work best when (and maybe even rely on) a certain level of trust between the membership, the elected board, and the staff/management. Those who are committed to cooperative principles, like those who testified against AB 353 last week, believe that there is something powerful about a business enterprise with trust at its foundation. At the same time, they are also feeling betrayed by co-op boards and management behaving in untrustworthy ways. The closed-door process by which this bill came to be is a perfect example of that betrayal. Co-ops that have lost the trust of their members would do well to first earn that trust back, before going to the legislature to ask for more “flexibility” that if used in the wrong way could push members even further to the side.

It’s too bad that we can’t muster a universal coalition of cooperative members who all agree that giving co-ops more latitude is a good idea. Unfortunately, the misguided actions of a few co-ops — especially poorly-conceived mergers that decreased member service without any noticeable improvement in member prices, and unreasonably optimistic capital expansions that gobbled up member equity — have ruined the trust in co-ops for the rest of them.

This is a soul-searching moment for cooperatives. Those co-ops that are willing to build back the trust with their members by putting the interests of their members first will find that their members will be more likely to stick with them in good times and bad. These co-ops will take concrete actions like: Communicating with members directly. Surveying their members and actually listening to the results. Making a genuine effort to recruit new voices to the board. Getting creative with “small, nimble, and member-centered” as a business strategy rather than “large, lumbering, and indistinct.” Some co-ops may even do better by un-marrying business units that never should have been married in the first place. The co-ops

that work to restore their members' trust have the best chance of succeeding in a business climate that is almost as merciless and unpredictable as the farm economy itself.

Through the years, some co-ops have chipped away at the human element — trust — that kept it all together. Restoring that trust is the remedy for what ails our cooperatives. Seeking a legislative end-run that will diminish cooperative trust even further is not.

— *O'Connor is government relations director for Wisconsin Farmers Union.*