

Director's Report to the
Management Advisory Board
Centre for the Study of Co-operatives

March, 1995

Daniel Ish
Director

Centre Overview

New Premises

The Centre has completed its move to new offices within the Diefenbaker Centre. The new offices will provide the Centre with a more unified presence, a main office and reception, as well as expanded library space and room for visiting researchers. Costs for the move were shared by the University and the Centre.

Major New Projects

Since the beginning of the year several new projects have been initiated by Centre staff. The importance of these projects is that they all extend the work and influence of the Centre nationally and internationally. In addition, they are a strong indication of the reputation which the Centre is achieving for organizing and delivering research, training and publication expertise.

Murray has developed three large and varied projects. The first is a project funded by the Agricultural Development Fund and having a value of \$88,000 over two years. The objective of the work is to determine the role that external institutions and organizations play in fostering industry development. The project begins April 1, 1995.

A second study continues the Centre's work on co-operative finance. Murray's study, funded by the federal Co-operatives Secretariat, investigates the comparative financial performance of co-operatives and investor-owned firms. Andrea Harris, a graduate student who will work with Murray on this project, began work at the Centre on February 1.

The Centre, along with the CCA (Sask. Region) are in the final stage of discussions with the federal department of Human Resource Development for a project that would see approximately 10 young people create a worker co-op. Although the contract has not been signed yet, the project looks like it will go ahead. The Centre and CCA have hired April Bourgeois as the administrator of the program. She began work on the project on March 15, 1995.

Representatives of the BC Egg Marketing Board met with Brett and Murray in early March to discuss the idea of setting up a co-operative to market eggs. The BC Egg Board is interested in whether the Centre would be able to help them work through the process of designing a co-op.

Brett and Lou, together with Peter Krebs of Community Solutions Consulting, have delivered a study of *Credit Unions and Community Economic Development* for Brenda Machin, Associate Manager, Government and Public Affairs, Credit Union Central.

Byron Henderson has delivered a report to the CCA on the topic of information networks, and the Centre's prototype *Co-op Net*. The report was solicited by the CCA to assist them in assessing their role as a potential clearing house of co-operative information.

The Centre's publishing expertise has led the International Joint Research project on co-operative democracy to select the Centre to edit, design and oversee the printing of their report "Making Membership Meaningful." The report will be delivered at Manchester. Byron is now working on this project and he will also develop a prototype electronic book and multimedia CD-ROM based on the material developed by the researchers.

Visiting Researchers

In May, Paul McLaughlin, a sociologist at the University of New Jersey, will join us for three months to conduct research on the consumer co-operative movement. This work continues Paul's long-term involvement with this topic.

Later in the summer, Jim Vercammen of the University of British Columbia will come to the Centre to work with Murray on joint research.

Research, Teaching and Publication

Dan Ish

Publications and Presentations

Mediation and the Settlement of Grievances, presentation to Canadian Bar Association, Saskatoon, March 21, 1995.

Co-operative Focus in Financial Restructuring, presentation to Saskatchewan Wheat Pool, Board of Governors retreat, Saskatoon, January 9, 1995.

The Corporation: Its Purpose, Nature and Values, presentation to the 8th International Conference of the Society for the Reform of Criminal Law, Hong Kong, December 4-8, 1994. This presentation is being published in electronic form, as part of the proceedings of the Conference.

Legal Liability of Directors: The Need for Insurance, presentation to the Board of Directors of the Saskatoon Community Clinic, Saskatoon, November 28, 1994.

Dan is teaching Alternative Dispute Resolution (co-operative decision-making) this term.

In June Dan will present a paper co-authored with Byron Henderson to the International Forum on Co-operatives and Change on the topic of *Co-operative Principles and Modern Financial Practice*. Dan and Byron have submitted a proposal to deliver a paper at the Researchers' Forum which precedes the Manchester conference.

Murray Fulton

New Projects

Murray's Agricultural Development Fund project, valued at \$88,000 over two years has the objective of determining the role that external institutions and organizations play in fostering industry development. New industries develop in some situations and not in others. This research will test the hypothesis that industry development is more likely to occur when external institutions such as government, industry development groups, and existing firms in related industries, provide critical services to the emerging industry. Among these services are education, research, and information provision. These services are critical because they allow the emerging industry to undertake collective activities such as exploiting economies of scale, pooling risk, offsetting market power, industry promotion, and research and development. The project begins April 1, 1995.

In February, Murray and Andrea Harris, who will receive her MSc program in agricultural economics from UBC this year, began work on a study of the comparative financial performance of co-operatives and investor-owned firms. The \$24,000 study is funded by the federal Co-operatives Secretariat. The purpose of the research is to empirically examine the financial performance of Canadian co-operatives and to compare this performance with that of publicly-traded investor-owned firms. The analysis will focus on such variables as return on assets, return on equity, net income, sales per employee, sales per asset, growth rates, leverage, solvency, liquidity, and efficiency. The exact set of financial performance measures will be determined as the research proceeds. The comparison will take account of industry structure (e.g., market share,

concentration ratios) and the industry in which the co-operative is operating. Thus, for instance, financial co-operatives will be compared to other financial companies, while dairy co-operatives will be compared to other dairy firms. The research will also follow the financial performance of co-operatives over time.

The Centre, along with the CCA (Sask. Region) is finalizing discussions with the federal department of Human Resource Development for a project that would see HRD fund a pilot project designed to assist approximately 10 young people to create a worker co-op. Although the contract has not been signed yet, the project looks like it will go ahead. April Bourgeois has been hired as the administrator of the program. She began work on the project on March 15, 1995. As administrator, she will be responsible for recruiting the participants, as well as arranging for the resource people who will teach the skills needed to set up a worker co-op.

Brett and Murray met with the BC Egg Marketing Board on March 3, 1995 to discuss the idea of egg producers in western Canada setting up a co-operative to market eggs. The BC Egg Board is interested in whether the Centre would be able to help them work through the process of designing a co-op. Murray has sent a letter to the BC Egg Board indicating that the Centre would be interested in working on such a project and suggesting a developmental process that they might use. If the egg producers decide to pursue the idea of a co-operative, the Centre may well play a substantial role in its development.

Teaching and related activities

Murray is teaching two classes this term: AgEc 340 and AgEc 842. The last class is a graduate course in industrial organization. The course includes a substantial component in the course on co-operatives and the economics of co-operatives.

Murray was recently invited to the Co-op Centre at Davis California to participate in a planning workshop they held for their staff. They were interested in having some input from an academic at another institution. The meeting allowed our Centre and their Centre to develop much closer links.

Earlier this year Murray helped organize a mini-conference (one day conference) in the agricultural economics department. One session of the conference dealt with co-ops. Papers were presented by Andrea Harris, James Vercaemmen (UBC), and by Murray.

Papers

James Vercaemmen and Murray had a paper accepted in the *Journal of Agricultural Cooperation*. The title of the paper is "The Distributional Impacts of Non-Uniform Pricing Schemes for Cooperatives." (An abstract is included at the end of this report)

James Vercammen, Michael Katz, and Murray have also had a chapter accepted in a book being put together by Andy Schmitz. (An abstract is included at the end of this report.)

Lou Hammond Ketilson

Lou is in the second half of her sabbatical year. Her work has been divided between research for the International Joint Project on Co-operative Democracy and continuing research in the area of marketing. She has contributed two cases studies to the International Project's book "Making Membership Meaningful." Her case studies were on the Wheat Pool and Calgary Co-op.

In November Lou met with the International Joint Project group in Moncton and in April she will join the group in Italy to finalize their report and to meet with the Italian co-operatives which have been involved in the study. While in Europe Lou will present a paper on the Saskatchewan Wheat Pool to the European Institute of Advanced Management *Workshop on Institutional Changes in the Globalized Food Sector*. After this Workshop she will continue to Ireland to do local research on Irish co-operatives.

Brett and Lou, together with Peter Krebs of Community Solutions Consulting (Prud'homme, Saskatchewan), prepared a 15-page study of "Credit Unions and Community Economic Development" for Brenda Machin, Associate Manager, Government and Public Affairs, Credit Union Central.

Lou and Brett have published an article on North American co-operative education in a new international handbook published in Europe. This article, which they prepared several years ago, has only now appeared in print under the title, "Education and Training in North America, Co-operative," *International Handbook of Cooperative Organizations*, ed. Eberhard Dülfer, Göttingen: Vandenhoeck & Ruprecht, 1994.

Presentations:

Presentation to Sask Wheat Pool Policy and Member Services reviewing the results of her work on the International Project, Regina, Feb 16

Lou also spoke at the most recent the Regina Co-op Luncheon on the same topic in March.

Brett Fairbairn

Teaching

Brett and Murray are investigating the possibility of co-ordinating the offering of their two 2nd-year classes, Econ 231 and History 286, in such a way that the classes would be offered at the same time and could combine for joint projects and events. This would introduce an interdisciplinary element into the students' learning, and provide both classes with a much more fully rounded view of co-operatives.

Next year, Brett will again offer History 286. As enrolments have been low, it may be that this class cannot be offered every year, unless some way can be found to attract more students. Brett has sent notices to cognate departments and colleges this month publicizing the course, and will offer it at a different time of day (8:30 a.m. M-W-F) when there will be less competition and more opportunity for students from other colleges (who may have few spots on their timetables for optional classes).

In the next year Brett will also be co-teaching History 882.6, a graduate seminar on Rural History.

Research

Brett's German research has led to one book manuscript concerning elections and democracy in Germany under review at University of Toronto Press and a second book manuscript underway on the history of the German co-operative movement.

He is working on research papers for delivery this summer concerning: an international comparison of co-operative movements and employment generation (intended for the Agricultural and Rural Restructuring Group, May 1995, Coaticook, Quebec); co-operative culture and values (Canadian Association for Studies in Co-operation, June 1995, Montreal); on Saskatchewan co-operatives and community (St. Thomas More College conference on Community, Modernity, and Religion, June 1995, Saskatoon); and the future of scholarly historical journals (International Congress of Historical Sciences, August 1995, Montreal).

Lou and Brett have published an article on North American co-operative education in a new international handbook published in Europe. This article, which they prepared several years ago, has only now appeared in print under the title, "Education and Training in North America, Co-operative," *International Handbook of Cooperative Organizations*, ed. Eberhard Dülfer, Göttingen: Vandenhoeck & Ruprecht, 1994.

Brett has been active as a reader and reviewer for scholarly agencies. In January he assessed an article for *Saskatchewan History* concerning the Harmony Industrial Associa-

tion, an early co-operative community in Saskatchewan. In February, he assessed a S.S.H.R.C. research grant application on agricultural ownership patterns in eastern Europe.

External Service and Consulting

Brett and Lou, together with Peter Krebs of Community Solutions Consulting (Prud'homme, Saskatchewan), prepared a 15-page study of "Credit Unions and Community Economic Development" for Brenda Machin, Associate Manager, Government and Public Affairs, Credit Union Central.

The document provides material for credit union delegates on the record of credit union involvement in CED, the practical reasons for greater involvement and the differences between CED and conventional economic development, and models and suggestions for ways in which credit unions can be more active.

Brett and Murray have met with officials representing the BC egg marketing board, who are interested in a study of co-operative marketing alternatives. This project is detailed in earlier portions of this report.

University Positions

Brett has agreed to be chair of the university's Review of the Role and Mandate of the Extension Division. The committee is to report in the fall of 1995 on questions related to the organization and structure of the Extension Division at the University of Saskatchewan, its relationship to other academic units, and other matters. Among the review's tasks will be to investigate how the university can meet off-campus needs and demands while also dealing with budget reductions and organizational rivalries among colleges and units on campus.

Brett's term as editor of the Canadian Journal of History is expiring in April 1995. He has been editor since 1988.

Byron Henderson

Since arriving at the Centre Byron has been working to redesign all of the Centre's publications to make them more visually appealing and to provide a family identity to the collection. This work has continued in the last several months with his redesign of the Centre's Occasional Paper cover and the Centre's logo (to bring it into colour and design conformity with the University's new logo.). He is now finalizing the

design and content of the 1994 Annual Report, which will carry on the basic identity established last year.

Over the past several years the Centre has published certain reports in book format where the likely volume of sales justified the greater initial printing cost. This was done for the *Co-operatives and Community Development* book. This year that book will be reprinted and Byron will redesign its cover. Also in this vein, Dan's book on *Directors' and Officers' Legal Responsibilities* will also be published in book format. Byron is now completing a design for a unique cover for this book.

Byron's work in setting up the Centre's prototype computer network led to the CCA inviting him to prepare a report for them on the network and its relationship to the world-wide Internet. His lengthy report considers the necessity for co-operative organizations to jointly develop information resources which will help them to remain competitive in the field of data access.

In the next several months Byron will be engaged in editing, designing and handling print supervision for the International Joint Research Project book "Making Membership Meaningful." He will also present a prototype electronic book and multi-media CD-ROM to the research group in April. This project, with its five-country scope, its wide review of particular co-operatives world-wide, and its multi-lingual aspects, is very well suited to development as an electronic multi-media publication. Work on this project will extend the Centre's experience in this new field and will give us international recognition.

Resource Centre

The number of items used by patrons continues to rise. Between July 1994 and February 1995, 1224 items were used, compared to 641 used between July 1992 and February 1993. Reference requests have also doubled in the same time period. Patrons included staff and students of the University of Saskatchewan as well as off campus requests from researchers at other universities, and co-operative organizations. Reference questions ranged from a request for material on health care co-ops, Native co-operative issues, co-ops and community development, and, of course, the public share issue of the Saskatchewan Wheat Pool.

The journal holdings have been converted to electronic form and are now searchable on our own library system, or a search of the database via the Internet. The next project will be to add the records for the journals that have been donated to the CSC library from the CCA.

The vertical file is now fully established and new items are added to it on a weekly basis. Students and staff find this is a good source of current material for class projects.

Abstracts

The Distributional Impacts of Non-Uniform Pricing Schemes for Cooperatives

The traditional pricing mechanism examined in the economic literature on cooperatives is uniform (or linear) pricing. The conclusion of the literature is that uniform pricing mechanisms will often give rise to economic inefficiencies. These inefficiencies emerge when the cooperative is operating in a region of either increasing average cost or decreasing average cost. The reason for these inefficiencies is that uniform pricing schemes cannot allocate the profits or losses of a cooperative among its members without distorting the decisions members make. The purpose of this paper is to explore the role of non-uniform pricing in generating efficient outcomes and to examine the distributional effects of simple non-uniform pricing schemes. Although the focus of this paper is specifically on cooperatives, the results are applicable in other situations in which average cost pricing is used.

A Vertical and Horizontal Model of Supply Management in Canada: An Application to the Chicken Industry

This paper develops a conceptual model of how prices and output are determined under supply management that explicitly incorporates the role of the retailing, processing, and farm sectors and the bargaining or market power the players in these sectors possess. The model also incorporates the regional (or horizontal) structure of the Canadian market. Since the mid 1980s, there has been a substantial increase in interprovincial trade in chicken due to new products, lower transportation costs, and new market arrangements. Although marketing boards have historically been accustomed to setting price and quantity separately from each other, these changes mean the separation of price and output decisions is no longer possible. The result is greater provincial rivalry among marketing boards and among processors as different companies and regions seek to expand their production base, and increased pressure for vertical integration as processors attempt to provide themselves with production and price guarantees. Considerable strain and antagonism are also apparent in the political decisions regarding the direction supply management should take in the future.



MEMORANDUM

TO: Advisory Board Members, Centre for the Study of Co-operatives
FROM: Murray Fulton, Director, Centre for the Study of Co-operatives
DATE: October 24, 1995
RE: November 1 Meeting

The enclosed package contains the material for the upcoming Advisory Board meeting on November 1, 1995. Please note that the meeting is held in Michaelangelo Room C, Hotel Radisson (formerly the Renaissance). The meeting starts at 10:00 am.

I look forward to seeing everyone next week.

Murray Fulton

Murray Fulton
Professor, Agricultural Economics