

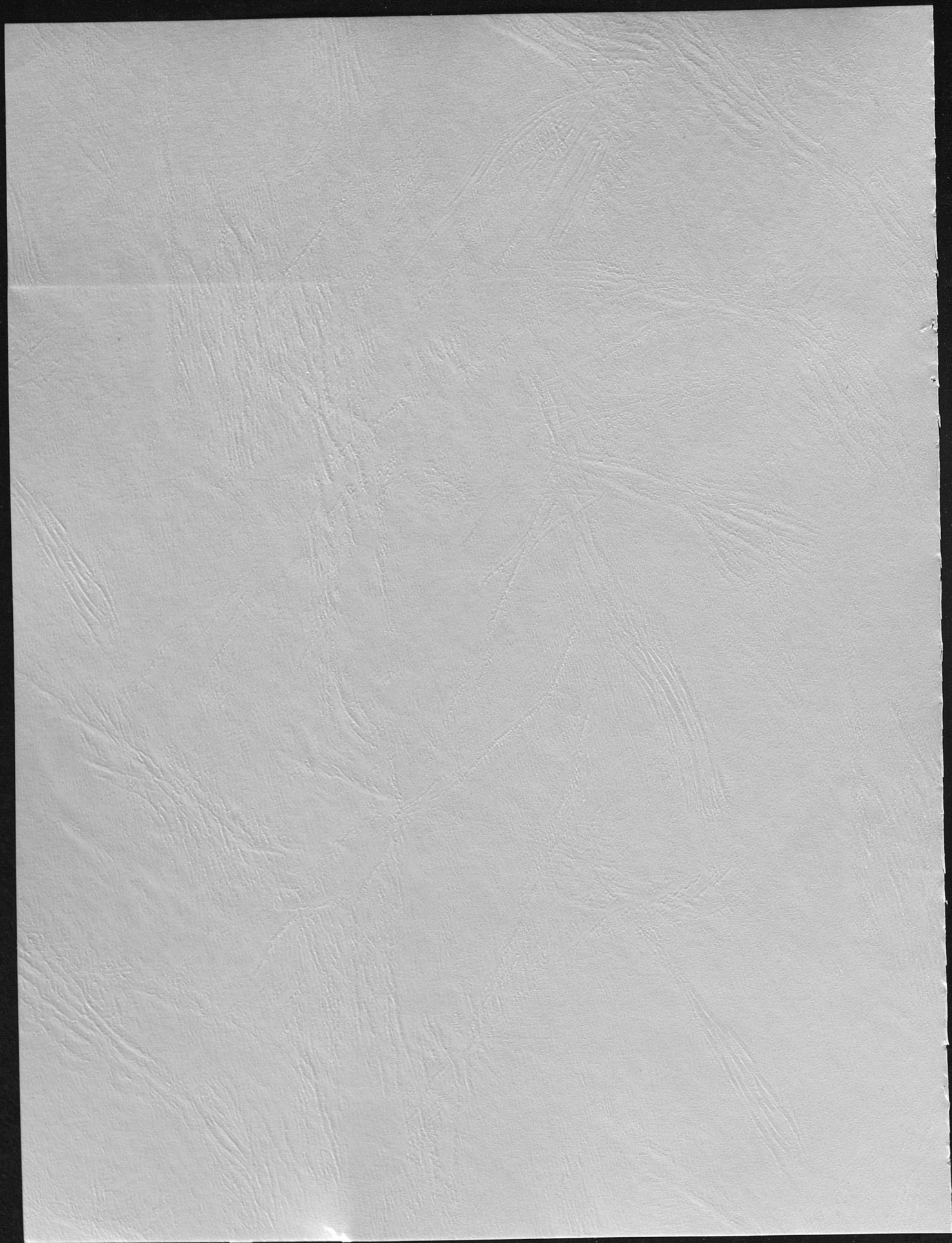
Who Owns ? Who Controls ? Who Votes ? Refunds ? Dividends ?

HOW MUCH DO FARMERS KNOW ABOUT THEIR COOPERATIVES ?

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HOW MUCH DO FARMERS KNOW ABOUT THEIR COOPERATIVES?

-- A STUDY OF ONE KENTUCKY COUNTY --

by

Eldon D. Smith

The legal papers of cooperatives and cooperative laws give the member-patrons the right to control cooperatives. In actuality, however, member control of cooperative organizations depends equally on the members' knowledge of these rights and ability to use them effectively. ^{1/}

How much do farmers understand of these rights of members? How many recognize that they are members? How many know how to use effectively their rights as members in obtaining modes of operation which are in their own interest? What are the things about cooperatives which are least understood? What kind of member information and education is needed?

Answers to these questions are not easily obtained, but some clues are now available. An exploratory survey of farmers in a central Kentucky county was conducted in late 1960. ^{2/} This survey asked a series of factual questions regarding farmers' understanding of basic cooperative principles such as voting rights, who runs a cooperative, the refund principle or principle of operations at cost, and so forth. These were followed by a group of questions which asked farmers what they would do in various problem situations requiring the exercise of these rights in order to solve the problems.

We here report some of the results of this survey, that is, the answers given to these questions. Since not all of the farmers were members of the primary cooperatives in the area, and the sample was small, the answers given may not be completely representative of cooperative members. However, 42 of the 48 farmers surveyed were members of one or more of the following types of cooperatives: rural electric, farm supply purchasing, Production Credit Association, or Federal Land Bank Association. Many are members of several other types of cooperatives such as milk bargaining, or tobacco marketing associations.

^{1/} The motivation or willingness to exercise these rights is also required, but this will not be discussed in this paper.

^{2/} The county surveyed is one with an above-average amount of cooperative activity. The county has a rural electric cooperative headquarters, a farm supply purchasing cooperative, a P. C. A. field office and several cooperatives located outside the county which do a substantial volume of business and have a substantial membership in the county.

The information on which this discussion is based is part of a broader study of factors related to the degree of participation of members in the business affairs of their cooperatives. A part of this study will attempt to appraise specific means for developing member attitudes favorable to enlightened participation and sources of specific attitudes.

VOTING RIGHTS AND MEMBER CONTROL

General Philosophy

In the survey five questions were asked which attempted to determine whether farmers felt that the members either controlled or had the right to control their cooperative associations. These were questions of a general nature which did not measure their understanding of why farmers did or did not have these rights. Table 1 shows these questions (in abbreviated form) and the number of correct and incorrect answers received from the group of 48 farmers. ^{3/}

Slightly less than half of the answers given to these questions were correct. Since these were multiple-choice questions, one would expect to have one third or 16 right on each question if the farmers interviewed knew nothing and simply guessed. How many did guess is not known, but this fact tends to emphasize the conclusion which the data suggest, namely, that the general concept of member-patron control is not well understood by the farmers interviewed.

Focal Points of Confusion

What is the source of this confusion? What are the ideas farmers hold that account for so many failing to recognize the fact that farmers legally can control these organizations? The detailed answers given to these questions provide some clues.

Of the total of 15 possible incorrect answers to the five questions (including the "don't know") that could be chosen by each individual farmer, two (question 1-c and question 3-b) or 13 percent of the possible incorrect answers, contained the idea that those people who invest money in cooperatives have the power to control them. ^{4/} But one third, 34 percent of all incorrect answers to the five questions, were accounted for by these two possible answers (computation not shown). It would, therefore, appear that either (1) the system of voting rights (one man - one vote) is misunderstood by many farmers or (2) they do not understand its significance as a device for keeping control in the hands of the patrons or users rather than in the hands of investors (as investors). These possibilities will be examined more in detail later.

Fourteen of the 48 farmers interviewed stated the idea (question 2-c) that the board had discretionary power to grant or to withhold from members their right to exercise ultimate control over their cooperative association. This accounted for 11 percent of all

^{3/} In this table and all subsequent tables, to avoid confusion, nonresponses were distributed in proportion to the responses on other questions. Nonresponses were in all cases less than five.

^{4/} By investing money we refer here to funds in excess of the requirements for membership which are usually nominal. Of course, in credit cooperatives this depends on the size of loan obtained, but membership can be obtained with only a very small loan.

TABLE 1. OPINIONS ON WHO CONTROLS FARMER COOPERATIVES

Question ^a	Number of Responses	Percentage of Total
1. Farmer cooperatives are run by:		
a. <u>Farmer-Patrons</u>	17	35.4
b. Government	1	2.1
c. People who invest in them	23	47.9
d. Don't know	<u>7</u>	<u>14.6</u>
Total	48	100.0
2. In a cooperative farmer-members:		
a. Have no say about how it's run	2	4.2
b. <u>Can run it by voting</u>	21	43.7
c. Can run it only if board allows it	14	29.2
d. Don't know ^b	<u>11</u>	<u>22.9</u>
Total	48	100.0
3. Which is correct:		
a. <u>Farmers control way cooperative is run</u>	21	43.7
b. Controlled by capital suppliers	13	27.1
c. Manager has final authority	5	10.4
d. Don't know	<u>9</u>	<u>18.8</u>
Total	48	100.0
4. Control of farmer cooperatives is in hands of:		
a. Farm Bureau	3	6.3
b. Government	4	8.3
c. <u>Member-patrons</u>	31	64.6
d. Don't know	<u>10</u>	<u>20.8</u>
Total	48	100.0
5. Is a cooperative run by:		
a. Government	2	4.2
b. <u>Member-patrons</u>	24	50.0
c. All farmers in the area	17	35.4
d. Don't know	<u>5</u>	<u>10.4</u>
Total	48	100.0
Grand total number of responses (5 questions)	240	100
Grand total correct	114	48

^aUnderscoring indicates "correct" answers.

^bIncludes one nonresponse.

incorrect answers to the five questions. Those men who rationally chose this answer would seem to have a mental picture of a cooperative which would be appropriate to a noncooperative corporation in which the patrons have only those powers granted to them by the board or the stockholder-owners of the business. A controlling interest in the stock is often owned by the board members themselves. Apparently, they did not understand that they, as cooperative patron-members, grant such power to the board of directors and not vice versa.

There was little evidence that farmers think of a cooperative as being a government agency, something controlled by the government or as being controlled by general farmers' organizations such as the Farm Bureau Federation. In the two questions in which it was possible to select an answer suggesting government control of cooperatives or control by the Farm Bureau (a total of three answer categories) a total of only eight such answers were given.

Almost all of the remaining incorrect answers were "don't know" (34 percent), the others being scattered among seven other possibilities. This suggests that the two primary errors referred to earlier are not primarily due to chance resulting from guesses, but were a result of positive misinformation or misinterpretation of the facts.

Voting Rights, Membership, and Election of Directors

Voting rights in cooperative membership business meetings in Kentucky^{5/} and most other states are allocated on a one man - one vote basis irrespective of volume of business or amount of stock owned. Membership and voting rights in election of directors and other business matters are usually available to anyone who does business with the cooperative and contributes a nominal fee of \$1.00 to \$10.00 for a membership.^{6/} To what extent are the misunderstandings about who has the power to control the organization a result of lack of knowledge of these simple facts?

The answers given to two questions show, in view of the one-third chance of guessing correctly, that substantially less than one half of the farmers covered in the survey understood these matters adequately. Almost one third of the answers were correct (see Table 2).

The answers to question number 1 in Table 2 suggest that a large proportion (perhaps a majority) of the farmers in the county is not acquainted with the fact that cooperatives are "democratically" controlled. Only slightly more than one half indicated that patron-members are responsible for electing directors even though the election of directors is the single most influential act by members with respect to exercising control over the policies of their cooperatives (question number 2).

^{5/} This refers to associations organized under the Kentucky Cooperative Marketing Act (K. R. S. 272), under the Rural Electric Cooperative Act (K. R. S. 279), and under Farm Credit Administration charters.

^{6/} Only farmers may become members of cooperatives organized under K. R. S. 272. This is for practical purposes true of farm credit cooperatives despite some exceptions. Any user of electricity may be a member of a rural electric cooperative.

TABLE 2. OPINIONS OF FARMERS CONCERNING
MEMBERSHIP ELIGIBILITY REQUIREMENTS, VOTING RIGHTS,
AND SELECTION OF DIRECTORS

Question ^a	Number of Responses	Percentage of Total
1. Should each member have:		
a. <u>One vote only</u>	20	41.7
b. One vote per share of stock or	6	12.5
c. Should it depend on amount of business done	12	25.0
d. Don't know	<u>10</u>	<u>20.8</u>
Total	48	100.0
2. The board of directors is:		
a. <u>Elected by patron-members</u>	27	56.2
b. Appointed by governor	2	4.2
c. Selected by manager	5	10.4
d. Don't know ^b	<u>14</u>	<u>29.2</u>
Total	48	100.0
3. Who can become a member:		
a. Any farmer who wishes to	24	50.0
b. Any farmer who invests money	4	8.4
c. <u>Any farmer who uses services and pays a nominal fee</u>	10	20.8
d. Don't know	<u>10</u>	<u>20.8</u>
	48	100.0
Grand total number of responses (3 questions)	144	100
Grand total "correct"	57	39.6

^a Underscoring indicates the "correct" answer.

^b Includes one nonresponse.

A still larger proportion did not know the usual requirements for membership in a cooperative, even though most of them (42 out of 48) were members of one or more cooperatives. Twenty-four out of 48 said (incorrectly) that any farmer could join a cooperative (without cost or without doing business), 10 did not know and 4 indicated that it would require some investment in the cooperative.

Furthermore, in question number 5, Table 1, the most common response, other than the correct one (17 and 24 respectively), was that a cooperative is "run by all farmers in the area." If farmers believe that any farmer can become a member irrespective of patronage or fees (and many have no reason to believe anything else), or that both members and nonmembers have the right to exercise control over the cooperative by voting, then there is little reason for members to be concerned about exercising their rights as members even if they understand them. There is also little reason to have a feeling of ownership and identification with the organization. To use a time-honored expression, "Everyone's business is nobody's business." The cooperative logically would be considered as "everyone's business" by those members who believe that anyone can become a member or that the cooperative is run by all farmers in the area.

In part, at least, this belief may be due to the rather common practice of involuntary membership. Patrons of many farm supply purchasing cooperatives are given a membership when accumulated refunds have exceeded a minimum of \$1.00 or some other small amount. Commonly, they are not notified specifically when this has been done. Electric power distribution cooperatives combine a meter deposit and a membership fee often calling it a meter deposit rather than a membership fee. Credit cooperatives usually deduct 5 percent of the loan proceeds for "stock," but frequently fail to mention that this confers on them a voting membership and associated member responsibilities. Some follow the practice of sending a letter of welcome to each new member notifying him of his rights and responsibilities; this, however, is by no means universal.

Whether an awareness of membership and voting rights is important depends on whether the member understands the meaning of these facts. This involves an understanding of the process by which responsibility is delegated from the members to the board of directors and on to the general manager and other employees. This will be discussed later in detail. However, some indications of the lack of understanding these processes are shown by the simple lack of information about who hires the manager of a cooperative. The question was asked, "Is the manager of a cooperative elected by vote of the members, appointed by the president, or appointed by the board of directors?" Only 24 of 48 farmers interviewed indicated that the manager was appointed by the board of directors. Sixteen, on the average, would have answered correctly if they had simply guessed. ^{7/}

^{7/} Data not presented in table form.

ECONOMIC PURPOSE AND NONPROFIT OPERATION

Various information regarding the rights of members, the fact that board members are elected by patron-members, and the like is important only if what happens in the cooperative importantly affects the members. Unless the member understands the potential effects of board actions on him and his neighbors, he has little reason to be interested in participating in elections of directors or other actions through which he expresses his views on the operation of the cooperative.

Economic Purpose

To what extent are members aware of the economic purposes of cooperatives? To what extent do they understand that "true" cooperatives operate "at-cost" or on a non-profit basis? Are they able to recognize these benefits when they receive them?

The primary objective of a farmer cooperative is an economic one. As a business organization a cooperative is distinguished from an ordinary proprietary corporation by the economic benefits it conveys to farmers primarily as patrons and only secondarily as investors in the cooperative; that is, economic benefits take primarily the form of decreased costs of feed, fertilizer, loanable funds, and other expense items or increased returns for products sold.

Three questions were asked pertaining to the purposes and distribution of benefits. Taking into account that some respondents probably obtained correct answers by chance, it would appear that substantially less than one half of the farmers interviewed have even a general idea of the economic purpose of a cooperative. Slightly more than one half, 26 out of 48, selected an answer indicating that they recognized a cooperative's purpose to be that of making more money (profits) for its patrons (see question 1, Table 3). Twenty of the 48 correctly selected the answer "a cooperative makes profits for the member-patrons, not for itself" (see question 2, Table 3). Seventeen of the 48 properly indicated that farmers join and patronize cooperatives to make more income from farming rather than to get a good return on invested capital or in order to learn to work together.

Nonprofit Operation

Only 17 of the 48 farmers interviewed indicated that a main feature of a true cooperative is that of turning all profits back to the farmer. Twenty indicated in answer to another question that the patrons really "owned," i. e., had a legal claim on, the difference between income and expenses or what is generally called "savings" by many cooperative accountants. ^{8/}

^{8/} The questions referred to could not properly be classified into any of the specific groupings indicated by the three tables. Summaries of answers to them are not shown in table form.

TABLE 3. OPINIONS OF FARMERS RELATING TO THE ECONOMIC PURPOSES OF COOPERATIVES

Question ^a	Number of Responses	Percentage of Total
1. Which is closest to the way cooperatives should work: Make as much as possible for -		
a. Shareholders	10	20.8
b. <u>Patrons</u>	26	54.2
c. Managers	2	4.2
d. Don't know	<u>10</u>	<u>20.8</u>
Total	48	100.0
2. Which is correct:		
a. Coops have profits like others	12	25.0
b. Coops are against free enterprise	3	6.2
c. <u>Coops make profits for patrons, not for themselves</u>	20	41.7
d. Don't know	<u>13</u>	<u>27.1</u>
Total	48	100.0
3. Farmers join and patronize coop to:		
a. Get good returns on invested money	6	12.5
b. <u>Make more money from farming</u>	17	35.4
c. Help farmers learn to work together	16	33.3
d. Don't know	<u>9</u>	<u>18.8</u>
Total	48	100.0
Grand total number of responses (3 questions)	144	100
Grand total "correct"	63	43.7

^a Underscoring indicates the "correct" answer.

AN INTERPRETATION

The language of the previous sections has been such as to suggest that the facts we have presented are rather shocking. To have so many farmers ill-informed regarding facts relating to member control, voting rights, economic purposes, and the principle of nonprofit or "at-cost" operation would seem to indicate a condition not conducive to operations geared to member needs. This is not necessarily correct.

Assume that only one-third of all farmers adequately understood these facts and were capable of, and interested in, using this knowledge (1) to guide their decisions regarding the use of cooperative services and (2) to exercise intelligent member control over the business affairs of their cooperatives. Would this be a serious situation? Probably not! For Kentucky generally, if purchasing and marketing cooperatives were to do as much as one third of the total business volume in marketing and purchasing, it would represent a very large increase in volume of business. Estimates for the 1954-55 fiscal year indicated that cooperatives did between 16 and 17 percent of the retail feed, fertilizer, and seed business. ^{9/} A great deal of cooperative business volume is accounted for by people with little or no awareness of the significance of the cooperative form of business. Moreover, students of democratic political participation by voters concede that a democracy can function quite satisfactorily with a small, actively participating, informed minority and an in-active majority. ^{10/} No doubt the same principles apply in cooperatives.

There are two flaws in this argument, however. We have assumed that those who know about the principles of "democratic control" and "operations at cost" understand their significance. For this knowledge to have meaning they must be able to interpret these facts in terms of (1) the relative advantage or disadvantage of using the services of their cooperative and (2) the ways members may exercise their influence to affect control over the business affairs of the cooperative which is consistent with their objectives.

Previous research tends to suggest that understanding of these principles does help the farmer make a wiser choice between the use of cooperative services or the services of some other establishment. ^{11/} However, this is not so true with respect to members' ability to effectively exercise control over the management of the cooperative. This will be discussed in the following section.

^{9/} No later estimates are available.

^{10/} David Sills, The Volunteers (Glencoe Free Press, Glencoe, Ill. 1957).

^{11/} Smith, Eldon, "Check Your Merchandising," Cooperative Digest, June 1961, p. 13.

FARMERS' ABILITY TO USE RIGHTS TO CONTROL OVER COOPERATIVE ORGANIZATIONS

In the present survey study, a group of problem situations was developed. Farmers were asked to consider these situations which involved, in all cases, the exercise of these fundamental member rights in order to affect a solution or to obtain information necessary to a solution. They were required to formulate as an answer (1) what they would do in such a situation or (2) how they would determine certain facts which would be needed in formulating a solution.

A summary of the "free response" answers was recorded by the interviewer. These summary statements were then classified into major groups of ideas. The answers so coded or classified were reclassified as "right" or "wrong" on the basis of whether the farmer indicated that he had any idea of what procedure should be followed or who should be contacted (or both) to effect a solution or obtain the necessary information.

A detailed analysis of each question will not be attempted. However, two questions will serve to illustrate the answers given.

The first question is a rather simple one designed to ascertain whether these farmers knew what sources of information they could tap to determine certain facts regarding their cooperative's financial success and/or disposition of net margins.

In interpreting these results, it is well to keep in mind that probably a relatively small proportion of farmers could satisfactorily interpret a financial statement without assistance, and that a complete reaudit would be both expensive and legally difficult to obtain if the board and manager were to object. But, disregarding these considerations, only a little more than one third of the farmers interviewed had even a vague idea of how to obtain relevant information regarding the performance of their cooperatives. Only slightly more than one fourth recognized that the financial statement would be a satisfactory source of information (if they could understand it).

Another question provides some insight into the question of whether these farmers would know how to collectively bring acting to correct an undesirable situation if it were found to exist. This involves the very straight-forward problem of replacing an incompetent manager.

In no cooperative that we know of is the membership empowered to vote directly for a manager. The job of manager is typically an appointive position. Yet, nearly one fourth of the farmers interviewed indicated that they would attempt to "vote him out" or words of similar meaning. Twenty-one (44 percent) said that they would bring their wishes to the attention of the board of directors, indicating at least a general awareness of the fact that the manager is appointed by the board.

TABLE 4. ANSWERS TO THE QUESTION "IF THE COOPERATIVE HAD NOT RETURNED ANY PATRONAGE REFUND OR STOCK DIVIDEND, HOW COULD YOU DETERMINE WHETHER THEY SHOULD HAVE DONE SO?"

Answer	Number	Percentage
Examine books or financial statement.	13	27
Have an audit	4	9
Ask the manager.	3	6
Other	2	4
Don't know	<u>26</u>	<u>54</u>
Total	48	100

TABLE 5. ANSWERS TO THE QUESTION "IF THE MANAGER OF A COOPERATIVE WERE VERY INEFFICIENT, IS THERE ANYTHING THAT YOU AND OTHER MEMBERS COULD DO TO GET HIM REPLACED? WHAT?"

Answer	Number	Percentage
Appeal to directors.	20	42
Petition directors.	1	2
Vote him out.	11	23
Other	4	8
Don't know	<u>12</u>	<u>25</u>
Total	48	100

In this situation an important question is "Why hasn't the board acted before?" Either the board was derelict in not observing the performance of the manager more closely or for other reasons was not willing to dispose of him. In either event, some action to improve the performance of the board would be central to the problem. However, only one farmer suggested some action to replace directors at the next election as a means of correcting the situation. Moreover, even though such actions require the support of other people, only one farmer made a statement which suggested the development of group pressures by the members.

In response to a situation involving the hiring of relatives of board members (nepotism), only eight members or one sixth suggested the possibility of establishing a rule against the practice, and six suggested that the solution to the problem was to vote in new directors.

The picture we get, then, is one of relatively limited ability to use the power of the vote and the other legal protections given to members of cooperatives. It is true that these were abstract situations far from the experience of most members. Possibly, if they were motivated to do so, some of these men might have been able to find sources of information of these matters. However, in view of the fact that such a high proportion recognized neither (1) the fact that they would receive the benefits from improved management nor (2) their voting rights as members, it is unlikely that they would be aware of, or interested in, taking action to get such information or to do anything about the situation.

DOES KNOWLEDGE OF COOPERATIVE PRINCIPLES HELP MEMBERS CONTROL THEIR COOPERATIVES?

Do farmers who know basic cooperative principles do a good job of figuring out solutions to problems in their cooperatives? Do farmers understand the meaning of these principles well enough to put them to practical use?

To simplify matters we will call ability to solve problems involving the use of members' rights "member participation ability."

To see whether there is a close connection between knowledge of principles and member participation ability, a "score" was developed for each. The "cooperative knowledge score" is the number of correct answers to several multiple-choice questions which were asked. The "participation ability score" is a very crude one. It consists of the number of "problems" to which the farmer gave an answer which could be regarded as adequate under some assumed set of circumstances. If he said he would register a complaint with the manager, this was judged a correct answer if it were not clearly inconsistent with the conditions described in the problem, and if it were conceivable that the manager might respond to his complaint.

From the total number of questions, seven questions were selected which, on the basis of technical criteria used in social psychology, appeared to comprise a good "scale" or measure of knowledge of voting rights and other principles relating to control processes of cooperatives. ^{12/} A similar "scale" of what we have called member participation ability was constructed which appears to measure how well the farmer could judge how to solve problem involving the use of his rights as a member, such as how to replace an inefficient manager, etc. ^{13/}

While this is not precisely correct in general, if the knowledge of voting rights and other principles were all that was required to solve problems involving member participation ability, we would expect the two scores to be closely correlated. That is, when one was high the other would be high and when one was low the other would be low. This would appear on a chart as a series of dots or checks which tend to fall along a line as illustrated in Fig. 1. Each dot or check on the vertical axis represents the member-participation score. On the horizontal axis, the symbols represent the knowledge-of-control processes score of a single farmer.

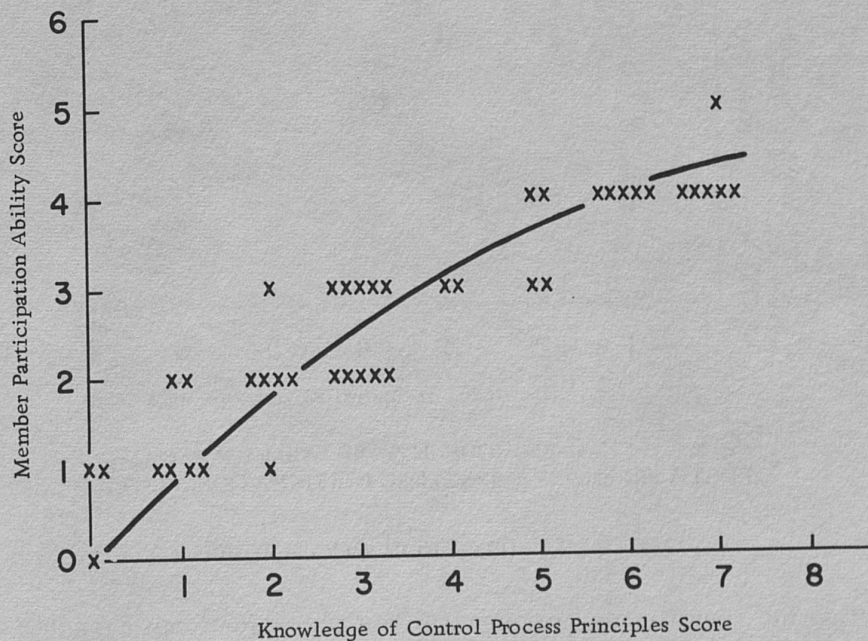


FIG. 1. - HYPOTHETICAL "HIGH" DEGREE OF RELATION BETWEEN FARMERS' KNOWLEDGE OF CONTROL PROCESS PRINCIPLES AND MEMBER PARTICIPATION ABILITY SCORES

^{12/} Coefficient of reproducibility = 0.916.

^{13/} Coefficient of reproducibility = 0.934 for six items or questions. All scale analysis was done by Dr. C. Milton Coughenour, Department of Rural Sociology, University of Kentucky.

If these checks were grouped closely along a line, it would tend to suggest that knowledge of the principles relating to control processes affects the ability of the member to participate or solve problems involving use of his rights as a member. However, Fig. 2 shows that there seems to be no such effect. Farmers with the highest scores on knowledge of principles (scores of 7) appeared to have no more ability to solve problems (member participation ability) than those with scores of only 1 or 2. Apparently, knowledge of cooperative principles has very little to do with a farmer's ability to decide what to do in relation to obtaining desirable changes in the operation of the cooperative of which he is a member.

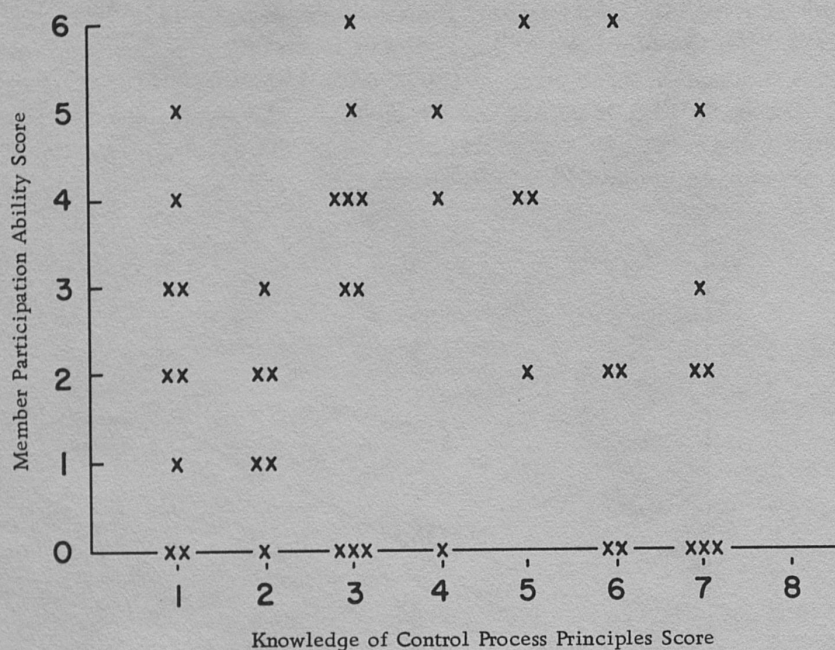


FIG. 2. - ACTUAL RELATION BETWEEN FARMERS' KNOWLEDGE OF CONTROL PROCESS PRINCIPLES AND MEMBER PARTICIPATION ABILITY SCORES

IMPLICATIONS FOR COOPERATIVES

What do the results mean to cooperatives and educational agencies that work with them and their members? Obviously, their educational job is far from completed despite active attempts in the past several years to educate farmers and farm youth regarding cooperatives. Both in terms of potential increases in business volume and in terms of encouraging members to exercise intelligent member control of their cooperatives, a challenging educational job lies ahead which management can ill afford to ignore. This job is the education of members about their role and rights as members.

The type of educational program which is likely to be most fruitful involves many issues beyond the scope of this research. However, the information that has been obtained indicates that an effective program must do more than communicate facts of

cooperatives, such as their purposes, the principles of at-cost operations, democratic control procedures, and limited returns on investment and related matters. The program must, in some manner, teach members something about how to use the legal rights, which their charter and bylaws provide, to bring about appropriate and feasible reorientations of policy and procedure. For example, it is important for the member to know that details of operations are the specific responsibility of the manager, and that specific suggestions or complaints should first be brought to his attention or to the attention of an appropriate department head. But it is equally important for him to know that the board of directors establishes general policy and evaluates and hires or fires the manager.

Since members apparently do not infer from their knowledge of democratic election procedures and other "principles" of cooperatives the appropriate actions that they might take to effect control over their organization, some interpretation must accompany these important cooperative facts. Interpretation is difficult and fraught with risks of error. Fixed "rules-of-thumb" tend to break down when applied to a wide variety of concrete situations. However, in a wide range of situations it would be useful for farmers to know that, if complaints to the manager do not get results, the appropriate channel for further action would be a complaint to the board of directors. They should know that if this did not get results that their primary means of bringing about this change would be through replacement of board members. They should realize the need to come to the annual meeting forearmed with desirable director nominees to be offered from the floor and know that these nominees must have the support of other members if the action is to be successful.

Among the more important ideas which a membership information program should convey is the fact that the board of directors is a body which is elected by the members and is responsible to them. Also, it is important that this idea be reinforced by the day-to-day acts and utterances of the board and management. Those people who contact member-patrons in their day-to-day work probably have a great deal to do with shaping the opinions and attitudes of members regarding their organizations.

A related area of importance is the confusion about the role and rights of capital investors in a cooperative. These views are probably shaped somewhat by greater familiarity with ordinary business corporations than with their less numerous cooperative cousins, and the fact that many cooperatives use stock as a financial statement. In the information program, clear contrasts should be made between cooperatives and the differences in stock of cooperatives and non-cooperative corporations.

An important idea for members to understand is that a cooperative is an economic or business organization which functions to benefit its patrons in proportion to their patronage. If this is not understood, it will be extremely difficult for farmers other than those who have significant amounts of money invested to find any defensible basis for participating other than for prestige or social benefits.

SUMMARY AND CONCLUSIONS

(1) Among the random sample of 48 farmers in a central Kentucky county there was a surprising lack of understanding about the basic fact that farmers have the right to control cooperative organizations. Primary misconceptions seem to be that they are (a) controlled by those who invest money in them, and (b) that the board has autocratic powers to withhold from members their right to control the cooperative through the election process. This suggests (a) lack of knowledge of their voting rights and/or (b) failure to understand the significance of these rights.

Of these two interpretations other evidence suggests that the former is quite plausible. Specific facts of membership requirements, voting rights, and election procedure were not understood by a majority of members. The misconception that any farmer can become a member may be due to the widespread practice of "automatically" conferring membership on patrons without specific action on their part and often without their knowledge.

(2) More than half of the farmers seemed to understand that the cooperative's purpose was to "make money" for the patrons, but the patronage refund system was understood by less than one half of the farmers interviewed.

(3) The above situation of relatively little information on key cooperative principles is not desirable, but a well-informed active minority which employs its knowledge skillfully and constructively can result in very adequate performance in organizations of various types, probably including cooperatives. Therefore, it is important to know whether farmers do, in fact, interpret the knowledge that they have in such a way that it helps them solve problems related to the control of the cooperative's policies or the use of its services.

(4) Evidence developed in this study suggests that there is little, if any, correlation between measures of this type of knowledge and measures of ability to solve problems or participate effectively as members. This can mean one of two things: Either the measures of the two characteristics are not adequate or farmers are unable to translate what facts they have into actions that might bring about reorientations of policy in their interest as member-patrons.

The foregoing facts appear to suggest the following practical actions and policies for cooperatives and educational agencies that serve cooperatives and their members.

(1) The programs of member education regarding their role and rights as members should be continued and intensified.

(2) These programs should specifically help cooperative members to understand what appropriate actions to take to achieve meaningful and effective control over their jointly operated business in a variety of practical situations.

(3) These programs should specifically show the role and responsibilities of the board of directors, how it is elected and how it functions in relation to management.

(4) The distinctive role and status of investors in cooperatives as compared to noncooperative corporations should be clearly defined and effectively communicated.