

University of Nebraska, Lincoln  
Department of Agricultural Economics

AECN 399; 3 credits  
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Fall 2016  
August 22 – December 16  
Filley 210

## COOPERATIVES

### Course Description

This course is intended to introduce students to cooperatives as a form of business enterprise. Cooperatives are important in many segments of the economy, both in the U.S. and elsewhere. Students will learn the role of cooperatives in market-oriented economies, as in the U.S. They will also become familiar with cooperative principles, the economic theory of cooperative pricing decisions, the fundamentals of co-op accounting principles, financing, decision making, and taxation. Focus will be primarily upon traditional agricultural cooperatives; however, other types of cooperatives will be examined in some detail during the second half of the course.

**Bulletin Description:** Theory, practice, and evaluation of cooperatives including principles, management, marketing, finance, taxes, legal issues, and adjusting to change.

### Course Objectives

#### Teaching Objectives

By the time you leave this class you should be able to accurately explain the following:

1. What is the economic rationale for establishing a cooperative?
2. What business principles are used to operate cooperatives, and how did they develop?
3. How can economic models be used to demonstrate pricing strategies used by cooperatives?
4. How does the management of a cooperative differ from a typical corporation?
5. How does the financing of a cooperative differ from a typical corporation?
6. What difference does the cooperative business model make to the decisions made with respect to the products cooperatives supply or market, and the methods used to obtain these products?
7. What is involved in starting a cooperative?

#### Learning Outcomes

During this class you should be able to:

1. Identify and list economic rationale for starting cooperatives.
2. Name one or more principal historical events that influenced the formation of cooperatives.
3. Describe how the pricing behavior of cooperatives may differ from that of other business types.

4. Name the principal components of cooperative management and how they differ from other business types.
5. Describe the unique features of cooperative business finance, including means by which a cooperative obtains capital, measures and distributes its income, and how its taxation policy affects cooperatives.
6. Describe the functions of a supply cooperative.
7. Describe the functions of a marketing cooperative.
8. Describe how to start a cooperative.

Your achievement of these objectives will be evaluated through approximately nine written homework assignments, objective and subjective examinations (six quizzes, two midterms, and a final examination) and in-class discussion. To successfully meet these objectives you should have already taken PRINCIPLES OF MICROECONOMICS.

## **Course Format**

### **Course Mechanics**

The class meets in Filley 210. Content consists primarily of lectures, text, and study notes, but group discussions will occur periodically. Lectures will be presented using a combination of PowerPoint slides and discussion. The slides will be posted to each topic section of the Blackboard site under the “Units/Lessons” link. Representatives of cooperative businesses will be invited to speak to the class as time permits.

I regularly post information relevant to the class (announcements, grades, etc.) on Blackboard. The Blackboard login is located at: [my.unl.edu](http://my.unl.edu).

### **Text**

There is no modern text on cooperatives currently in print; thus, we will use the following online text (it is a draft) for much of the course: *Cooperatives: An Economic and Management Perspective*. Editors: David W. Cobia and Bruce L. Anderson. This can be obtained from the class Blackboard site. Additional readings will be provided online.

## **Quizzes**

I will give **six announced quizzes** during the semester. All quizzes are taken in class on the date listed on the schedule below. There will be **no make-up quizzes** except in the case of University excused absences.

## **Midterms**

There will be two midterms, both completed in class. The midterms will take place **September 28** and **November 2**. Please arrange your schedule now, at the beginning of the semester, so that you may complete the exams. Only university excused absences (documented illness, University sponsored events, death or illness of a family member) will be considered for exceptions, when accompanied by written verification as to why you were absent. The final will serve as the makeup exam if you miss a midterm for other reasons; any missed midterm exam will add to the weight of the final toward your final course grade. If you know will not be able to complete the final exam, please drop this class now.

## **Comprehensive Final Exam**

The final exam is comprehensive. Any content from our course could appear on the exam.

## **Homework**

The homework is designed to give you a chance to demonstrate your understanding of the major concepts discussed in class. I expect you to present your ideas in complete sentences. When writing, describe your understanding as if I were an uninformed observer of the topics discussed in class. Your work is most likely to earn full credit when you describe your understanding of the concept in your own words, completely answer each part of the question, and proofread your remarks for clarity, spelling, grammar, and punctuation. Furthermore, since the content in the homework and on the exams is usually related, answering the question in your own words typically improves your preparation for quizzes and exams. Please feel free to work in groups on the homework assignments, but each person must turn in their own work, with each person's assignments written in their own words. Homework assignments consist of problems or short essays.

**Homework will be turned in and returned via the Assignment feature in Blackboard.** E-mail submissions are not accepted. Here are some instructions for using this feature:

1. Log in to Blackboard and enter your course.
2. To submit your assignment on Blackboard, go to the assignments category on Blackboard, click on the link that says "Assignment 1".
3. On the page that appears, scroll down to the bottom part of the page to the point where it says, "attach file".
4. There, click on the button that says, "Browse my computer".
5. A window appears where you can tell blackboard the location of your assignment. Select the folder and the file where your assignment is.
6. Click on the file for the assignment, and then click on the "open" button on the window. The window will then disappear and you will return to the assignment 1 page.
7. Click the button that says, "submit" on the bottom right of the page. Then, you're done!

8. You can verify your assignment is successfully submitted by looking at the “my grades” window in you Blackboard account. If a green square appears, you’re all set.

Assignments are due at 11:59 p.m. on the date indicated in the syllabus. All written assignments (including the term paper) turned in after the posted date can be turned in at any subsequent time, **through December 7**, for half credit. If you’ve made an on-time attempt to submit an assignment but experienced a technical problem in making the submission, you must request additional time to complete the submission. A maximum of 24 hours will be allowed for resubmission after the due date.

### **Cooperative Profile Paper**

The term report is an analysis of a cooperative by the student. This report provides an opportunity for the student to obtain direct knowledge about the management and operation of a cooperative and to experience how the principles discussed in class affect the distribution of benefits between the cooperative and the members. More details of how to complete this assignment are provided in the "Assignments and term papers" link, and by selecting the “Cooperative Profile Assignment” folder. It is due **November 30**.

### **Extra Credit Opportunity: Optional Case Study Analysis**

Case study analysis requires you to examine a business problem, assess a selected decision or recommend one, and then support your assessment or recommendation using supporting concepts and evidence from the course. I have prepared a selection of cases from cooperative businesses. These can be found at the bottom of the “assignments” section of the course, in the “Extra Credit Cases” folder. You are welcome to select up to **two** cases for study. Total extra credit available from a case study analysis of any case will be equivalent to adding 2% to your final grade. In other words, if you had earned an overall 88% course grade, this extra credit would give you 90%. Cases are accepted through **December 7**.

To complete the case study analysis, read and examine the case thoroughly, determine whether you need to assess a decision already made or to recommend a decision, focus your analysis on two to five key issues related to the cooperative nature of the business, uncover possible solutions or improvements to a solution, discuss the pros and cons of your decision, and action step—both in the short and long run—the co-op could take to adopt your proposed decision or improve an existing decision. Your discussion should be approximately five double spaced pages. Submit your completed document on the Blackboard.

### **Course Grading Scale**

I anticipate calculating final course grades using the following weights:

<u>Weight</u>	
Homework/Content Assignments	35%
Cooperative Profile	10%
Quizzes	15%
Midterm 1	15%

Midterm 2	15%
Final	10%

***All required reading and topics covered in class are fair game for exam questions.  
The Final exam is COMPREHENSIVE—ALL course material is covered.***

### **Grade Breakdown**

The grade breakdown indicates the percentage of total course points you will need to earn to receive each grade as indicated.

90 to 100 percent	A
80 to 89.9 percent	B
70 to 79.9 percent	C
60 to 69.9 percent	D
Less than 60 percent	F

All work from the class should be completed by the end of the semester, **December 16.**

### **General Information**

#### Academic Honesty

All students taking any course in the Institute of Agriculture and Natural Resources are expected to act as directed in the Student Code of Conduct (<http://stuafs.unl.edu/DeanofStudents/Student%20Code%20of%20Conduct%20May%20Rev%202014%20a.pdf>). The Code of Conduct operates on the premise that most students are honest and work best when their honesty, and the honesty of others, is not in question. It functions to prevent cheating as well as penalize those who are dishonest. It is the responsibility of the students to report any violations of the honor pledge to the instructor, department chair, or other relevant administrators.

The academic community is operated on the basis of honesty, integrity, and fair play. The Student Code of Conduct applies to cases in which cheating, plagiarism, or other academic misconduct have occurred in an instructional context. Students found guilty of academic misconduct are subject to penalties, up to and possibly including suspension and/or expulsion. Student academic misconduct disciplinary records are kept by the Office of Student Affairs. Informational resources about academic honesty for students can be found at <http://www.unl.edu/gradstudies/current/integrity#about>.

#### Students with special requirements

Any students with disabilities or other special needs, who need special accommodations in this course are invited to share these concerns or requests with the instructor as soon as possible. The instructor may ask for verification. That, plus other assistance, can be requested from the Office of Services for Students with Disabilities (SSD) in 232 Canfield Administration Building (402.472.0053). For more information navigate to <http://www.unl.edu/ssd/home>.

#### Veterans and military personnel

Veterans or military personnel with special circumstances or who are activated are encouraged to notify the instructor as early as possible.

#### Office Hours

You are welcome to contact me by phone (402.472.2034) between the hours of 8:00 am and 5:00 pm on days the University is open, or by email (gmckee3@unl.edu) anytime. If you e-mail I will try to respond to your questions within two business days.

#### Department of Agricultural Economics

This class is administered through the Department of Agricultural Economics at University of Nebraska, Lincoln. The chair of the department is Dr. Larry Van Tassell. You can reach him at lvantassell2@unl.edu.

#### Important Note

I reserve the right to make changes to this syllabus as necessary. I will inform all students of any of these changes.

**Fall 2016 Tentative Course Schedule**  
**Cooperatives                      AECN 399**

**Introduction (Chap 1-4)**

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Wk #1	22-Aug	[Chap 1, 2] What is a cooperative?
	24-Aug	[3] Structure and scope of cooperatives
Wk #2	29-Aug	[4] Historical framework
	31-Aug	<b>Quiz 1</b>

**Economic Theory (Chap 5, 6)**

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Wk #3	5-Sep	Holiday
	7-Sep	[5] Economic rationale for cooperatives [reading] Providing Information Technology Services Using the Cooperative Business Model
Wk #4	12-Sep	[6] Economic theory of cooperative business pricing
	<b>14-Sep</b>	<b>Quiz 2</b> [9] Antitrust law and cooperatives

**Management and Governance (Chap 10, 11, 16-18)**

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Wk #5	19-Sep	[10] Management of cooperatives; Communication
	21-Sep	[10] Management of cooperatives; Communication, cont'd
Wk #6	26-Sep	[18] Starting a cooperative [reading] The Development, Operation, and Dissolution of a Value-added Cooperative: United Spring Wheat Processors
	28-Sep	[16] Marketing issues in supply cooperatives
<b>Wk #7</b>	<b>3-Oct</b>	<b>Midterm 1</b>
	5-Oct	[17] Marketing issues in marketing cooperatives

Wk #8 10-Oct [11] Board and management

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**Financial Management of Cooperatives (Chap 12-14)**

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12-Oct **Quiz 3**  
[12] Measuring cooperative business returns

Wk #9 17-Oct Holiday

**19-Oct** [13] Allocating income

Wk #10 24-Oct **Quiz 4**  
[14] Sources of equity and debt

26-Oct [14] Equity redemption

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**Applications and Cases (Readings, Chap 19, Lectures)**

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Wk #11 31-Oct **Quiz 5**  
Ratio analysis

**2-Nov** **Midterm 2**

Wk #12 7-Nov Structure and performance of credit unions

9-Nov Capital budgeting in rural electric cooperatives

Wk #13 14-Nov *Governance and management: ACSC Freight Case*

16-Nov [19] Determinants of change

Wk #14 21-Nov *Cass-Clay Creamery: A New Direction for an Old Brand*

23-Nov Thanksgiving Holiday

Wk #15 28-Nov Game theory: simultaneous and sequential games

**30-Nov** **Quiz 6**  
*Choosing to Defect from Cooperation - the 2003  
Collapse of California Pear Bargaining*

Wk #16 5-Dec Cooperative Profile Presentations



7-Dec

Cooperative Profile Presentations

Wk #17 12-Dec -  
16-Dec

**Final Exam**

**Important Note:** I reserve the right to make changes to this syllabus as necessary. I will inform all students of any of these changes.

### Assignments

Assignment	Due Date	Topic	Points Available
1	Aug. 31	Chapters 1-3	15
2	Sep. 14	Chapters 5-6	15
3	Sep. 26	Chapters 9, 10	15
4	Oct. 3	Chapters 18, 16	15
5	Oct. 12	Chapters 17, 11	15
6	Oct. 26	Chapters 12, 13	15
7	Nov. 2	Chapter 14	15
8	Nov. 21	Cass Clay Creamery Case	15
9	Nov. 30	Game theory case essay template	15
<b>Term Paper</b>			
1	Dec. 1	Cooperative Profile	57

### Quizzes, Midterms, and Final

Due Date	Assessment	Points Available
Aug. 31	Quiz 1 (Ch. 1-4)	10
Sep. 14	Quiz 2 (Ch. 5, 6)	10
Oct. 3	Midterm 1 (Ch. 1-6, 9, 10, 18)	50
Oct. 12	Quiz 3 (Ch. 11, 17)	10
Oct. 24	Quiz 4 (Ch. 12, 13)	10
Oct. 31	Quiz 5 (Ch. 14)	10
Nov. 2	Midterm 2 (Ch. 11-14, 16, 17)	45

Nov. 30	Quiz 6 (Applications)	10
Dec. 12-16	Final Exam (Cumulative)	92