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Rural Community in Urban Society

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Introduction

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The scene was as non-rural as anyone can imagine. There that November day special towers had been erected by the police to keep an eye on Zucotti Park. Months earlier, a number of unemployed college graduates and social justice activists had begun to camp in the park as part of the movement that became known as "Occupy Wall Street." Within weeks, the focus of the nation peered at the misdeeds of the top 1 percent of income earners who continued to profit even as the fortunes of the bottom 99 percent fared more humbly. By Veteran's Day, the block of Lower Manhattan, in the heart of the financial district and one of the most urbanized locations on earth, had attracted not only those concerned with the plight of "the rest of us," but with a range of other causes as well. It should have come as no surprise, then, when we witnessed a series of signs quite familiar around the countryside of the city's Catskill Mountain hinterland: Don't Frack New York.

On the surface, the common cause between New Yorkers concerned about the potential environmental degradation caused by hydraulic fracturing—a process of extracting natural gas from the shale formations of the northern Appalachians that involves a range of dangerous chemicals—was seemingly one of philosophical agreement among progressive activists. Within an hour's drive of Cooperstown, the boyhood home of James Fenimore Cooper, America's first novelist who built an international reputation extolling the virtues of New York's natural environment, a drop of rain can flow north to the Gulf of Saint Lawrence or south to Chesapeake Bay, depending on where exactly the drop lands. In the Catskills, the headwaters of the Delaware River have been dammed and today provide a substantial amount of the city's drinking water. The accidental contamination of the waters in this part of New York State could potentially impact people living anywhere from Quebec to Virginia and everywhere in between: an unlikely but nevertheless possible Black Swan event that occurs only once every thousand years or so. Beneath the surface, however, was another form of conflict: that found between one of the great cities of the world and its hinterland.

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Eliminating Organizational Tensions, Dis-embedding Farmers: A Ten Year Retrospective on the (Organizational) Political-Economic Losses of Dakota Growers Pasta Cooperative

Thomas W. Gray
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This paper is about a shift in organizational identity and how a new generation, durum-processing cooperative in North Dakota (Dakota Growers Pasta Company) became a subsidiary of Glencore International, a transnational corporation headquartered in Baar, Switzerland, with offices in over fifty other countries. Dakota Growers was originally conceived to help local farmers add value to their durum production with an organization, i.e. a cooperative that they owned, governed, and used. To become a subsidiary of a firm that is anything but local, in a state second only to Minnesota in the total number of cooperatives, is not only a surprise, but a near anathema in the cooperative community. Even more surprising, this has occurred in North Dakota, a state with a long history of opposition to big business, anti-corporate sentiment, and populist agrarian traditions (Mooney 2004; Mooney and Majka 1995).

In addressing this shift in identity, the paper has four distinct sections. In the first section we provide a description of organizational type, and focus specifically on Glencore as an investment oriented firm (IOF) and Dakota Growers Pasta Company (DGPC) as the cooperative. This section also includes a brief description of the historical context of grain marketing and production. In the next section we present the inherent tensions in cooperatives as tipping points between cooperative priorities and investment firm and profit priorities. In the following section we present the results of a discourse analysis that highlights the types of narratives utilized to influence change in DGPC identity from cooperative to IOF form. Fraser's (1989) work on oppositional and reprivatization discourse frames is drawn upon with the purpose of surfacing

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greater awareness of the narratives that influence what Frazer's refers to as "needs struggle." In this case we are looking at shifts in Dakota Growers Pasta Company's identity as tensions are tipped toward an investment firm logic. The final section of the paper presents a summary, conclusions, and recommendations.

Organizational Types and Context

Fairbairn (2003) suggests a format to understand organizational identity (and shifts in organizational identity) is to ask questions about: 1) what the organization is, 2) where it came from, and 3) what it does. Though originally developed to understand cooperative identity, it will be used here as a framework to help clarify organizational identity and identity shift.

Glencore International

Glencore International is an investment oriented firm (IOF). In linear logic, if somewhat simplistically, investors with money seek to make a return on their money by investing in an activity that will return a profit, thereby ending up with more money. Investors-owners have little connection to the business activity of the firm. If use is made of the activity, it is only on an incidental basis. Governance is, in part, organized by shares owned. Typically shareholders have one vote per share held. There are no organizational limits on the amount of shares any one investor can own. A board of directors, elected by the shareholders provides strategic planning and long-term oversight and direction of the firm. A management core is hired by the directorship to handle the daily decision making of the firm. It is not unusual for the firm CEO to be a major stock holder. The fundamental and organizing logic of the firm, as with all investment firms, the predominant business form globally, is to make a return on investment (roi) for its shareholders. This objective can lead, however, through a very convoluted path of horizontal and vertical integration by product and location, and if successful, through expanding market share.

Glencore was formed in 1974 with a management buyout of Marc Rich & Company. Its activities included marketing ferrous and non-ferrous metals, minerals, and crude oil, acting as a middle-man between source and product user. In 1988 it integrated backward, becoming an equity and majority holder in a zinc/lead mine in Peru. Since that time it has become a "leading integrated producer and marketer of commodities, with worldwide activities in the marketing of metals and minerals, energy products and agricultural products . . . [it's activities include as well] . . . the production refinement, processing storage and transport of these products" (accessed November 23, 2012, from http://www.glencore.com/company-overview.php). It is currently recognized as the largest commodity trading firm in the world and is often accompanied in

public narrative with the question "Is Glencore Too Big to Fail?" (Finch 2011). It is not a firm that has operated free of criticisms. It has been cited as having questionable accounting manipulations in Zambia, receiving kickbacks in the oil-for-food programs for Iraq, various human rights and environmental violations in mining interests in Columbia, causing acid rain and health problems in Zambia, various human rights and environmental violations and charges in the Congo (Davis 2011; Kimball 2012).

Dakota Growers Pasta Company

Dakota Growers Pasta Company became operational as a new generation cooperative in 1994. Cooperatives are a type of corporation characterized by multiple member-owners who are user-members. Incorporated under state law, cooperatives operate under a unique set of principles and practices. Cooperatives are formally controlled and governed by a board of directors elected by and from its membership. The cooperative derives equity from member-owners and operates for their benefit. Cooperative earnings are allocated to members based on use. These unique principles guide cooperative formation and conduct: user-owner, user-control, and user-benefit. 1) The people who own and finance the cooperative are those who use it. 2) The people who use the cooperative are those who control it; they exercise that control by meeting attendance and voting, electing their Board of Directors, and making decisions on major cooperative issues. 3) The cooperative's sole purpose is to provide and distribute benefits to members on the basis of their use. These benefits may be quite diverse and include among them: improved bargaining power, reduced costs, access to products and services otherwise unavailable or unaffordable, market access and expanded market opportunities, improved product and service quality, increased income, community strength, political action, economic enhancement, competitive benchmarking, and democratic voice. They can also provide a sense of community and solidarity from the very process of participation and involvement (Zeuli and Cropp 2004; Dunn 1988).

Several unique practices distinguish cooperatives from investment firms. Patronage refunds distribute earnings to members based on "use." Members form cooperatives for "service," not for monetary return on investment. Return on equity capital as an investment is limited by law—though a cooperative may exceed juridically defined rates if it's voting structure is limited to one-person, one-vote provisions. Cooperatives often cooperate among themselves and promote the cooperative way of doing business by educating all participants (International Cooperative Alliance, accessed December 15, 2012 from http://www.ica.coop.principles). For cooperative member-patrons, the activity of the organization (and their use of that activity) is central to their relationship to the organization.

New generation cooperatives, while complying with the Capper Volstead Act of 1922 (the enabling legislation of cooperatives), represent a degree of hybridization with investment firms (Stofferahn 2007). Traditional agricultural cooperatives generally have open membership policies, and membership fees are nominal. Any farmer with the relevant products can join the organization, and in turn the cooperative provides a guaranteed market for their output. In NGCs, a farmer must purchase delivery rights, in the form of contracts to deliver a specified amount of production. More than one contract may be bought by any individual farmer, but there is a limit set by the cooperative. These delivery contracts become the member's equity share account. These accounts grow according to how much product the member delivers (or uses) the cooperative. The farmer is obligated to deliver the contracted amount; the cooperative is obligated to receive it, but no more than the amount contracted. NGCs are organized to provide the service of value-added processing of the commodity. The cooperative, in-part, raises capital with the sale of these contracts, with prices among cooperatives variously ranging from $1,500 to $10,000 or more. Members are free to buy and sell these contracts among themselves. Benefits from operations flow back among members, according to the use they make of the cooperative, i.e. in proportion to how much product they deliver for processing. Voting rights generally remain one-member, one-vote. The cooperative may also sell preferred stock to the larger public, with preferred stock holding no voting rights. Their relationship to the cooperative is one of an investor (Stofferahn 2007; Harris, Stefanson, Fulton 1996; Sousa and Herman 2012).

Dakota Growers Pasta Cooperative (DGPC) fits the mold of a NGC as described above. While providing an outlet for durum farmers, it supplies branded and private-label pasta products and flours to retail, foodservice, and food ingredient companies in North America. With an annual milling capacity to grind more than 12 million bushels of grain, its production facilities produced up to 500 million pounds of pasta annually. Brand names included Dreamfields, Pasta Growers, Pasta Sanita, Primo Piatto, and Zia Briosa. Under license, the cooperative also distributed Ronzoni, Prince, Creamette, and Mrs. Weiss pasta brands to the foodservice sector. The firm was successful over time, returning increased value to farmers as a local organization they owned and governed. It was the third largest pasta producer in the United States in 2002 (Gray, Stofferahn, Hipple 2013).

Context of Grain Production and Marketing

Grain farming like the rest of agriculture has experienced a radical industrialization due to mechanization, biological innovation, and specialization on farms. Production has expanded on individual farms due to this innovation, accompanied by a precipitous drop in the number of farms over-all (see http://agofthemiddle.org/). There has been a parallel dynamic in agribusinesses with a few firms accounting for a majority of total sales in several agricultural sectors (see Socially Responsible Agriculture Project; Farmers Union, and Organization for Competitive Markets). These large corporations have been able to garner commanding market shares with a series of maneuvers that include integration both vertically and horizontally by product and location (going global), making acquisitions of competing firms (and firms with different but complementary products), as well as forming joint ventures and strategic alliances. Glencore International, the commodity trader, integrated vertically upstream to strip mining, downstream to refining, processing smelting, horizontally to locations around the globe, via a series of different commodities, i.e. metals and minerals, energy products, and agricultural products.

Farmers have been caught in these dynamics such that they are squeezed between high input costs and low market prices, with little to no power in facing much larger agri-businesses and multinationals in the market place. In a prior era of agricultural production, feed, seed, and fertilizer were produced on farms. With mechanization, the development of agri-chemicals, artificial fertilizers, and biologicals, these inputs were shifted off farm to incipient agri-businesses and sold back to farmers at high and historically increasing costs. These innovations allowed for massive expansions in on-farm production, but such large volumes also meant low to stable product prices over-time. High cost inputs matched with relatively low product prices put many farmers in a cost-price squeeze that forced farm bankruptcy and further farm expansion and industrialization.

In a marketing context, cooperatives are often formed when "over-production" results in low prices (relative to costs) and/or when "hold-up" situations occur that a monopsonist (single buyer) or a oligopsonist (few buyers with a large market share) can dictate prices to independent producers. By aggregating, farmers are able to coordinate sales, gain some market power, and improve incomes. Similar dynamics can occur upstream when purchasing from a single seller (monopoly) or oligopolist (few sellers with large market share). Organizing into a cooperative and in processing their output, as Dakota Growers did, can provide scale and product niche for capturing value for farmer-members, rather than turning their output over to traders and private processers.

Inherent Tensions and Tipping Points

In "Democratizing Rural Economy" Mooney (2004) reviews four tensions or contradictions within the larger socio-political-economy that interface with agricultural cooperatives, as well as exist within organizations. These tensions—1) capitalism/democracy, 2) local/global, 3) traditional/new social movements, and 4) production/consumption—will be reviewed here in terms of their implications for shifts in cooperative organizational identity, and as tipping points in the organization. The final tension between production and consumption will be reserved for discussion in the last section of the paper, given it has had less conscious relevancy with farmers of Dakota Growers, but has great implications for internalizing environmental and human costs societally.

Capitalism/Democracy Tension

This tension, to take exception from Mooney, and to short-cut needed description is stated here as "person-use-democratic-organization/capital-return on investment (roi)-share-organization."

Historically most agricultural cooperatives in the United States have followed a "one-member, one-vote" principle (Reynolds, Gray, Kraenzle 1997; Hueth and Reynolds 2011; Reynolds 2004). Regardless of the amount of investment held by any single individual, all members have equal voting power. This is in contradistinction to voting structures within investment firms that base voting privileges on the number of shares of common stock owned, i.e. one share, one vote. While cooperatives privilege personhood, IOFs privilege capital.

However cooperatives must make earnings to survive through time. And they are in competition with business forms that emphasize short term roi. These roi firms, as the dominant business form in the larger socio-political-economy, create a context of pressure on cooperatives to adapt to the needs of capital, rather than the needs of people. Needs of capital are often translated as the need to be unencumbered for efficiency reasons, and due a return equivalent to its size—argued as "investment will not occur otherwise." The tension, "person-use-democratic-organization//capital-return on investment (roi)-share-organization," becomes very real with considerable pressure from within its competitive context, to simplify it toward a "capital-roi-organization."

There are then, frequent threats to the "one-person, one vote" principle in terms of modifying it, eliminating it, or de-vitalizing it due to the unintended consequences of other dynamics. Direct threats often come out of the theoretical agency of neoclassical economics. From this position, arguments are made to shift one-member, one-vote to proportional voting, i.e. aligning votes held to volume transacted with the cooperative. It is a general practice in cooperatives that as "use" is made of the cooperative, equity contributions are assessed according to "use" made of the organization. The greater the volume transacted, the more equity, and in proportional voting, the more votes. When proportional voting is used, it de-privileges equality of member and personhood, and in turn weights organizational rationality and identity toward the needs of capital, and in particular toward the selective needs of larger farmers, or a large farmer class. Larger farms, in general, account for greater level of volume committed.

At other times there is pressure for the wholesale restructuring of cooperatives to IOFs (e.g., California Olive Growers, Calavao Avacados, GoldKist, Capital Milk, American Rice, Saskatchewan, Manitoba, and Alberta Wheat Pools). Conversion to IOFs simplifies cooperatives away from the multiple values of "use" and the potentialities of democratic voice, and re-organizes them to a singular logic of roi and exchange value. Conversion eliminates the tension entirely and shifts the organization to an identity of capital-roi rationality.

There are secondary pressures that serve to de-vitalize democratic principles. As mentioned above there has been considerable concentration of ag-markets such that large agribusiness IOFs often hold commanding market shares (e.g., Cargill, ADM, and ConAgra grain firms). These firms set the competitive context for cooperatives. To accommodate to this competition (as well as to the decline in farm numbers) many cooperatives have merged, made acquisitions, and formed joint ventures (often with IOFs,) creating complex bureaucracies in their own right. These structures create distance between farmers and the decision making points of the organization, thereby muting democratic dynamics, even if one-person, one-vote principles are followed (Fairbarin 2004). Boards of directors continue to be elected from farmers, though the complexity of these organizations, and expertise required to function on boards can be well beyond the skills of individual farmer-members.

This distance is complicated by a management that frequently holds more information about, for example law, finance, and marketing than directors. Fulton and Larson (2012) refer to this dynamic as a problem in "asymmetry of information" between agents and principal, agents being a management, hired by directors, and directors acting as the principals of the organization (ultimately serving at the behest of the members). Fulton and Larson (2012) suggest the agent/principal problem is more complicated by CEOs who come with different agendas, often based in inflating their own marketability and exchange value in the larger national and global market. They tend to conceive and manage organizations in a manner congruent with the management of IOFs. Their performance expectations may be based in "grand visions" for the organization and such personal goals as high salaries, perks, and job security (Sousa and Herman 2012). Under these circumstances the board may come to be in a near dependent relationship to management, rather than in a position as strategic decision maker.

To continue through time in providing service to members organized around use values, the cooperatives must retain the use/financial returns tension. Earnings are necessary to maintain the financial needs of the organization. However, vigilance must be exercised to prevent a dominant tipping toward roi imperatives (in spite of the considerable pressures to do so, as articulated above). To do otherwise is to render impotent the use-democracy aspects of the organization.

Local/Global Tension

In pursing growth and profitability some cooperatives have developed global locations (e.g., Cenex-Harvest, Land O'Lakes) to compete with investor-oriented transnational corporations (TNCs). This adds another layer of distance (i.e., physical distance) between members, member governance, and cooperative decision making. This distance can then tip a member/management tension toward management prerogatives (the agent), as well as the needs of capital.

Globalization, along with bureaucratization tends to demand standardization and often, a resulting subordination of unique local qualities. Cooperatives, given their unique user-owner character, have a strong tendency to be locally embedded. Equity-capital resides with the user-owners, and in the case of farming, where user-owners live, i.e. on the farm. This is quite different from investment oriented capital that seeks fluidity, and freedom (as opposed to freedom of the person). Local embeddedness from the standpoint of capital, and from the agency of neoclassical economics, is an unnecessary constraint that interferes with mobility and the efficient application of capital resources. However from a person centered understanding, geographic embeddedness prevents capital flight. Mooney (2004: 88) suggests, from an historical perspective, geographic embeddedness serves a long-term functional adaptation (an efficiency of a different sort) that shields cooperatives and communities to which they are [embedded] from . . . recession that would drive capital from the region."

While cooperative character results in a natural embeddedness, the demands of a neoclassical efficiency and the mobility of capital, IOF competition, organizational complexity, globalization, and CEO managerial culture, call for a "freeing-up" and disencumbering of capital from locally "constrained" attachments. Like the person-use/capital-investment tension, cooperatives need some degree of both in terms of market development, but an over-emphasis can result in a loss of local identity as well as a differentiated uniqueness that only embeddedness can provide.

Traditional/New Social Movement

Mooney (2004: 91) argues (citing Castells 1983 and Melucci 1994) that agricultural cooperatives are sites simultaneously of both new and traditional social movements. They can be readily seen along class lines as a means "of surplus value retention by direct producers (farmers)," and in this respect, have traditional social movement characteristics. However to the extent they represent enlargements for new voices, or previously weak voices into decision making, they are akin to new social movement values. The multiplicity of use values, as realized in cooperative participation allows in other "logics of action," as does its explicit democratic voice aspects. This multiplicity, perhaps only in latent form, has the potential to challenge standardizations inherent in bureaucratic forms, demands for globalization, as well as visionings of a CEO around maximization of product, growth, money and power (Mooney 2004)—what Melucci (1994) refers to as the constitutive logic of the larger system.

However Mooney (2004) suggests a tendency to push a traditional movement orientation, e.g. an economic class position, can narrow down a cooperative to such an extent that it may re-design for proportional voting and/or uses large membership fees, gives a cooperative a bias toward large farms while minimizing breadth of voice for all farmers. Both the focus of economic class economic advocacy and the breadth of multiple and different voices are needed. If conversion to an IOF occurs, the tension is resolved. The cooperative ceases to be instrument for either traditional or new social movements and the organization is appropriated by a contextually larger logic of maximizing production, growth, money, and power.

Viterra Acquires Dakota Growers, Glencore Acquires Viterra

Glencore International acquired Viterra Grain in 2012 for $6.2 billion. Viterra, an IOF multinational grain handler headquartered in Regina, Canada, had been formed in 2007 from an amalgam of three previously existing grain cooperatives and a private firm. Viterra acquired Dakota Growers as a subsidiary in 2010. The rationale for Glencore's acquisition of Viterra included: "1) turning Glencore into a truly global trader in wheat, barley and canola, boosting Glencore's global origination capabilities, by filling a key geographic gap in origination markets, 2) increasing origination capabilities in the Australian market, 3) increasing access to emerging global agricultural markets with growing populations and increasing protein consumption rates per capita, 4) expected increased earning within the first year, and 5) increasing cash flows with low on-going maintenance costs" (Glencore 2012).

The tensions inherent in the pre-existing grain cooperatives between use-democracy and capital roi, local and global, and old and new social movements have disappeared. Glencore is a globalizing transnational that seeks to maximize returns on investment, by purchasing low and selling high, by operating within a larger socio-political-economic and global logic that emphasizes profit, growth, and power. In its descriptions of acquired Viterra assets, it lists under "processing acquisitions": 1) Five oat and specialty grain milling facilities in Canada and United States, 2) Two pasta production facilities in the United States, 3) One canola processing facility in Canada, and 4) 42 percent interest in Prairie Malt in Canada. Not much more than a footnote, the entry "two pasta production facilities" is the Dakota Growers Pasta Company. As listed here, DGPC has been reduced to a sourcing subsidiary of one of the largest multinationals in the world, Glencore, ranked fourteenth on the Global 500 (accessed February 11, 2013 from http://www.money.cnn.com/fortune/global500/).

Viterra, itself a multinational, though paled in size relative to Glencore, acquired Dakota Growers Pasta Company (DGPC) in 2010. DGPC had previously converted from a cooperative to an IOF in 2002. With the acquisition of DGPC by Viterra, DGPC gave up any pretense of being locally owned, controlled, and operated by local shareholders, as the board of directors had promised during the conversion campaign. In spite of Boland's (2012: 47) reassurance that "there has been no outward signs that the conversion has changed the overall long-term strategy of DGPC, it still used durum wheat from the region in its semolina-grinding and pasta manufacturing plants. The external capital has helped it expand, and DGPC is well positioned to take advantage of the changes in the U.S. pasta industry" the future was not to so unfold. The failed clairvoyance of this statement has become painfully evident. The locally owned farmer cooperative had been morphed in identity to become a subsidiary of Glencore, a firm engaged in various activities from strip mining to smelting to most recently, pasta making. The critical and de-reformative change occurred with the conversion of Dakota Growers to an IOF. Conversion resulted in an elimination of the inherent tensions specified above, and thereby creating a fundamental shift in DGPC's identity. The following section will address how this change was influenced by competing discourse frames that were accessed during the decision period. The work of Nancy Fraser (1989) was drawn for this review.

Discourse Narratives Concerning Conversion

This section will introduce a qualitative analysis of the narratives around the conversion of Dakota Growers to an IOF. A categorical epistemology by Fraser (1989) is introduced for sorting out the character of the different narratives used in the decision. These categories are then associated with the various tensions described above to highlight their relationship to the continued operation of the organization as a cooperative.

Fraser's parses contentious debate as 1) privatizing, 2) expert, 3) oppositional, and 4) re-privatizing discourse. Her framework comes from conceptions of "needs-struggle" that exists between and among different societal positions (e.g., classes, races, genders, regions, organizations). According to Fraser (1989) and Prieur (2006) struggle occurs over how needs are defined, who is culpable in power relationships, and where responsibility for satisfaction is placed (e.g., the individual, the family, the community, civil society, the market, or the state. Privatizing discourse tends to place responsibility with the individual or the family and tends to accompany dominant hegemonies of late capitalism and such derivative institutions as IOFs.

Explicit struggle in the form of oppositional discourse can occur when subordinate groups are able to push into greater public awareness, levels of deprivation and disadvantage that catch the public's attention and with it, broader degrees of civic responsibility. Re-privatization discourse tends to appropriate oppositional narratives, but in a manner that pushes oppositional definitions and responsibilities back to the individual and familial level. Expert discourse often serves as a tipping discourse, giving legitimacy to one particular narrative or another. Fraser cautions that expert discourse tends to be used most frequently in re-privatizing strategies, pushing opposing voices back into the sphere of the personal and the familial.

Three types of communication formats were used to get a qualitative sense of how these argument were made explicit in the DGPC decision: 1) documents filed by the DGPC board of directors with the Securities and Exchange Commission; 2) newspaper accounts, opinion pieces in the editorial section of the state's major daily newspapers, and letters-to-the-editor; and 3) testimony of cooperative members and knowledgeable obtained from transcripts of personal interviews. We provide summaries of the arguments, in ideal type form, here. (A detailed description and presentation of this research can be found at Gray, Stofferahn, and Hipple 2013).

Privatizing Discourse

Two privatizing discourse frames will be presented here as revealed in the Dakota Growers case. They address the "needs" of capital to be unencumbered, and rationalized within a singular logic of making a return on investment. Expert consultants with legal, banking, and accounting expertise, were drawn upon in the on-site decision making, and helped formulate the positions (Collins 1991a, 1991b; Schrader 1989).

Equity liquidity refers to the access individual members have to their equity in the organization. There is no general market for the sale of cooperative equity "stock" as exists for investment firms listed on stock exchanges. While cooperatives have equity redemption programs, a member cannot "cash-in" at their own individual preference. The equity is only relatively liquid. This is part of the strategy of keeping organizations embedded in member locality through time. In DGPC, as with most new generation cooperatives, members can sell their equity stock, but only to existing and prospective farmer-members.

The equity liquidity discourse for conversion proceeded along the following lines. The original conversion discussions were triggered by difficulties some members had in delivering on their contracts due to wheat blight problems. Since these members were not "using" the cooperative, their interests tended to shift to an appreciation in equity stock values. There were other members who were reaching retirement age and though still using the cooperative, were interested in "cashing-in." Other members simply wanted the equity for their own alternative purposes. If conversion were to occur, it would result in making equity stock available to those who wanted to sell, buy, or appropriate it. Presumably a broader market would open up, making stock available to non-producers and non-farmers, thereby raising its value. With cash in hand it would also be free for investment in other ventures.

As revealed in the SEC filing, the board of directors and upper management argued there was little choice but to convert to an IOF, and still be responsive to members' concerns about liquidity. Other alternatives were acknowledged, such as continuing to operate as a cooperative, or converting to a limited liability company. However, only conversion to an IOF received serious considerations.

In reviewing SEC filing documents, newspapers, and interviews, the equity liquidity argument was the most often cited rationale for justifying conversion, and the most persuasive in prompting members to vote for conversion (Gray, Stofferahn, Hipple 2013). The arguments were organized around investment options, and not "use." None of the discourse addressed the importance of local, nor in keeping the organization as an instrument for farmer class interests. Equity fluidity is a privatizing discourse in that it removes from consideration any thought concerning maintaining or opening voice opportunities. Potentialities and possibilities are considered from the perspective of singular logic of privatized investment and needs of capital.

After equity liquidity, the access to investment capital (equity access) was second in importance in convincing members to vote for conversion. Throughout the SEC filing, newspaper articles, and interviews the necessity of securing greater access to equity capital was considered fundamental. In their strategic planning the board and management had always planned to be become "a major industry player." They sought to achieve that position through market growth, firm expansion and acquisitions, partnerships, strategic alliances, and joint ventures. These strategies require borrowing capital, but borrowing capital results in debt service. The expansionary strategy was legitimized by reports that competition in the future was expected to become much tighter. To continue to maintain its current activities, as well as to grow and expand in the future would require additional capital. Conversion would be needed in order to access the amount of capital needed to maintain company activities into the future, and/or to expand activities via the various growth strategies, in particular, through joint ventures. These positions were further supported with the expertise of various accounting and banking consultants.

This discourse pushes the use/investment tension toward investment, loss of democratic process, and loss of the local with the development of organizational bureaucracy and globalization. The discourse seeks to bring the organization more in line with larger constitutive logics of growth, profit, and power and totally obscures any previous considerations inherent in either old or new social movement orientations.

Oppositional Discourse

Two oppositional discourse frames will be presented here as revealed in the Dakota Growers case. Oppositional discourse in this context, seeks to set a narrative frames that oppose conversions and retain the internal inherent tensions of cooperatives. Two frames will be presented, voluntary-populism and a grain farmer contextualized, social class discourse.

Voluntary-populist (V.P.) narratives blend the language and discourse of populism and voluntarism into conceptions of cooperatives. Populism refers to "political ideas and activities that are intended to represent ordinary people's needs and wishes" (accessed December 15, 2012 from http://dictionary.cambridge.org/dictionary/populism/). Voluntarism refers to social action, where individuals freely join a social movement, collective action, or an organization to achieve some social, economic, and/or political goal. This discourse frame begins with the individual who is a joiner. Joiners come together with sets of similar ideas, values, and preferences to form a group, or an organization. The individual plays a central role, though it is a political individual, as a voluntary member of an organization. Cooperatives are organizations formed by individuals on a voluntary basis to achieve goals, often for a group of individuals who are at some socio-economic disadvantage relative to other more powerful interests (e.g., monopoly-oligopoly, monopsony-oligopsony as discussed previously). Mutuality of interests among these individuals is central to organizational formation.

Those using oppositional discourse tended to use a voluntary-populist narrative most often. References were frequently made to farmers as members of the cooperative, and less so to farmers as an existent group. Predominant were concerns about: 1) loss of member democratic control generally, 2) loss of the one-member, one-vote principle, 3) speculation that conversion was an attempt by some members of the board to avoid term limits set by cooperative bylaws, thereby preserving their power and influence, 4) displacement of member control to out-of-state non-farmer investors, 5) loss of communication exchanges between members and the organization via participation in membership meetings, 6) loss of information from member newsletters, and 7) loss of patronage dividends paid to members.

There was an implicit understanding, though perhaps not in dialectical language or Fraserian terms, that one cannot have a cooperative without tensions. Earnings are necessary, management is necessary, even growth and adaptation to larger environmental pressures are important. However there was also an awareness that if conversion were to occur, there would likely be losses to democracy (e.g., one-member, one-vote, concentration of power within) to local embeddedness (e.g., to out of state, non-farmer investors,) to traditional economic class benefits (e.g., member patronage dividends,) and in opportunities for more generalized voice (membership meetings). There is of course overlap in this parsing. Democracy for example applies to each of these categories. However what ultimately is revealed is a member concern that a person-centered organization, their organization, is being displaced by one that privileges the needs of capital over the needs of members, i.e. the needs of people.

Grain Farmer-Class narratives have a different starting point than discourses embedded in populism. In populist analyses, the individual is the initiating focus. Groups and voluntary organizations (cooperatives) are understood as formed from individuals coming together and pursing certain goals based on their similar "ideas" and values. They then pursue these ends as a group, held together by common ideals (and ideas), values, and preferences (see social idealism, Hinkle 1994). From a class perspective the class itself is the central focus. Class is not just a group of individuals with similar ideas, values, and interests coming together to pursue some end. There is a defining relationship in how people make a living, or earn their "material," means of survival in the economy (see social materialism, Hinkle 1994). (It needs noting that farmers cannot be described as a class quite as easily as for example labor. Farmers expend labor and they also manage, employ, own, rent out, rent, and contract. And these functions differ in degree by commodity and product raised, and region of the country farmed. We note Mooney's [1988] very careful specification of contradictory class locations of farmers more generally.) For ease of discussion we use the split term "class/collective action" to help capture in language 1) the disadvantaged power relationships specifically, of North Dakota farmers relative to larger corporate and global interests, 2) their common material relationships to agriculture, 3) their actions in forming cooperatives (not unlike labor union formations) to off-set their subordinate position, and 4) in using cooperatives as an instrument for their specific "class" interests.

Though not as prevalent as the voluntary-populist discourse, the producer class frame was articulated in a number of news accounts and interviews. It was argued that 1) the original purposes of the cooperative were being lost; 2) With conversion, farmers would be losing a tool for influencing their shared destinies; 3) Cooperative mission was to be an advocate for family farmers (at times stated as yeoman farmers) in part to oppose big business and non-North Dakota corporations; 4) The cooperative was to oppose these interests, its primary purpose, was to provide service to members and add value to local producers' products; 5) Control of the precious equity-capital created could be lost to non-local non-farmer investment interests; 6) Loss of control to outside investors could mean the facility could be re-located out of the area; and ultimately 7) DGPC could be lost as an instrument for farmers to have an influence on the future.

Oppositional discourse based in farmer class narratives tended to highlight and tip the old/new social movements tension, not unexpectedly toward a traditional class understanding of cooperatives. This is most easily seen in

language supporting yeoman farmers, family farmers, protection of the accumulated equity-capital of farmers, and opposing big business. As with voluntary-populist oppositional discourse, there was little language supporting cooperatives as a vehicle for multiple voices explicitly (new social movements), though as a supporter of cooperatives there is an implicit endorsement for the multiple use-values of cooperatives (ownership, governance, and benefits). The dramatic tension is the opposition to the larger constituent logics of a global capitalist system that would result with a conversion, and the consequent shifts to a uni-dimensional investment logic.

The oppositional-class narrative tended to be linked with a localism discourse that emphasized protection of "local" interests from appropriation by "non-North Dakota" corporations, seeking to ensure that the organization is not re-located "out of the area," and the importance of adding value to "local" producers' products. Unlike the privatizing discourse, the oppositional positions lacked the support of an expertise narrative.

De/Reprivatization Discourse

Re-privatization strategies acknowledge these oppositional arguments while simultaneously dismissing their legitimacy. It pushes power relations back to the individual or private level. Farmers as a populist group or a class interested in empowering themselves cease to be a central goal of the organization. Instead, return on investment for the individual owners, whether farmer and local or non-local investor, becomes the central and singular organizing principle of the organization.

The hallmarks of discourse opposing conversion from a member-owned cooperative to an investor-owned firm are distrust of big business, advocacy for family farmers, and countervailing non-North Dakota interests, among others. The oppositional narratives frames power, or lack thereof, not as an individual farmer concern, but rather as a larger voluntary-populist or social class issue. Thus with organizing, individual powerlessness becomes a political issue. DGPC was organized to empower and amplify the voice of this community of farmers so they would have greater influence on the forces that affect their lives. They took action by forming a democratically designed cooperative organization. Retention of cooperative structure also means retention of the various existent tensions specified earlier. Oppositional discourse does not argue for elimination of tensions, but rather for survival of the cooperative, but in particular its democratic, multiple "use" (ownership, governance, benefits) and local emphases.

Re-privatizing discourse tends to take shape as a "yes/but" or straw man form. In the SEC filing and in various news accounts, the board and management of the cooperative sought to displace oppositional interests and privatize member concerns. Opponents indicated that 1) converting from a cooperative to an investor-owned firm would reflect poorly on cooperatives generally and suggest they were an inferior form of business organization; 2) Durum farmers might lose their market for durum; 3) Non-farmer interests might gain control over the new investor-owned firm; and 4) out-of-state interests might acquire the company and remove it from local control.

Proponents of conversion argued that, yes, board members took pride in the image of cooperatives, as well as cooperative membership, but conversion was a necessary change. Yes, conversion to an investor-owned firm was necessary to avoid business failure and achieve expansionary goals, but conversion should not be taken as a reflection on the inferiority of the cooperative form of business. Yes, conversion would be an unfortunate loss, but the investor-owned firm would remain a self-help, neighborly pasta maker. Yes, selling stock to non-farmers could result in non-farmer control, but the new company would still be owned and controlled by North Dakota farmers. Yes, out-of-state interests would likely invest, but the conversion would keep stock in the hands of farmers and still allow producers to be able to deliver durum to the company. And, yes, durum would be sourced from a much larger area, but the new company would retain its value-added emphasis.

These arguments were reinforced in news accounts in which cooperative managers maintained that the pasta operations as an investor-owned firm would not be significantly different from a cooperative. Indeed, members might expect more dividends under an investment business structure, while day-to-day operations would not be significantly changed. In fact, conversion could result in windfall profits. In news accounts citing the SEC filing, cooperative leadership maintained that, yes, loss of control was an issue, but local farmers would continue to have an influence on the board of directors, since a third of the seats on the board of directors were required to be filled by North Dakota farmers. By retaining this number for durum farmers and North Dakota residents, the board of directors maintained that the composition of the board of directors of the newly formed investment-oriented firm would be only "slightly different" from the composition of the board of directors of the cooperative. These arguments, as with the privatization discourse, were supported and given legitimacy, and were in part formulated with the expertise of a hired consultant team of legal, accounting, and banking advisors.

Privatization-De/Reprivatization Prevails

The privatization and re-privatization narratives prevailed when the vote was taken for conversion in 2002. Farmers ready to retire, and those who were not shipping anymore were more interested in equity liquidity and predisposed to arguments from management about the importance of capital access for expansion. The membership more generally became interested when projections were made about the market value of shares jumping with liquidity. One cooperative director suggested that after conversion shares could increase twenty-two times actual earnings, citing American Italian Pastà Company trading value at the time. This suggestion of windfall profits provided impetus for many members to vote for conversion as a way to maximize returns on investment (Gray, Stofferahn, and Hipple 2013).

Those arguing for retention of cooperative form, or opposing conversion, were poorly organized, and lacked access to information and adequate resources to rebut claims of the "experts." Their vehicles for articulation tended to take shape solely as "speaking up" at public meetings, and commenting for newspaper articles. With little to no resources or organization their critiques were limited to defending cooperative principle, citing the original purposes of the cooperative, and demanding the board and corporate officers substantiate their claims and predictions—which could be easily done with the help of hired expertise. Since management and the board were arguing from privatization and re-privatization narratives, the only time they offered cooperative "use," "local," and "voice" comments was in a "yes/but" format. The SEC filing for the conversion indicated that the board only conducted one study, and that was to determine which organizational form would provide better liquidity, as buttressed by experts. No studies were conducted to assess the longer range outcomes for farmer-members due to loss in cooperative form.

Post-Conversion Study: Stofferahn reported a re-analysis of the interview data in 2007 with a focus on the former members' (qua investors') specific responses to conversion. These interviews were conducted in 2003-2004. Board members and management were not interviewed given the CEO's comment that "upon the advice of legal counsel, any information on the board's position on conversion could be found in the company's filing with the Securities and Exchange Commission" (Stofferahn 2007). At this point a market for shares had not materialized and there was no liquidity for member owned assets. Particularly troublesome was the lack of information coming from the organization. Members of the cooperative had regular information exchanges through participation at meetings, and receiving quarterly reports, and newsletters. This flow of information all but dried up after conversion. Without a market established for shares, members had to rely on word-of-mouth to glean whether anyone had sold shares and at what price. There was little to no information about the profitability of the company, about the possibility of receiving dividends on their shares of stock, or the value of shares. Former members were profoundly disappointed, and even embarrassed about the results and reported a loss of pride due to the shift in status from member-owners to owner-investors (Stofferahn 2007; Gray, Stofferahn, and Hipple 2013).

Viterra and Glencore

In 2007 Viterra, an IOF, was formed out of three previous Canadian grain cooperatives and a private firm. Following this formation, it conducted an aggressive acquisition strategy (Viterra, accessed December 15, 2012, from http://www.alacrastore.com/mergers-acquisitions/Viterra_Inc-1026193). Eight major acquisitions were made, it acquired a stake in another company, and divested itself of another. This resulted in multiple offices in Canada and Australian. Its own genesis as rooted in cooperatives, was de-localized to a globalization strategy, and with all the acquisitions, an implicit bureaucratization, as directed by directors and management. The inherent tensions of a cooperative had been eliminated. The singular rationalizing logic of roi was adopted.

After several poor years of financial performance, 2009 marked a "very good year" financially for Dakota Growers Pasta Company. In 2010 Viterra acquired Dakota Growers. The board of directors of both companies approved the merger, which was structured as a tender offer (i.e., open offer to stock-holders) followed by an all-cash exchange. The liquidity that had been promised during the conversion decision was finally realized, eight years later. Many "shareholders" were resentful that the board and management had not achieved liquidity for the shares as anticipated by the conversion. Many farmers who had been "investors" in Dakota Growers saw the acquisition offer as their only way to sell their shares, and decided to "take the money and run." Reassurances were made by Viterra that the DGPC plants would not be closed and grain would continue to be sourced from farmers in the region (*Agweek*, March 10, 2010 accessed November 2012).

Of course what was once an asymmetry of information between management the board and members had become, with conversion, a very radical asymmetry in power. Farmers were now customers rather than members. The organizing logic became investment not use. The scope of the organization was disembedded from local to global. The organization as a point for voice of new and/or old social movement character, had been displaced by a voice, within a context of global competition, for rationalization to maximize product, growth, money, and power. This process was in part facilitated with a privatizing and reprivatizing discourse that neutralized and dismissed oppositional discourse.

The relationship between Glencore and the durum farm customers (no longer members) of Dakota Growers Pasta Company will likely parallel the one with Viterra, only more so. Agriculture products are only one aspect of Glencore's business, the home office is in Europe with multiple offices and activities around the globe. Its web publication "Glencore-Viterra: Information for Farmers and Growers," makes no mention of Dakota Growers or North Dakota farmers. It focuses on Australian and Canadian producers. Dakota Growers Pasta has shrunk to a much smaller part of an overhead, and owning

organization. There have been no reassurances, as came with the Viterra acquisition that the facility would continue to operate and source from local farmers. Individual farmers, as individuals, have become meaningless in terms of influence and power, as embedded within an organization that has also been charged with environmental, human rights, and accounting violation.

Much was lost with conversion. The comment from a neoclassical economics perspective rings even more hollow: "there has been no outward signs that the conversion has changed the overall long-term strategy of DGPC. It still used durum wheat from the region in its semolina-grinding and pasta manufacturing plants. The external capital has helped it expand, and DGPC is well positioned to take advantage of the changes in the U.S. pasta industry" (Boland 2012).

As long a DGPC can serve as a profit center for Glencore, there is a greater likelihood the facility will continue providing service to North Dakota producers. The original purpose to add value to farmers' products with a democratic, locally embedded organization that emphasizes use values, and empowers farmers has been lost. The flood gates of displacement permitting later acquisitions by Viterra and Glencore were opened with conversion and the consequent simplification to a singular roi rationality prevailed.

Conclusion

The analysis of the discourse of conversion indicated that the privatization and re-privatization narratives held sway over oppositional discourse. However also evident was the effective collapse of the democracy/capitalism tension even before conversion occurred. Fulton and Larson (2012) write about the asymmetry of information between agents, i.e. leadership of the cooperative, and principals, i.e. the members. While members offered oppositional discourse critiques of the conversion option, they were easily dismissed by managers and directors holding technical information that was supported by consulting experts. Members were left to articulate at meeting with little organization and no expert support. The resultant conversion to an IOF resulted in the elimination of inherent cooperative tensions. Dakota Growers became a tool for profit, money, and power, ultimately to be captured by Glencore. A "person-use-democratic organization" had devolved and was tipped to emphasize "return on investment-share-organization." Democracy for members was replaced by bureaucracy for capital. Local niche and farmer embeddedness were displaced by a singular customer relations, and farmer powerlessness within a far flung, multi-product transnational corporation headquartered in Baar, Switzerland. Voice, and the possibility of alternative social movement logics, whether new or traditional, was eliminated. Elimination of the defining inherent tensions of cooperative organization was complete and farmers were dis-embedded from their local organization.

We have not spoken to a larger societal production/consumption tension as articulated by Mooney (2004). As promised we will give some brief discussion to its fundamental importance for societal organization. This will be followed by a brief consideration of possible recommendations to mitigate some of the pressure on cooperatives to convert.

There was little comment and narrative concerning links between farmers and consumers (i.e., production to consumption) in the conversion discourse. However it is of central importance in the context of challenges from the larger socio-political-economy. The current organization of agriculture tends to treat various environmental and human costs as externalities. There is little opportunity, beyond direct government regulation, to bring these costs inside business decision-making, particularly as organized around IOF logic and rationality. This is in part due to the severe market separation of production and consumption. Production and consumption interests tend to be understood at antagonistic poles. Yet they presuppose each other, one requires the other. Production anticipates consumption, consumption anticipates production.

As a potentiality and as articulated from an earlier tradition of cooperative development, Voorhis (1961: 150) suggests the development of a cooperative commonwealth: "if a considerable proportion of farm crops [and food] could be sold directly by farmer-owned enterprises to consumer-owned ones, the spread between what farmers receive and what consumers pay would amount simply to the costs of processing, transportation and sale." (as cited in Mooney 2004: 85). This would raise the possibility of better returns to farmers and lower prices to consumer. Perhaps more importantly, "member-users" of the respective services of agricultural and consumer cooperatives could provide, through democratic process, (and through the use values of governance, ownership and benefits) a basis for internalizing what has been externalized (Mooney 2004; Friedmann 1995, 2005). Health, environmental and land use concerns would no longer need to be as external—according to roi logic. With membership and use values of democratic governance and ownership, what exists in a member's life world (e.g. environmental and social costs among many other things) could be internalized.

The potential of cooperative organizations to internalize externalities with use-values, and through their respective democratic process, provides a potentiality for addressing these problems. In a relative sense, this potential is much greater than the singular rationality inherent in IOFs, given their characteristic external and disconnected relations among production, investment, ownership, benefit, and consumption. The emergence of community-supported agriculture (CSAs), though yet on an incipient level, demonstrates the viability of this linking. Many are organized either informally or formally along cooperative principles. To the extent cooperatives reduce or eliminate their democratic characters through conversion, they displace this potentiality.

Recommendations

Stofferahn's field work in North Dakota revealed support for certain policy recommendations that may serve to off-set pro-conversion initiatives and at least bolster oppositional discourse and allow for a more even handed treatment (Gray, Stofferahn, and Hipple, 2013).

Provisions in Canadian cooperative statues allow for a minority (20 percent) of members to call for a third party performance audit and review of management practices. Had such a provision existed in the Dakota Growers bylaws, a minority of members could have called for a review of the conversion decision, allowing for the possibility of expert discourse supporting oppositional discourse.

<u>Recommendation 1</u>

> Cooperative should consider adopting bylaw provisions that allow a minority of their members to call for a third party performance audit and review of management practices in the cooperative.

There is a similar position on scenario planning. In scenario planning attempts are made to identify different possibilities about the future based on uncertain but influential and driving forces. Under the Dakota Growers case, analysis "by a third party" could have sought to project the likely outcomes of conversion for members and for the cooperative business re: conversion versus remaining a cooperative. Based upon knowledge gained in this planning, a more informed and even choice might be made.

<u>Recommendation 2</u>

> In the event that the board of directors of a cooperative is considering conversion to an investment oriented firm, the board should be required to contract with an independent third party firm to conduct scenario planning to determine whether outcomes are beneficial or damaging both to the members and to the larger organization.

Some of the suggestions were more in the realm of public policy. Several lending institutions and state agencies offered low interest loans and other lenient fiscal allowances to support formation of Dakota Growers Pasta Cooperative. The appropriation of public funds was to realize a public purpose of encouraging economic development, to provide collective benefits to the state and private benefits to cooperative "members." With conversion benefits would now accrue to individual non-resident, non-farmer shareholders. Equity raised in the cooperative for one purpose, had been converted in a corporation to another purpose. Suggestions were made that this process should be subject to a penalty.

Otherwise, there is nothing stopping any company from organizing under the guise of a cooperative in order to raise equity under extremely lenient terms, only later to convert to an IOF.

Recommendation 3

Public entities should consider policy that would impose repayment penalties and other disincentives on individuals and businesses that convert cooperative equity shares to private stock. Converted shares should be subject to a penalty in recognition that the equity raised in a cooperative for public purposes was converted in a corporation to private purposes.

Cooperatives as economic entities are one of a few institutions that retain semblances of democratic governance in early twenty-first century United States. Various processes of bureaucratization, centralization of decision making, asymmetries of expertise and information, and short term investment rationalities that externalize environmental and human costs, continue as we build a Weberian "iron cage" of modernity. Perhaps the academy of academics might give some greater focus to protecting and bequeathing institutions with potentialities of embedded democratic process, and voice to old and new logics of organization.

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