Historical Retrospective on the Conversion and Multinationalization of Dakota Growers Pasta Company

A Critical Discourse Analysis

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Centre for the Study of Co-operatives

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Contents

Abstract	vii
Preface	ix
Highlights	1
Section I: Introduction	7
Differences between Cooperatives and Investor-Owned Firms	10
Section II: Critical Discourse Analysis Theory	12
The Struggle to Define Needs and Responsible Groups/Resources	14
Categorization of Competing Discourse Frames	15
Section III: Critical Discourse Analysis of Cooperatives and Cooperative Conversions	18
Expert Discourse and Cooperative Conversion	18
Cooperatives as Oppositional Discourse	20
Reprivatization Discourse and Cooperative Conversion	26
Section IV: Dakota Growers Pasta Company: Analysis of the Conversion Narratives	29
Precipitating Problems: Creating the Context for Conversion	30
Expert Discourses	31
Oppositional Discourses	37
Reprivatization Discourses	45
Summary of Conversion Narratives	53
Section V: Postconversion Study	55
Lack of Information from Dakota Growers Pasta Company	55

Disillusionment about the Conversion 56
Concerns about the Status of Ownership Shares 57
Member Conclusions about the Outcomes of Conversion 58
Summary of Postconversion Findings 60

Section VI: Acquisition by Viterra, 2010 61
Viterra Acquires Dakota Growers Pasta Company 61
Conversion of Saskatchewan Wheat Pool into Viterra 61
Viterra's Aggressive Acquisition Strategy 63
Viterra Acquires Dakota Growers 64
Gains and Losses from Viterra's Acquisition of Dakota Growers Pasta Company 66

Section VII: Lessons Learned and Recommendations 67

Section VIII: Epilogue: Acquisition by Glencore, 2012 73

Appendix I 76
Figure 1: Weather, Disease, Delivery Problems 76
Figure 2: Equity Liquidity Discourse 77
Figure 3: Equity Access Discourse 78
Figure 4a: Oppositional Discourse: Voluntary-Populism 79
Figure 4b: Economic Arguments Using Voluntary Populist Justifications 80
Figure 5: Social Class/Collective Action Discourse 81
Figure 6a: Reprivatization Narrative Using Economic Arguments 82
Figure 6b: Reprivatization by De-Politicizing Issues 83

References 84

List of Publications, Centre for the Study of Co-operatives 92

Abstract

THIS REPORT provides a ten-year retrospective on Dakota Growers Pasta Company from its conversion from a new generation cooperative to an investment firm in 2002, its subsequent acquisition by Viterra, a Canadian multinational corporation in 2010, followed by Viterra's acquisition by a global, European-based, multinational firm in 2012. The original vote for conversion surprised many in a state with a long tradition of supporting cooperatives. Results of a critical discourse analysis of the conversion debate describe the conditions, arguments, and discursive strategies that influenced the decision. Personal interviews were re-examined in 2007 to parse out the postconversion reactions of former members (*qua* investors). Following a summary of lessons learned, the report provides recommendations for offsetting future initiatives seeking to convert cooperatives to investor-owned firms.

Key Words: new generation cooperative, cooperative conversion, critical discourse analysis, Dakota Growers Pasta Company, Viterra, Inc., durum.

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Preface

This report provides a ten-year retrospective on Dakota Growers Pasta Company (DGPC) from its conversion to an investment firm in 2002, its acquisition by multinational Viterra in 2010, to Glencore International's acquisition of Viterra in 2012. The Glencore discussion is presented in an epilogue to the paper. The main section of the report presents an analysis of the discourse that occurred around the conversion by examining three types of communication formats: the DGPC board's filing with the Security and Exchange Commission; news accounts and editorials in print media; and testimony from DGPC cooperative members and knowledgeables gained through personal interviews. We draw upon Fraser's discourse categories — expert, oppositional, and reprivatization — to better understand the various narrative frames used in the arguments for and against conversion. We also re-examine personal interviews to assess members' reactions to the conversion after it occurred. And we review the reasoning used in the two acquisitions. The conversion is seen as the lynchpin that de-centered the organization as a locally owned firm, resulting in opening the gates to eventual ownership by a controversial, European-based company. We conclude with a summary of the lessons learned and offer several recommendations to cooperatives keen to protect themselves against conversion and acquisition.

Highlights

THIS REPORT provides a ten-year retrospective on the 2002 conversion of Dakota Growers Pasta Company (DGPC) from a new generation cooperative to an investment-oriented firm (IOF). This conversion opened the door for the acquisition of DGPC by a multinational corporation, Viterra, Inc., in 2010, followed by Viterra's acquisition by Glencore International in 2012.

The 83 percent majority of members voting to convert to an investor-owned firm confounded cooperative supporters and observers in the State of North Dakota, which has had a long tradition of opposition to big business. Given the state's populist agrarian history and the prevalence of cooperatives and cooperative members in the region, as well as DGPC's business success, conversion had seemed unlikely. Many in the state were left with questions of how this event could have occurred. To address some of the unanswered questions, we conducted an analysis of the discourse around the decision, parsing out narrative styles that supported and opposed conversion. This analysis was followed by a more focused re-examination of personal interview data in 2007, giving greater attention to the former members' (*qua* investors) specific responses to conversion after the fact. We continued to monitor the organization through its 2010 acquisition by Viterra and, ultimately, its acquisition by Glencore International in 2012. The Glencore discussion is provided as an epilogue to the overall work.

In the narrative analysis, we used the work of Fraser (1989), as developed to understand debate through critical discourse analysis. Fraser contends that three kinds of discourse frame the arguments for and against a controversial issue: expert, oppositional, and reprivatizing. In our case, the controversial issue is cooperative conversion. Economic reasoning — neoclassical economics — was the dominant discourse used to initiate the discussion, especially to explain, justify, and defend the need for conversion. Schrader (1989) and Collins (1991a, 1991b) identified four motives for cooperative conversion from this neoclassical perspective: equity liquidity, equity access, corporate acquisition, and cost of equity. With neoclassical economics central to the conversion discussion, Fraser would contend that "expert" discourse is used to buttress these dominant messages; "oppositional" discourse presents a rebuttal and argues from political-economic rather than strictly economic frames; and "reprivatizing" discourse dismisses the opposition's political concerns as irrelevant or not credible.

The DGPC board's recommendation for conversion, though motivated in part by weather and disease that interrupted the delivery of a sufficient quality of durum, were premised on neoclassical economics assumptions and bolstered by "expert" consensus from the cooperative's accounting and legal advisors. Their unquestioned assumptions became the dominant discourse in the debate. Two discourse frames were evident in the "expert" rationale for conversion: equity liquidity and equity access. The board argued that cooperative farmer-members who were unable to produce and deliver durum, especially those nearing retirement, now sought to cash in their membership shares. Sales of delivery rights were by contract, limited to farmer-members only. It was argued that conversion would infuse non-member investor dollars into the DGPC and members would have a market to liquidate their equity. The board/management also argued that business expansion was essential if they were to compete in the pasta market. DGPC needed access to equity to fund that expansion, and conversion would provide that equity access. Becoming a "major industry player" was central to this second expert discourse frame. According to this argument, conversion would make more capital available from a broader range of investors and financial institutions and permit various expansionary scenarios.

Opposition from supporting cooperative members focused less on the neoclassical economics of conversion than on the founding principles of cooperative formation. Supporters used three oppositional frames to argue against conversion. Two discourse frames were from a voluntary-populist perspective and one was from a farmer social class/collective action perspective. Democratic control and one-member, one-vote were key to the first set of arguments. Conversion would change farmer-members to investor-owners and would expand participation by non-farmers. Voting rights would no longer be based on one-member, one-vote, but instead would be weighted proportionate to the amount of stock owned. The more stock owned by any one individual, the more weight would be given to that individual's vote. From this perspective, the risk of conversion was that non-local, non-farmer investors could gain control of the organization. Conversion could potentially concentrate power within the board of directors, because board members tended to be larger-volume farmers who would therefore own more stock. And conversion would risk a loss of the kind of information access traditionally provided to members, as well as a general loss of organizational identity as a cooperatively owned business. Such changes would constitute an abandonment of the principles that guide cooperative formation; gone would be the vehicle for empowering farmer-members in favor of a capital-gain principle that privileges return on investment.

The voluntary-populist arguments did consider economic rationales. One organizing principle for cooperative formation was to empower farmer-members. This was done by increasing the value of their durum, developing a value-added market for it, and providing a price hedge for it. With conversion to an investor-owned firm, durum would no longer carry a premium but would be bought as cheaply as possible in order to maximize returns on investment. The loyalty of the organization would no longer be to members and their interests, but rather to stockholders and increasing the value of their stock.

A third oppositional discourse frames farmers as a social class. Central to this frame were concerns about loss of the organization as a vehicle to empower farmers as a group. This discourse overlaps with the voluntary-populist discourse, though it is much more centered on farmers as a collective group. Conversion meant loss of an organization that could advocate for the collective interests of the group to stay in farming, to oppose much larger non-local organizations, and to prevent relocation of the firm out of the local area. Conversion to an investor-owned firm would mean that return on investment to non-farmer investors would take precedence over these other farmer-class concerns. These oppositional arguments were acknowledged but quickly rebutted in the reprivatization discourse of those who favored conversion.

Proponents of conversion used two reprivatization discourse frames in rebuttal to opposition over conversion: economism and de-politicization. The economism rebuttal privileged economic reasoning as the single and legitimate rationale for conversion. This discursive frame maintained that if the cooperative did not convert, the pasta company would likely fail. Conversion to an investor-owned firm promised returns on investment, increases in the value of shares, and the possibility of windfall profits. This frames arguments in terms of individual gains — i.e., shares, return on investment, windfall profits — but does not consider the larger collective membership issues or the founding principles for cooperative organization. This shift ignored the significance of the cooperative as a member organization and dismissed group interests in a populist sense, or in a group collective sense.

The de-politicization rebuttal acknowledges oppositional discourse, e.g., conversion reflects badly on cooperatives, non-farmer and/or non-local interests could gain control of the organization. But conversion proponents claimed that the cooperative was at a competitive disadvantage with other pasta firms and could go out of business without a conversion. And they made assurances that precautions would be taken to prevent external control or a corporate takeover. The firm would still be a neighborly pasta maker, controlled by North Dakota farmers, with leadership and daily operations no different, but with possibilities for greater growth and returns.

When the vote for conversion was conducted, 83 percent of members voted in favor of converting DGPC from a member-owned cooperative to an investor-owned firm.

In our re-analysis of interview data, we focused on the specific reactions of former cooperative members and cooperative knowledgeables after the conversion occurred. We had interviewed former cooperative members, now investor-owners, to assess their reactions and their opinions of the new company, as well as to learn the status and progress of DGPC. This interview data is perhaps skewed or biased towards the opposition because DGPC board members and management, as directed by the CEO, declined to participate. Nevertheless, four general themes were found to have salience:

- concerns about lack of information from the firm
- disillusionment about the conversion and the firm
- questions about the status of their shares
- conclusions about the outcome of the conversion

Cooperative members had regularly received information about DGPC through participation in meetings and from newsletters, quarterly reports, and annual meetings. This flow of information all but dried up after conversion. Board members became very "closed-lipped," and rumors tended to fill the void in the dearth of information. Some of those interviewed expressed cynicism and embarrassment about DGPC after conversion. Cooperative members had thought a market would develop for the shares, and liquidity — even windfall profits — could occur. These predictions proved premature, if not outright wrong. Former members were particularly concerned about the status of their shares. Equity liquidity, an important incentive for conversion, had not materialized. Although many interviewees indicated their willingness to be patient for a market to develop for their shares, there was some frustration and impatience regarding how long the wait might be. A sense of member control, or influence over one's destiny, was nearly absent from the postconversion comments. Perhaps a proxy for these lost cooperative goals was dissatisfaction with how little information was forthcoming to former members (turned shareholders) in the postconversion period. These, of course, were not unanimous critiques, as many proponents of conversion continued to be strong supporters of the new DGPC. Despite continued controversy, supporters of conversion remained.

In 2010, when the acquisition of DGPC by the multinational corporation Viterra, Inc. became final, all pretense of being a North Dakota "mom-and-pop enterprise" evaporated. The history of conversions, mergers, and acquisitions that characterize the creation of Viterra illustrates the threats posed to supporters of cooperative organization.

Glencore International acquired Viterra Grain in 2012 for $6.2 billion. In its descriptions of acquired Viterra assets, it lists a number of items under "processing acquisitions":

- five oat and specialty grain milling facilities in Canada and the US
- two pasta production facilities in the US
- one canola processing facility in Canada
- 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, the former locally owned farmer cooperative has been reduced to a sourcing subsidiary of one of the largest multinationals in the world — Glencore, ranked fourteenth on the Global 500 (Money.cnn.com 2013). Glencore is 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.

By examining the controversy, the discussion and debate, and the arguments that influenced the decision and vote to convert, we learned lessons about how cooperative advocates and funders might protect their cooperatives from conversion pressures and acquisition by a publicly held, non-local corporation. From these lessons, we make the following three recommendations:

Recommendation 1

> In the event that the board of directors of a cooperative should begin to believe that the cooperative would be better off as a corporation, the board of directors should be required to contract with an independent third party to assist it in conducting scenario planning. Any cooperative considering con-

version should engage in scenario planning to determine whether the outcome of conversion is beneficial both to the members and to the cooperative.

Recommendation 2

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

Recommendation 3

Public entities should consider a policy that would impose repayment penalties and other disincentives on individuals and businesses that convert cooperative shares to private stock. Cooperatives should consider incorporating such disincentives for share conversion by purchase by non-members into their bylaws' disincentives for share conversion for purchase by non-members. Converted shares should be subject to a penalty in recognition that the equity raised in a cooperative for a public purpose has been converted in a corporation to a private purpose.

Section I: Introduction

On 5 May 2010, Viterra, Inc. announced its acquisition of Dakota Growers Pasta Company (DGPC) for US$240 million. This acquisition included DGPC's durum milling and pasta production plant at Carrington, North Dakota, and a second pasta production plant in New Hope, Minnesota. Prior to this acquisition, Viterra's total sales were $6.6 billion (Viterra 2010), and the company employed 1,429 people (Hoovers 2010).

Headquartered in Regina, Saskatchewan, Canada, Viterra is a global agribusiness with facilities in western Canada, Australia, and New Zealand, and operations in Southeast Asia (Japan, Singapore, and China), Europe (Switzerland), the United States, and Canada. The company operates in three distinct businesses: grain handling and marketing, agri-products, and value-added processing. According to a Viterra press release, their "expertise, close relationships with producers, and superior logistical assets allow the company to consistently meet the needs of the most discerning end-use customers, helping to fulfill the nutritional needs of people around the world" (Viterra website 2010). Acquired by Viterra, DGPC emerged as a subsidiary of a globalized firm with transnational production and sales locations.

Absent from the press release was any indication of the organizational origins of either Viterra or DGPC. Viterra was organized in 2007 from the merger of two other companies, the Saskatchewan Wheat Pool and Agricore United. Although publicly traded, the origins of these companies had been in farmer-owned cooperatives. Until 1996, when it was converted to a publicly traded company, the Saskatchewan Wheat Pool had operated as an organizational aggregation of several previously existing cooperative wheat pools across western

Canada. Agricore Cooperative Limited was formed in 1998 as the result of a merger between the Alberta Wheat Pool and the Manitoba Pool elevators — both farmer-owned cooperatives. It merged with the United Grain Growers cooperative in 2001, and then with James Richardson International to become Richardson Agricore in 2007. With this action, Agricore emerged as a publicly traded company in 2007 and no longer operated as a cooperative. The company was short-lived, however, due to a subsequent merger with the Saskatchewan Wheat Pool to form Viterra, Inc.

Dakota Growers Pasta Company was incorporated in 1991 and became operational as a new generation cooperative in 1994. DGPC supplied 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 (Hoovers 2010). In 1999, DGPC had annual sales of $297.4 million and employed 439 workers. This new generation cooperative converted to a publicly traded company in 2002 and was acquired by multinational Viterra, Inc. in 2010. Viterra was acquired by Glencore International in 2012.

The chain of events that resulted in conversion, followed by acquisition, was a surprise to many. Proponents of DGPC's conversion lauded its "new generation" structure as drawing both from the close member relationships of a cooperative and the financial sourcing capabilities of an investment-oriented firm. It had been successful as a business, expanding to become the third largest pasta producer in the US. A number of observers suggested it as a useful model for other agri-business development initiatives (Bielik 1999; Boland and Barton 2001; Boland et al. 2002; O'Connor and Thompson 2001;Trechter et al. 2000; Zueli et al. 1998).

However, in 2002, in an unexpected move, it converted to a publicly held company. Of the 1,155 members in the cooperative, 1,115 cast votes; 83 percent voted in favor of the conversion. The vote astounded many cooperative members and observers. Few would have predicted it, given the company's successful history and North Dakota's long history of championing cooperatives.

Second only to Minnesota in the total number of cooperatives, North Dakota had more than 470 cooperatives and 402,435 members between 1999 and 2004 (Kraenzle et al. 1999; NDAREC 2010; NDATC 2010; NDCU 2010; Penn et al. 2011). Of those 470 cooperatives, 268 were agricultural cooperatives at the time of DGPC's conversion (Kraenzle et al. 1999; Penn et al. 2011).

When it comes to business forms, the socio-economic culture of North Dakota is arguably more politicized than that of most other states. The state has a long tradition of anti-corporate sentiment and opposition to big business (Mooney and Majka 1995). Given the state's populist agrarian history, the prevalence of cooperatives and cooperative members in the state, and DGPC's business success, conversion had seemed unlikely.

This report provides a ten-year retrospective on the 2002 conversion of the Dakota Growers Pasta Company from a new generation member-owned cooperative to an investor-owned firm, a conversion that opened the door for the eventual 2010 acquisition of DGPC by the Canadian multinational corporation Viterra, Inc.

We begin by explaining the main differences among cooperatives, new generation cooperatives, and investor-owned firms. We then introduce the theories that underlie our analysis of the "discourse of conversion," that is, the arguments that characterized the discussion and debate, and how these arguments were framed by proponents and opponents of conversion. We proceed to apply these theories through critical discourse analysis to the three types of communication formats that comprised the "transcripts" of the conversion debate: 1) the DGPC board of director's filing with the Security and Exchange Commission; 2) news accounts and editorials in print media; and 3) testimony from DGPC cooperative members and knowledgeables gained through personal interviews. Through this analysis we demonstrate how the conversion controversy was framed by three kinds of discourse: expert, oppositional, and reprivatization — and we describe these discourse frames and the strategies with which they were employed. Next we present data from a re-analysis of the original interviews, pulling out reactions specifically to the conversion. We identify the major themes that characterized individual reactions to conversion and the status of DGPC. We follow this with a narrative about Viterra's 2010 acquisition of DGPC and then conclude with a summary of the lessons learned from the ten-year retrospective, offering several recommendations to cooperatives keen to protect themselves against conversion and acquisition. An epilogue details the 2012 acquisition of Viterra by Glencore International, the fourteenth largest firm on the Global 500 list.

Differences between Cooperatives and Investor-Owned Firms

Traditional Cooperatives

Cooperatives are a type of corporation characterized by multiple member-owners who are user-members (Dunn 1988; Ling 2012). Incorporated under state law, cooperatives operate under a unique set of principles and practices. They are governed by a board of directors elected by and from their membership (the board hires the CEO to manage the company). The cooperative derives equity from member-owners and operates for their benefit. Cooperative earnings are allocated to members based on use. Three unique principles guide cooperative formation and conduct — user-owner, user-control, and user-benefit:

- the people who own and finance the cooperative are those who use it
- the people who use the cooperative are those who control it; they exercise that control by attending meetings and voting, electing their board of directors, and making decisions on major cooperative issues
- the cooperative's sole purpose is to provide and distribute benefits to members on the basis of their use

Cooperatives may have three core business functions: marketing, purchasing, and service. Marketing can extend control of members' products through processing, distribution, and sale, assisting members to maximize returns from the goods they produce. Cooperatives provide affordable supplies and goods, purchase in bulk to reduce costs, and increase purchasing power. Cooperatives can also provide needed services, including credit, insurance, education, utilities, and technology, among others.

Overall benefits can include:

- 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

Cooperatives are characterized by several unique practices. Patronage refunds distribute earnings to members based on use. Members form cooperatives for service, not for monetary return on investment, so they receive limited return on equity capital. Cooperatives cooperate among themselves through networks, alliances, joint ventures, and working relationships, and they promote the cooperative way of doing business by educating all participants.

Differences between Member-Owned Cooperatives and IOFs

Cooperatives differ from other businesses because they are member-owned and operate for the benefit of members, rather than to earn profits for investors. Cooperatives operate on the principle of one-member, one-vote, in contrast to the weighted votes of stockholders, which leave many without a voice in decision making. Democratic values are manifest by member participation in cooperative decision making and are consequently stronger relative to investor-owned firms.

Torgerson et al. (1998) outline a range of practices, routines, and organizational arrangements that array traditional cooperatives, new generation cooperatives, and investor-owned firms along a continuum of purposes from life meaning to service to profits. An emphasis on service can result in local responsiveness, decentralized decision making, participation, and involvement. In contrast, an emphasis on efficiency and profits can result in organizational hierarchy, top-down authority structures, and centralized decision making. Along this continuum, new generation cooperatives, with their emphasis on efficiency and profit, more closely resemble investor-owned firms. This focus on the bottom line can result in a tendency for new generation cooperatives to adopt an "investor" rather than a "user" culture.

New Generation Cooperatives

A new generation cooperative is different from a traditional cooperative in several respects. Patrie (1998) distinguishes five unique characteristics of new generation cooperatives. First, producers are required to make an equity investment before securing delivery rights. Second, agreements between the producers and the cooperative associate the delivery of products with the number of equity units they purchase. The combined total of delivery rights is equivalent to production capacity. Third, the cooperative authorizes the purchase of commodities for undelivered contracts. Fourth, the equity shares are transferable by sale to other eligible producers at prices agreed to by both parties. The value of the shares appreciates or depreciates depending on their earning potential. Although the cooperative board of directors does not set prices, board members must approve all sales of stock to ensure that they remain in the hands of eligible producers. Fifth, the cooperative issues cash patronage refunds annually to producers. Because equity is pledged before business begins, a majority of the net profits can be returned to producers in cash dividends (Stofferahn 2007).

SECTION II: CRITICAL DISCOURSE ANALYSIS THEORY

A NUMBER OF STUDIES have been done on the conversion of the Dakota Growers Pasta Company (Bielik 1999; Boland and Barton 2001; Boland et al. 2002; O'Connor and Thompson 2001; Trechter et al. 2000; Zueli et al. 1998), including a chapter in the recently published book, *Cooperative Conversions, Failures and Restructurings: Case Studies and Lessons from U.S. and Canadian Agriculture* (Fulton and Hueth 2009). Most of these studies used a standard neoclassical equilibrium approach to the analysis and are written from an economic perspective. This report is distinct from previous studies of conversion and its consequences because we attempt to use critical discourse analysis to understand the dynamics of conversion from a member-owned cooperative to a publicly traded company.

Critical discourse analysis focuses on the ways social, political, economic, and cultural power relations are reproduced by text and talk. It is premised on the position that there is unequal access to linguistic and social resources (and therefore power) in the socio-political economy, and such resources are controlled institutionally by differentially empowered groups. This approach perceives language as a site of ideological struggle for resources and advantage (Wikipedia 2010). Discourse analysis is designed to examine larger societal themes and macro approaches to controversies and problems in order to reveal implicit but hidden assumptions in differing narratives and the power implications of those narratives.

The proposal for conversion, along with the subsequent discussion, debate, and decision, were communicated and influenced by language, particularly through argument and persuasion. Discussion and debate (i.e., discourse) took place in private and in public among members, and between members and the board of directors, and was conducted publicly in meetings and in the press. Accordingly, we analyzed this discourse via the DGPC board's Security and Exchange Commission (SEC) filing for conversion, newspaper articles, editorials and letters to the editor, as well as personal interview data. We did this to demonstrate how competing discourses — that is, arguments for and against conversion — were framed and communicated to influence the decisions of farmer-members of DGPC.

At the risk of over-simplification, advertising provides an easy example for understanding discourse analysis. Commercials suggest that use of a product will make you happier, more popular, even more competent. Countless advertising images of automobiles, liquor, cosmetics, pharmaceuticals, personal care products, and even food make the link to self-acceptability and community and group acceptance. Each commercial advertisement is a mini-play, presumably addressing a perceived consumer need, as advertisers compete for the consumer dollar. While these mini-plays are often presented as common everyday vignettes of people's lives, they convey messages ordered to capture consumer thoughts, impressions, and dollars.

In larger economic and societal decisions, predominant ways of thinking about and expressing various issues can sometimes become so entrenched in everyday discourse that our responses seem natural, logical, and rational, rather than arbitrary. As with advertising, everyday language, narratives, and "common sense" decision making can carry implicit messages and positions of power without the speaker's intention or conscious awareness. Again, at the risk of over-simplification, take, for example, entering a building using the front steps. It is "common sense" that most buildings are built with front steps; that's only natural. What's invisible in this common sense behavior is that steps don't facilitate entry for some people; they impede it. The prevailing discourse doesn't permit considering the alternative of a ramp.

Patterns of problem solving are socially constructed by prevailing discourse; they are taken as logical, rational, and even universal ways of thinking about and solving problems. Thus our common admonition to "think outside the box." The box is the prevailing discourse or frame that limits our consideration of alternatives. It took dogged determination and persistence expressing an "oppositional" frame — the discussion and debate that preceded the Americans with Disabilities Act — to push into public awareness an alternative and more socially inclusive way of thinking and acting (and entering a building).

Using critical discourse analysis, it is our intention to make explicit the implicit and hidden discourse frames used to influence the decision and vote for cooperative conversion to an investor-owned firm later acquired by Viterra. Our purpose is not simply to use this information to better understand the various arguments used to support or oppose conversion, but to better democratize decision making by cooperative members and to provide recommendations and suggestions on how cooperatives can protect themselves from conversion and acquisition by investor-owned firms and multinational corporations.

The Struggle to Define Needs and Responsible Groups/Resources

Fraser (1989) and Prieur (2006) suggest that the differences between various societal positions, (e.g., classes, races, genders, regions, organizations, etc.) produce "needs struggle." Each group or class has particular needs. Power relationships lead to competition over how needs are identified, legitimated, and addressed. Prieur (2006) argues that needs struggle determines how needs are identified and defined, who decides how they are defined, and what resources are drawn upon to meet them. In other words, is the need real? If real, whose responsibility is it to satisfy that need? Is it the responsibility of the individual, the family, the faith community, civil society, the market, or the state (local, state, and federal government)?

For example, are child care, health care, education, agriculture, rural livelihoods, and food safety legitimate needs? If so, whose responsibility is it to provide for these needs? Different groups (e.g., class, race, gender, region, organization, commodity group, or consumer) are likely to have their own beliefs and interpretations. Positions on these needs are expressed through narratives — or discourse frames — about whether and how societal resources should be provided to meet those needs. Dominant group narratives tend to hold sway in these struggles and competition for societal resources.

Determining Where Responsibility Resides

Fraser's (1989) work suggests possible locations within society where the responsibility for meeting such needs may lie: the individual, private, or domestic sphere; the economy or the market; or larger civil society and/or the state. Fraser argues that dominant societal groups seek to maintain responsibility for meeting such needs at the individual or familial level. Larger societal resources are not held as legitimate sources for help. Explicit struggle can occur, however, when subordinate groups are able to push levels of deprivation and disadvantage into greater public awareness, catching the larger public's attention and, with it, broader degrees of civic responsibility.

Some examples of narrative frames that locate responsibility within the individual or familial spheres include:

- People are responsible for their own poverty and hunger due to personal failures, deficiencies, or choices.
- Occupational injuries and mining accident deaths are due to worker carelessness, so it is the responsibility of workers to avoid accidents and of families to take care of those injured.
- Farmers lose their farms because they are poor managers and technological laggards who have failed to stay current with technological innovation. There simply isn't a market to support small farm inefficiencies.
- People living in rural communities with high unemployment and low amenities should move; small rural communities are dispensable.
- People who object to food additives or food produced with pesticides and herbicides don't have to buy it.

Problems or needs such as poverty, hunger, worker safety, farm and rural community survival, food safety, and nutrition are seen as individual or familial responsibilities, or "free-market" and economic efficiency issues. Alternative narratives (e.g., internal dependency/colonial theory, alternative agriculture) might identify other issues: societal barriers that keep people in poverty; industrial behavior that places workers at risk; strategic exploitation of farmers and rural communities for cheap food, cheap labor, mineral resources, and as environmental dumps for the remainder of society. Prevailing or dominant discourse frames tend not to permit alternative interpretations. Moreover, these discourse frames keep competing interests out of larger public awareness and out of competition for scarce resources. Hidden within these prevailing frames are relationships that benefit more empowered groups relative to the less empowered. These different ways of thinking and the languages they engender represent competing discourse frames.

Categorization of Competing Discourse Frames

To analyze the conversion discourse, we employ the schema Fraser developed to categorize competing narratives. When power differences exist within and across groups (e.g., class, race, gender, region, organization, commodity group) and struggles for resources occur, these struggles get played out through different frames. Fraser identified three competing narrative frames: expert, oppositional, and reprivatizing.

Expert Discourse

Expert discourse often serves as a tipping discourse, giving legitimacy to one particular narrative over another. Fraser cautions, however, that it tends to be used most frequently in reprivatization strategies, i.e., pushing opposing voices back into the sphere of personal and familial responsibility.

Fraser describes expert frames as conservatizing, having a reprivatizing bias. Such frames tend to be associated with the social sciences of universities and think tanks, the legal discourse most often produced in legal institutions, and administrative narratives promulgated by business or government.

1) Expert frames tend to redraw political-economic problems as technical issues. The gritty realities and everyday voices of those disempowered and disadvantaged can be quickly lost, for example, in the cost-benefit and regression narratives of technicians.

2) Most analyses carry the cachet of "scientific" neutrality, as well as the names of associated persons and associated prestigious organizations. Lost in these expert frames is the fact that scientific neutrality is frequently relative; "science" often has implicit and unacknowledged agendas (Busch and Lacy 1982; Buttel 2000; Kinchy and Kleinman 2003; Kleinman and Kloppenberg 1991). The validity and objectivity of particular approaches becomes relative to the specific discourse frame being used, e.g., neoclassical economics, conflict sociology, anthropology. The proof of an approach is dependent on the approach utilized.

3) Moreover, it is not unusual for expert consultant fees to be so exorbitant that only those benefiting from original power differences can afford to pay them. "Science-based" analyses, while methodologically neutral, may only be available to those who can afford them, introducing a bias in favor of financial advantage (Mooney 2004; Mooney and Gray 2002; Mooney, Roahrig, and Gray 1996).

We acknowledge Fraser's caution that "expert discourse" may work to the advantage of interests with disproportionate power and finances, but also emphasize the existence of "critical" expert-discourse, or narratives she prefers to term "bridging-discourse." Presumably these narratives better link the language and voices of the less empowered to public analyses and protests.

Oppositional Discourse

Fraser suggests that the conditions of social and economic inequality, deprivation, and other inherent power disadvantages can at times produce such severe difficulties — e.g., high unemployment, malnutrition, poverty, massive family-farm loss — that a breakdown can occur in more dominant narratives that assign responsibilities solely to individuals and their families. The weight of un-met social and economic needs becomes so obvious that it pushes into larger societal awareness and triggers public sensitivities to responsibilities beyond the private sphere.

Conditions of need, inequality, and/or political powerlessness can become so obvious to groups with inherent common interests (i.e., "we're all part of the same group") that opposing social actions, protests, and social movements may emerge. If these actions/protests/movements endure for any length of time, it is often because a discourse frame or order has developed that brings solidity to the group and to the pursuit of their respective group aims. Previous ways of thinking about problems — e.g., they're solely individual problems — are not as easily accepted and may be displaced by this "oppositional discourse."

Needs from the disadvantaged position push into public consciousness and the political sphere of civil society and become understood as legitimate social, political, and economic demands, rather than the failings of individuals and/or their families, i.e., "blaming the victim" for the negative consequences of being in a less empowered position in society (Parenti 2007; Ryan 1976). The civil rights movement, the feminist movement, the cooperative movement historically, and various farmer actions and farm protests are examples. These narratives oppose the prevailing or dominant discourses about inequality and disadvantage and may displace them for some period of time. In this process, a case for a realignment or redistribution of societal resources may be made.

Reprivatization Discourse

While the aims of less-empowered groups may gain ground by their oppositional discourse frame, Fraser suggests that a "reprivatization" discourse frequently emerges to challenge "oppositional" narratives. Reprivatization language, while acknowledging some socially recognized as well as politically legitimated need, may redefine responsibilities back into the private individual and domestic spheres of society.

These reprivatization narratives tend to accept some descriptive assessment of the need, e.g., "yes, there exist some unmet needs of social significance" — unemployment, worker safety, commodity support, rural livelihoods, nutrition — but from this reprivatizing frame, unmet needs are re-framed back to an individual or private issue. Counter-pushes, resistance, and struggle occur around how needs are defined, who is included, and what is and is not considered the responsibility of the larger civil society.

SECTION III: CRITICAL DISCOURSE ANALYSIS OF COOPERATIVES AND COOPERATIVE CONVERSIONS

OUR ANALYSIS of the Dakota Growers Pasta Company (DGPC) conversion uses the three broad discourse frames identified by Fraser — expert, oppositional, and reprivatization. Each of these major discourse frames has closely related sub-frames and sub-narratives. Much of the expert discourse frame used in the DGPC conversion was drawn from neoclassical economics, in particular, arguments of equity liquidity and equity access. The oppositional discourse is drawn from voluntary-populist and social-class/collective-action narratives. And the reprivatization discourse, in response to the oppositional discourse, is drawn from the sub-discourse areas of economism and de-politicization.

Each of these sub-frames will be explained more fully as they are introduced in the text. The authors are aware that many readers will not be familiar with these terms. We are introducing a relatively new method of analysis to the study of cooperatives, though it is heavily utilized in such fields as anthropology, linguistics, and literature. We also use a qualitative research approach, in that it is a limited case study with foci on narratives and meanings of events rather than quantitative descriptions.

Expert Discourse and Cooperative Conversion

Schrader (1989) and Collins (1991a, 1991b) were perhaps the first to formally examine conversions from a neoclassical economics perspective. They identified four motives for conversion: equity liquidity, equity access, corporate acquisition, and cost of equity.

Equity Liquidity

Schrader (1989) argues that the more successful a cooperative, the greater the incentive to convert to an investor-owned firm. Success for Schrader is defined as an increase in the market value of the cooperative in relation to its original purchase or book value. When a discrepancy between book value and market value occurs, members face what he calls the cooperator's dilemma: "a cooperative that produces net earnings in excess of the opportunity cost of equity capital may be worth more to investors as an ordinary corporation than it is as a cooperative to patrons" (1989: 44).

According to the cooperators' dilemma, members have an incentive to convert a cooperative to an investment-oriented firm when their investment in the cooperative as a typical business exceeds the value of their participation in it as a cooperative, especially if they have limited time horizons (e.g., they are close to retirement). This calculation is made purely in terms of value locked up in the equity of the firm. Members may simply decide to "cash-in" by selling out the organization. Of course in a cooperative, unlike in an investment-oriented firm, to "cash-in," members as a group must decide as a group to sell the organization.

Equity Access

The equity-access thesis suggests that in order to grow (or stay in business,) some cooperatives may need to go outside the cooperative for capital, given a lack of capital availability from current members and/or low (or no) cooperative earnings. Cooperatives may gain greater access to capital if they convert to a publicly held corporation and sell stock. These situations are not unusual when growth-oriented managers face a membership that is reluctant to borrow money or to provide enough equity capital to make expansion possible (Collins 1991b).

Corporate Acquisition

The corporate acquisition thesis refers to the possibility that conversion incentives come from outside the cooperative. There are numerous reasons a cooperative might be desirable as an acquisition by another firm. For example, a firm may wish to expand and integrate across different geographic locations, and/or add different products (horizontal integration). It may also wish to integrate vertically, adding products and processing capacities from the farm gate to the consumer plate. These incentives are really no different from acquisition enticements of any other firm.

Cooperatives, however, are unique in having the additional incentive of closer links to their member patrons than a private firm has to its everyday customers. Investment-oriented firms may find cooperatives an enticing acquisition, different from other firms, by acquiring a co-op's loyal patronage base, while simultaneously not having to take on the responsibilities required of a membership organization (e.g., member meetings, information demands, democratic governance requirements). Like other acquisitions, firms ultimately exercise these economic strategies to expand scale, expand volume, differentiate products, spread costs, and increase profits.

Cost of Equity

The cost-of-equity motive refers to the situation in which the assets of a cooperative have high market value and the organization presents a low-risk picture (as an investment opportunity). Outside investors might be interested in purchasing stock. Cooperatives may choose to issue stock to the public, not because they cannot generate equity from within (the equity-access thesis), but because outside investors may pay well for the stock issues (as a safe and lucrative investment), thereby representing low-cost capital for the firm.

These various motives may mix in different combinations. Members may be willing to liquefy the cooperative when an investment-oriented firm seeks its acquisition, particularly when members are not willing to make more capital available internally. These incentives for conversion are all the more appealing when a cooperative's cash value is larger than its book value.

Cooperatives as Oppositional Discourse

Historically, the production of agricultural commodities has generally been done by independent farmers, each producing a small share of total market output. This modest contribution by individual farmers, among many producers overall, essentially leaves the farmers without market power. In market structure literature, they are termed "price takers," because individual farmers do not have the ability to influence the price of any product they sell or buy and thus have little choice but to accept the price they are offered. If they refuse to sell, buyers simply purchase from another farmer who will. This undercuts the individual farmer's ability to negotiate for a higher price. This is exacerbated by the fragility of agricultural products, which often demands a fairly quick sale, adding a degree of inflexibility and market dependence compared with most manufactured products.

In contrast, farmers often buy from and sell to firms that have the potential to be "price-makers." Price-makers may have sufficient market power to affect the total quantity of product in the market at a given time and/or to affect the prevailing price. Price-makers can be of several different types, including monopoly and oligopoly sellers, monopsony and oligopsony buyers, and oligonomies that sell and buy. These firms can control quantities of product on the market and prices paid for products without fear of losing buyers or sellers to competition. Such firms have the power to influence prices and terms of trade to the disadvantage of small independent producers.

Various authors have examined oligopoly (sellers) and oligopsony (buyers) relationships in food and agricultural markets and the potential they have for restraint of trade. (Bakan 2004; Domhoff 2009; Draffan 2003; Hartmann 2010; Korten 2001, 2007). The price-maker power of agriculture firms such as Monsanto, DuPont, and Syngenta, as well as Cargill, Archer-Daniels-Midland (ADM), and ConAgra have been the focus of a number of authors (Bonanno and Constance 2008; Heffernan and Hendrickson 2002; Hendrickson et al. 2001; Howard 2009a, 2009b; Kneen 2002; Lieber 2002). These authors have documented price-maker power in the seed industry, meat packing, feedlots, grain elevator storage, corn milling, soybean crushing, and animal feed, where extraordinary market power both in selling to, and buying from, farmers have placed farmers at severe disadvantage in the marketplace. Dairy processing and food retailing offer additional examples, and the reader may note that ADM executives were found guilty of price-fixing charges in 1998 (Lieber 2002).

Farmer Group Action as Oppositional (Countervailing) Power

These power relationships are not new relative to individual farmers, who have had to struggle against much larger businesses for decades. Farmland Industries, a cooperative first organized in 1929, was formed to oppose the pricing and supply policies of the Standard Oil Company (Fite 1978). Farmland filed for bankruptcy and went out of business 2002–2004. Lasley et al. (1997) in their report on "ethics" documents the struggle of farmers against the exploitive policies of railroad companies during the first half of the twentieth century.

More contemporary relationships are different in that the reach of large agribusinesses can now extend well beyond local and regional markets into the global arena. National and international firms can parse their sourcing and selling needs around the globe, setting up competition between localities if deemed necessary for financial returns and profits. Farmers themselves are much more vulnerable than in earlier eras in that large proportions of their input needs (e.g., feed, seed, fertilizer, agri-services) must be purchased rather than produced on the farm. Most recently, with the patenting of seed types, farmers are prevented from saving seed from crop harvests and planting them in a subsequent production year. To do otherwise is to be held in violation of seed company patent rights.

It bears noting that Fairbairn (2004) suggests the competitive pressures of size, competition, nationalization, and multi-nationalization, have been sufficiently strong that some co-operatives have taken on operational policies that resemble their larger corporate competitors. This is particularly the case in situations where cooperatives have formed strategic alliances and joint ventures with their large corporate competitors. These processes have resulted in bureaucratic forms that have distanced the organization from its members. These discourse frames enact narratives that oppose privatization.

Within the context of these power differences, farmers have organized cooperatives to oppose or "countervail" the dominant positions of these much larger, often deep-pocketed, agribusiness firms. The term "countervailing power" was first coined by John Kenneth Galbraith (1952). Galbraith had agricultural cooperatives in mind when he wrote his first tome, *American Capitalism: The Concept of Countervailing Power*. Countervailing power has since become part of a cooperative oppositional discourse. Two sub-discourse oppositional narratives particularly relevant to cooperative conversions have emerged from within this tradition: voluntary-populism discourse and social class/collective action discourse, also referred to as social materialism.

Specific Oppositional Discourse Frames and Cooperative Conversion

Voluntary-Populist Discourse

Voluntary-populist 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" (Cambridge dictionary online). 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. (Hereinafter, the voluntary-populist narrative will be referred to as both voluntary-populism and at times simply populism discourse for ease of discussion).

This discourse frame begins with the individual who is a joiner. These joiners come together with sets of similar ideas, values, and preferences to form a group, an organization, or even a market. The individual plays a central role — though it is a political individual — as a voluntary member of an organization.

As discussed previously, 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. Mutuality of interests among these individuals is central to organizational formation. Collective action is taken to gain a voice, and to gain power to achieve some end, e.g., develop a market, receive higher product prices, and/or lower input prices.

In agriculture, farmers as individuals may be suffering under the undue market influences of much larger and powerful firms, e.g., unreasonably low prices for goods sold or unreasonably high prices for supplies bought. From this perspective, the two predominant reasons attributable to the formation of agricultural cooperatives are of both a defensive and offensive character. As a defense, agricultural cooperatives have been formed when there have been exceptionally large production seasons, which bring low prices, and/or "hold-up" situations such that firms holding market power (as defined previously) can dictate prices to independent farmers. By aggregating, farmers may gain market power, coordinate sales, and improve incomes — thereby sidestepping exploitive relationships.

As an offense, cooperatives have been formed to strengthen the farmer-member bargaining position and to gain greater economic power in the marketplace generally. The individual plays a central part in this narrative and the organization itself is understood as subordinated to the collective needs of the voluntary joiners.

Frequently embedded in voluntary-populist conceptions of cooperatives are narratives on the differences between cooperative organizations and investment-oriented firms (IOFs) (Al-Sakran 1992; Craig 1980, 1993; Hakelius 1996; Knoke 1981; Lasley 1981; and Nadeau and Thompson 1996). Some of these differences are outlined here to highlight how populist conceptions conceive of losses when conversions occur.

Cooperatives are organized to meet the needs of the member-users of the organization. The users are the owners, and the user-owners gain benefits from the organization according to their use (Dunn 1988). Organizational direction is done democratically, typically by a one-member, one-vote principle. IOFs are organized to make a profit for the owners, i.e., the stockholders. The stockholders may never use the products or services of the firm. Stockholders supposedly control the firm by electing a board of directors that directs the manager. Stockholders hold voting power according to how much of the company — how much stock — they own. One stockholder may hold a sufficiently large proportion of votes to control the firm and shape it to his or her particular interests. Hired managers are often major owners of the firm.

Works by Craig (1980), Lasley et al. (1997), and Baarda (1986) are suggestive of cooperative losses given a conversion to an IOF. Management of information in IOFs tends to be limited or closed compared to cooperatives, in which it is open. Cooperative decision-making processes generally involve as many active members as possible. In the IOF sector, involvement tends to be limited to a dominant group of shareholders. Participation in cooperative planning ideally includes active members, elected representatives from the membership, and managers. In IOF businesses, planning generally involves dominant owners and managers. Aspirations integrated into the cooperative organization ideally are those of active members and elected member-officers. In IOFs, again, it is dominant owners and managers who generally shape the organization. Cooperation with other cooperatives is generally assumed beneficial to members. Relationships among IOFs are competitive and assumed detrimental to stakeholders in the respective organizations — if other than by investment or business contracts (Craig 1980). Further, the predominant rationale for decision making in IOF businesses is profit. In cooperatives it is service to members. And ideally, cooperative management of assets is ultimately based on developing efficient services for member needs rather than long-term accumulation of wealth (Craig 1980). From the perspective of voluntary populism, using a critical discourse analysis approach, cooperatives and investor-owned firms are seen as different kinds of organizations by design and purpose, by aspirations sought, and by relationships within the socio-economy.

When conversion scenarios emerge, the narrative of voluntary-populism produces commentary about loss of power and influence, and loss of democracy. Focus is given to how ties to locality would likely be weaker and the direction of the organization subject to influence by absentee, non-local interests, rather than the interests of member-farmers. Emphasis would be given to building awareness that the planning, aspirations, and direction of the organization would no longer be based on member-use, but on the turnover of capital and the return on investment. The focus of the organization would likely become re-focused from meeting broad member service needs to much narrower monetary issues. Conversions transform an organization designed for member empowerment to a tool of narrowly defined wealth accumulation.

Social Class/Collective Action Discourse

Class narratives have a different starting point from discourses embedded in populism. In populist analyses, the individual is always the initiating focus for understanding and study. Groups and voluntary organizations (cooperatives) are understood as formed from individuals coming together and pursing goals based on similar ideas and values. They then pursue these ends as a group, held together by common ideals, ideas, values, and preferences (thus, social idealism; see Hinkle 1994).

From a class perspective, the class itself is the central focus for understanding. Class is not just a group of individuals with similar ideas, values, and interests coming together to pursue some end, as with voluntary or populist groups. Rather, there is some defining relationship in how people make a living, or earn their "material" means of survival in the economy (thus, social materialism; see Hinkle 1994).

Most people are familiar with the term "labor class." Members of the labor class must expend primarily physical labor, generally for an hourly wage, in order to purchase necessary materials for survival — i.e., food, clothing, and shelter. This is the commonality of labor as a class. Historically labor, via labor unions, has been an oppositional force (with an oppositional narrative as defined previously) in the U.S. socio-economy, in seeking to achieve such goals as occupational safety standards, livable wages, and unemployment insurance.

Farmers, however, cannot be so easily summed up as a class parallel to a labor class. They do not have the same degree of commonality in their respective relationships to agriculture. They expend labor, but they also manage, they hire, they own, they rent out, and they rent. And these functions differ in degree by commodity and product raised, and region of the country farmed.

Similar to a labor class, however, farmers have a common material relationship in earning a living, not necessarily in the expenditure of labor (as a laborer) but in a basic production relationship to the land and agriculture. In addition, farmers historically have also had similar relationships of subordination to more powerful interests and organizations in the larger socio-economy — though again variable by product and region of the country.

For ease of discussion, we use the split term "class/collective action" to help capture in language:

- the disadvantaged power relationships of North Dakota farmers relative to larger corporate and global interests

- their common material relationships to agriculture
- their actions in forming cooperatives (not unlike the formation of labor unions) to offset power disadvantages

The authors acknowledge that applying the term "class" to farmers does not meet more rigorous definitions of class and farming as to be applied to all farmers in all commodities and regions of the country. (The authors recognize Mooney's (1988) careful specifications of contradictory class locations of farmers more generally).

To facilitate discussion, we use the term "class" in a tighter focus on North Dakota durum farmers who are marketing through an agricultural cooperative. These farmers have the common relationship to agriculture in earning their respective livings as durum growers with similar disadvantages in marketing in a global marketplace — often in buying and selling relationships with multinational corporations.

In the language of this narrative, cooperatives are seen as an agent of the class/group interests of these farmers. Their commonalities as a group are what are held important. Cooperatives are understood as arising to serve as a countervailing force against the market power of organizations that may exploit individual farmers' purchasing inputs or marketing production. Organizational purpose is primarily to help sustain farmer relationships to agriculture as a group, as a class, as defined above. This is a different focus from, for example, a neoclassical economics discourse, which places emphasis on making farmers, as individuals, more efficient, or the cooperative more efficient as a business.

Cooperative conversion would not be considered a reasonable alternative. Other narratives may weigh the financial advantages and disadvantages of a conversion. From a social materialist-class discourse, however, conversion is understood as a permanent loss of class power, whether as currently operating or as a potential in the future. Farmers would no longer have the cooperative as a current or even potential tool to oppose more powerful market interests. Conversion is understood as a societal force that contributes to the disempowerment of family farmers as a class/group (Gray and Mooney 1998).

Reprivatization Discourse and Cooperative Conversion

While the interests of less empowered groups may gain ground, as facilitated with an oppositional discourse frame, Fraser (1989) suggests a "reprivatization" discourse frequently emerges to challenge "oppositional" positions.

Reprivatization language, while acknowledging the existence of some socially recognized and politically legitimate need, may redefine responsibilities back into the private/individual and domestic spheres of society, i.e., "reprivatization." Some descriptive assessment of the need is accepted, e.g., "Yes, there exists some un-met needs of social significance — housing for example, or unemployment or poor diet, or a massive loss of family-sized farms" — but from this discourse frame, the problem gets pushed and reframed back to an individual or private issue. Fraser (1989, 172) suggests that two closely related reprivatization discourses are common in the larger civil society, i.e., economism and de-politicization.

Reprivatization by Economism

Economism is an approach to social problems using a discourse that limits terms and considerations to economic concepts only (Saul 2005). Economic exchange is understood as the only relevant relationship to consider when farmers are making participation decisions or assessing the performance of an organization, e.g., a cooperative. Measures of performance are always made in terms of an economic rationality, e.g., maximizing revenues and minimizing costs (Collins 1991a, 1991b; Schrader 1989).

It is considered rational for farmers to continue to participate and invest in cooperatives (or any organization) as long as the pecuniary benefits received are greater than the costs incurred, or the benefits foregone from competitive investments are less than the benefits earned (Schrader 1989). The central decision criterion for investor-members is to weigh whether they should continue to employ their capital in a cooperative or consider gaining a higher return through liquidation, sale, or conversion of the cooperative.

Seldom, if ever, is consideration given to such factors as the overall sustainability of family-sized farming, or overall family-farmer solvency in the joint and mutual interest of farmers together. Lost to analyses are such considerations as tradition, power, emotion, community, family, and culture, among others (Klamer 1987; Klamer et al. 2006; Mooney et al. 1996).

Neoclassical economics often serves both as an expert discourse and also as a reprivatization narrative by privileging economic concepts only, while eliminating such factors as familial, cultural, and power influences on decision making. Economic returns to individuals, organizations, and the multiple decisions of individuals aggregated into markets are held the central and determining factors of decision making. Little else is allowed to break into the narratives.

Reprivatization by De-Politicization

"A politicized issue … is a social, economic, theological, spiritual, scientific or legal issue which has become a political issue as a result of deliberate action or otherwise, whereby people become politically active over that issue" (Wikipedia 2011). This definition is consistent with our discussion of movements being able to bring into public awareness larger civic problems — e.g., malnutrition and poor diet, housing, child welfare, food quality, farm loss, global warming, unemployment — and to compete for and justify a claim on societal resources for a "greater good." De-politicization pushes these claims back to an individual/private and/or familial level.

Economism serves to de-politicize needs with discourse that maintains rigid boundaries between what are economic concerns versus political, cultural, domestic, or social issues (Fraser 1989, 172). It tends to be a singular argument that pushes unmet societal needs back into the arena of individual preferences and impersonal market issues.

De-politicization arguments allow in non-economic arguments, but in a "yes, but" manner. There are a series of concerns within agriculture that have broken into public awareness as legitimate political and larger civil society concerns, but then generate reactions that tend to negate their importance in the public sphere. Examples include: "Yes, the public has a growing awareness of the importance to restrain consumption for future generations, but it is also important to continue consumption levels to maintain and expand employment and income"; "Yes, organics may minimize exposures to pesticides and herbicides, but expanding world populations demand their continued use to produce greater quantities of food"; and, "Yes, a smaller scale agriculture can mean more people can know who is producing their food, but smaller scale does not have sufficient potential to feed everyone." Each comment brings public concern back to market considerations and dismisses concerns about conservation, health, personal relationships, and accountability.

Summary: Reprivatization Discourse and Cooperative Conversion

With regard to cooperative conversion, reprivatization narratives are typically rationales using economic arguments. Neoclassical economics, with its focus on individual values and preferences, tends to see cooperatives as aggregations of individuals *qua* individuals (Phillips 1994), or as businesses no different from other businesses (Helmberger and Hoos 1995). It eliminates from discussion any allusion to cooperatives as collective and democratic organizations formed to empower farmers as a group, be it as a voluntary group or as a class. Little, if any, consideration is given to the complexity of members, as not just individuals, but as members of families, communities, and social-economic or occupational groups.

Section IV: Dakota Growers Pasta Company: Analysis of the Conversion Narratives

In this section of the report we apply the various discourse frames introduced previously to the Dakota Growers Pasta Company conversion decision. We draw upon the three types of communication formats that comprised the "transcripts" of the conversion debate: documents filed by the DGPC board of directors with the Securities and Exchange Commission (SEC); newspaper accounts, opinion pieces in the editorial section of the state's major daily newspapers, and letters-to–the-editor; and testimony of cooperative members and knowledgeables obtained from transcripts of personal interviews.

We analyzed the DGPC board's filing with the SEC titled "Questions and Answers, Reasons for Conversion and, Risk Factors," along with news articles and interviews that quoted it. We also used three major daily newspapers in the analysis — the *Fargo Forum*, the *Grand Forks Herald,* and the *Bismarck Tribune* — and major agricultural weeklies — *AgWeek, Farm & Ranch Guide,* and the *Union Farmer*.

Of equal importance was a textual analysis of interview transcripts. Using a "snowball" technique, we first developed a list of members who had taken a public stand about the conversion in the media or in meetings. We also solicited recommendations from cooperative leaders — management, members, movement activists, and knowledgeables — to identify potential interviewees. This process resulted in a list of forty-nine persons, of whom twenty-three agreed to participate. Data from these texts and interview sources are voluminous, so we have elected for purposes here to present summary examples of various discursive frames evident in the comments, arguments, debates, editorials, and reports.

We discuss, in turn:

- the weather, disease infestation, and delivery problems that emerged and established a context for considering conversion
- two expert discourses in support of conversion — equity liquidity and equity access

- two oppositional discourses defending retention of a cooperative organization — voluntary-populism and social class/collective action
- two reprivatization discourses — economism and de-politicization

Two of the expert discourses described in the theory section — cost of equity and corporate acquisition — are omitted because we did not detect them during the analysis.

These discourse frames are extracted directly from our sources — SEC filing documents, newspapers, and interviews. For illustrative purposes and added clarity, we have diagramed each of these discursive frames (see Appendix I).

Precipitating Problems: Creating the Context for Conversion

Increased rainfall and humidity in the mid-1990s introduced a debilitating disease on Dakota durum wheat. Commonly known as scab, this infestation of fusarium head blight affected most of the area of northcentral North Dakota known as the Durum Triangle, noted for its high level of production of durum wheat. Scab is a fungal disease that is most often seen on spring wheat, durum, and barley in North Dakota (McMullen and Stack 1999). It reduces durum yields owing to the sterility of the florets and light-test-weight kernels. Scab also results in discolored kernels, which make the durum unacceptable for pasta production. In addition, it is high in deoxynivalenol or DON (vomitoxin) making it unacceptable for animal and human consumption.

With the scab infestation concentrated in northcentral North Dakota, the production of durum moved westward into areas less humid and not yet infested. As a result of this, a much smaller number of the original DGPC farmers were able to raise durum. With member-farmers unable to produce sufficient quality of durum to meet their delivery obligations, the cooperative formed a purchasing pool to buy durum from non-members in the members' names. According to Capper-Volstead rules governing cooperative formation, regulation, and taxation, at least half of the volume of the cooperative must be member business. Buying durum from the general wheat pool raised questions about member and non-member purchases and whether pool purchases qualified as member business. Use of the purchasing pool raised questions concerning capitalization as well.

This cascade of problems set the stage for considering conversion of the member-owned cooperative to an investor-owned firm. In their filing with the SEC, the board of directors argued that "conversion would eliminate the responsibility of members to deliver durum and resolve the delivery problem for members." Of course it would mean the member-farmer relationship to the organization would be forever changed, with farmers likely never being able to regain the status and influence of members.

Expert Discourses

The Equity Liquidity Motive

In our critical discourse analysis of all three types of sources — SEC filing documents, newspapers, and interviews — equity liquidity was the most often cited rationale for invoking the need for conversion to an investor-owned firm, and was the most persuasive argument prompting members to vote for conversion. This discourse focused exclusively on the investment potential cooperative conversion could provide.

Farmers, in general, are an aging population. In news accounts and interviews, cooperative members disclosed their desire to divest themselves of their shares for retirement purposes. Cooperative bylaws stated that members could only sell their shares to existing or prospective farmer-members. The fusarium problem was having two direct impacts: weather and disease problems were interfering with members' ability to meet their delivery obligations as active producers; and the fusarium blight cut down on the number of members who were producing at all. Since many members had ceased producing due to disease, there was little market for their shares, making it extremely difficult to "cash-out."

This lack of a market for shares affected all members, not just potential retirees. There were members, regardless of age, who wanted to sell. The equity liquidity argument made the case that conversion would broaden the market, potential investors, including non-farmers, could bid the price of shares up, share values would rise, and members (potential retirees and members generally) would be able to sell their shares. This would free up value to members wanting to sell, allowing them to invest in other ventures if they so wished. Some argued that the conversion would also make the firm more attractive for joint ventures.

As revealed in the SEC filing and some newspaper articles, the board of directors and upper management of the cooperative argued there was no other choice but to convert if they were still to be responsive to members' concerns about the lack of liquidity. They did acknowledge other alternatives, such as:

- continuing to operate as a cooperative with expanded membership
- converting to a limited liability company

- converting the milling operations to a limited liability company
- converting the pasta operations to an investment-oriented firm

None of these alternatives, however, received more than cursory discussion, and the board quickly dismissed them as unviable for a number of reasons. First, the board of directors concluded in the SEC filing that continued operation as a cooperative was problematic since it would not only fail to provide the desired liquidity, but would also limit the organization's access to larger capital markets, limiting the cooperative's ability to grow in the future. Second, conversion to an LLC would have adverse tax consequences. The company would have to pay capital gains on the appreciated value of the assets, and members would also have to pay taxes on the fair market value of any assets received in the redeemed liquidity. These tax burdens were estimated at $10 million. In addition to this exorbitant tax bill, it was doubtful whether equity liquidity could be improved with an LLC organizational form. Finally, the board also considered converting the company's pasta operations to an investment-oriented firm and the company's milling operations into a limited liability corporation. But since the lack of a consistent organizational form would likely be seen as a negative in capital markets, they concluded that this was not feasible.

In the SEC filing and the news items that reported on it, the board of directors argued that conversion to an investment-oriented firm was superior to other options in providing the share liquidity members desired. The SEC filing and news articles that focused on the equity liquidity argument invariably claimed that members, particularly the older ones, desired conversion.

> An indeterminable number of members of the cooperative (albeit it a sufficiently large number to justify serious consideration by the board of directors) … discussed the desirability of creating a more liquid market for the cooperative's securities.… With a not insignificant portion of the membership of the cooperative continuing to express concern about liquidity and durum wheat production, the board of directors of the cooperative further internally discussed possible solutions.
>
> — DGPC board's SEC filing

> Some members of the coop that invested in 1992 have approached retirement age and want to sell their stock. They are finding liquidity an issue because there's not many people buying or available to buy

> because there are fewer people raising durum because of the weather conditions and economics.
>
> — News Item #9, quoting DGPC's CFO

> The big selling point of the conversion was that this would be a way for people to get liquidity in their stock. They would be able to sell it because that was a concern to a lot of the more elderly patrons that there was just not much of a market for it or looking like it.
>
> — Member interview

> You know, the liquidity issue … I keep coming back to that because I think that was a huge issue. I think it got some people and probably just enough people to think, okay, I don't like the idea, but I don't raise durum and if I can get rid of my shares, I'll vote for it and then I'm done with it. I think that's how they swayed the vote.
>
> — Member interview

> While the board of directors discussed alternative wheat delivery systems within the cooperative, continuing to operate as a cooperative would not provide the liquidity to members or access to the public debt and equity markets that the cooperative may need to grow its business.
>
> — DGPC board's SEC filing

The claims of this equity liquidity discourse did not go unchallenged. The cooperative as an investment tool was not questioned, *per se*, but there were sentiments detected in the news articles and member interviews that questioned how the recommendation to convert was reached. These included queries such as: "Has any research actually been conducted to indicate that conversion would improve liquidity?" or "How is a market for shares going to be developed?"

The Equity Access Motive

After equity liquidity, the access to investment capital (equity access) argument was second in importance in convincing members to vote for conversion. The fundamental necessity of securing greater access to equity capital was reflected clearly in the SEC filing, newspaper articles, and interviews.

Expansionary Strategy: DGPC had taken an expansionary strategy to market competition throughout most of its years in business. This had been due to keen competition in the pasta industry, as well as for durum and semolina. In their strategic planning, the board and management had always planned to become "a major industry player," seeking 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 and increased costs. The expansionary strategy was legitimized by reports that competition in the future was expected to become much tighter. Additional capital would be required if the company was to maintain its current activities as well as to grow and expand. It was argued that conversion would be necessary 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. Board members articulated the following discursive frames in the SEC filing:

1. The cooperative itself, due to its structure, would not be able to serve as a source of needed capital. Members would not be a reliable source of new capital, and when members do provide capital, it is often not done in a timely fashion.

2. Large proportions of the capital retained by the DGPC had been returned to members in cash. Dividend payments to members drain capital from the company, thereby excluding it from expansionary purposes.

3. The cooperative could sell more equity shares to members, but this would compound the delivery problems associated with weather and production.

4. Private-sector lenders are often unfamiliar with cooperatives and can be reluctant or unwilling to lend to them. Some members recalled losing an acquisition because a financial institution was unfamiliar with cooperatives and after some consideration, refused to make the loan. DGPC's status as a cooperative "had interfered with several partnerships and joint ventures." Conversion would broaden the number of financial institution available for meeting capital needs beyond those typically available to cooperatives.

5. Conversion would increase the number of potential investors available to the firm.

The board bolstered its position in favor of conversion in the SEC filing by quoting recommendations from Bancorp Piper Jaffray, a large regional investment banking firm in the U.S., which recommended in 2000 that DGPC convert to a publicly traded company, claiming that conversion would result in access to greater amounts of capital. However, the resulting company would be too small to attract a significant public market for its securities, so it would also need to increase its size. These recommendations, as expert discourse, were used to legitimize the board's strategies for DGPC to become a "major player." Conversion would make greater amounts of capital available to expand and/or acquire other firms.

> Dakota Growers Pasta Company expects that conversion to a corporation will afford it greater access to capital markets, which may allow it to expand its business over time. We have no present plans to issue additional debt or equity securities, but if we believe it to be prudent and in our interests to acquire other businesses or invest capital in our facilities, we feel a corporate structure will make it easier to raise any necessary capital.
>
> — DGPC board's SEC filing referencing consultation with regional investment banking firm as expert

> Conversion will afford greater access to capital markets, which may allow it to expand its business over time, the company says in the filing. The document says the company is unlikely to obtain significant additional capital from its current members or other durum wheat producers.
>
> — News item #3, quoting DGPC board's SEC filing

> The stated reasons for the conversion are … to increase the potential for generating new equity for continued business growth. Both objectives are to be achieved by increasing the pool of potential investors beyond the farmers capable of producing durum.
>
> — News item #6, editorial by DGPC board referencing SEC filing

> I've liked the board's dream of going from where we started to number three. I'd like to see them grow, long term.… I think the board had a bigger dream than some of us might have had in the beginning.… Maybe we could be the biggest pasta company in the U.S.… How many of the biggest does North Dakota have?
>
> — News item #12, quoting non-oppositional member

> I think that was their philosophy. I mean, the people who are on the board of directors are bigger than average farmers and that's the way they.… I don't know if that's good, bad, or indifferent, but that's the way they do business. If something's successful, well, we'll just make it bigger, you know. If we're making money growing pasta or producing pasta and somebody wants to sell their company, let's buy, get bigger, and make even more money. That's just the way they did it.
>
> — Member interview

> We were also told that … as the company became a major force in the United States in pasta production that … there were opportunities to … partner-up, you know, or pursue kind of joint enterprises with others, and our cooperative status was apparently getting in the way of some of that.
>
> — Member interview

> They talked about capital acquisition and the fact that the board had wanted to do some expansion. There was an opportunity the previous year to buy another company that was for sale and they said that the financial institutions were not comfortable working with a cooperative. They weren't aware of how cooperatives worked so, therefore, they weren't ready, willing, or able to provide capital to Dakota Growers so that they could acquire this other company. So, they lost out on what they thought was a big opportunity to buy another company. They were just sure there were going to be a lot more of those opportunities coming down the road, but as long as we were a cooperative we would have trouble borrowing money so we could take advantage of those. As soon as we were a corporation, all the lending institutions understood those principles and they would stand in line to give us money.
>
> — Member interview

As with the equity liquidity arguments, the equity access claims did not go unchallenged. Evidence in newspaper accounts and interviews revealed questions about whether it was really necessary to convert the cooperative to realize the desired flexibility. Was access to equity constrained instead because an overly aggressive board comprised of larger-than-average farmers had pursued an expansion that ultimately weighed the cooperative down with excessive debt service costs and made the cooperative an increased credit risk? The board did not mention the risk that conversion would cause even more constrained access to equity: the state agricultural commissioner warned that public sources of capital, such as the Bank of North Dakota, would no longer be available to the converted company (News item #2).

The necessity for growth and expansion was a largely unexamined assumption in the entire discourse on equity access. Because the cooperative had grown and expanded significantly since its founding, many assumed this was the logical trajectory for the future. In order to convince members to vote for conversion, the SEC filing documents laid out the advantages for converting to an investor-owned firm, along with the disadvantages of remaining as a cooperative. Again, by drawing upon the expert discourse of equity access, buttressed by the expert opinion of a regional investment firm (Bancorp Piper and Jaffray), the board concluded that conversion to an investor-owned firm was the only choice possible if the company wanted access to the projected amounts of capital needed in the future.

> The portion of the opinion that relates to the issuance and receipt of Series D Delivery Preferred Stock is supported by reasoned analysis rather than definitive legal authority.… There is no legal authority on the issuance and receipt of Preferred Stock having delivery rights in an otherwise tax-free reorganization. If the Internal Revenue Service were to challenge and prevail on the delivery rights issue, then a shareholder would likely recognize ordinary income in the amount of the fair market value of the delivery right, and it is possible, but not likely, that the North Dakota corporation would have taxable income in the same amount.
>
> — DGPC board's SEC filing

> They indicated that IRS was hassling them because it wasn't exactly according to all their rules for a cooperative. If we wanted to operate as a cooperative, we were supposed to deliver, and this pool arrangement was kind of on the borderline of not being legal or not being according to IRS rules. The tax technicalities of that are beyond what I understand, but that's what we were told.
>
> — Member interview

Oppositional Discourses

Voluntary-Populism: Loss of Control

Those opposed to conversion employed the voluntary-populist frame as their most common type of oppositional discourse. Our analysis detected this discursive frame in news articles and interviews. The voluntary-populist perspective raised many concerns, including:

- loss of democratic control generally
- loss of control to out-of-state, non-farmer investors
- loss of patronage dividends paid to members
- loss of the one-person, one-vote principle
- significant speculation that conversion was an attempt by some members of the board to avoid term limitations set by cooperative bylaws, thereby preserving their power and influence
- loss of information provided to members by the cooperative via membership meetings and newsletters

The one-person, one-vote principle was particularly contentious, although not new or exclusive to the conversion controversy. From the early beginnings of DGPC, there had been disagreements between the more cooperatively oriented members and some board members. They debated how election districts would be set up. Should districts be sized based on number of shares owned or by the number of members residing in a region?

With conversion, the membership-as-governance issue would no longer be problematic. There would be no members, *per se*. Owners would be stockholders and votes would be based on the number of shares, or proportion/of total stock owned. Opponents saw a particular risk of investors becoming dominant owners of the firm. This would likely shift the original purposes of the organization from empowerment of farmer-members (with democratic governance) to an organization focused on narrower economic concerns. Others speculated that conversion was an attempt by some members of the board to avoid term limitations (as set by cooperative bylaws) in order to preserve their power and influence. There was also the anticipated loss of information provided by the cooperative to members through newsletters and membership meetings.

Newspaper articles and editorials paralleled issues disclosed in the various interviews. Editorials argued that conversion to share voting created a de-democratizing vulnerability in the organization. Share voting could allow a small number of people to control the company if a significant percentage of stock were to be acquired by a small group, or even a small number of individuals operating independently. It would also open the door to non-local, non-farm interests controlling the firm via sitting on the board of directors. These potential board members (as investors, not producers) would have primary interests in policy that would benefit stockholders as investors, rather then local farmers as producers.

Perhaps the most influential discourse in the voluntary-populist frame came from the editor of a major daily newspaper, who commented on how the loyalty of the investment firm to stockholder expectations for high rates of return on investment would likely come at the expense of prices paid to producers for durum.

The voluntary-populist frame also highlighted the loss of the ideological appeal and unique identity of cooperatives. Local farmer-owned products have a populist appeal with consumers that blends well with other consumer concerns for food quality and food safety. Conversion of the cooperative would result in the loss of this local farmer-owned organizational form, vulnerability to outside forces, as well as a dilution of farmer ownership and control. An investor-owned firm would lose consumers' identification with pasta produced by a farmer-owned and -operated business using North Dakota raised durum.

> Control issues that must be addressed by members of Dakota Growers Pasta include: — The importance of continued farmer control. — Importance of continued control within the region. — Possibility of control gained by a national or multinational firm and the impact of that occurrence. — Performance of a farmer-dominated board vs. an external investor-dominated board. — The impact of the board composition (farmer or investor) on stock values, liquidity, debt acquisition and additional stock sales.
>
> — News item #6

> The new bylaws of the proposed Dakota Growers Pasta Co. specify that five of the seven to 15 directors must be residents of North Dakota. These bylaws permit the possibility of control moving to non-farmer, out-of-state entities. It is possible to structure a conversion to a corporation and maintain farmer control. Saskatchewan Wheat Pool converted to a corporation, yet restricted voting rights to one specific class of stock owned only by farmers, and maintained the one-member-equal-one-vote principle.
>
> — News item #6

> The current member/patrons of Dakota Growers Pasta receive benefits from their stock ownership through the sale of durum to the cooperative, equity stock appreciation, the right to trade stock with other farmers and the allocation of profits through patronage refunds. Under the corporate structure, the delivery and sale of durum to the business is optional. Allocation of profits as dividends to investors is not automatic. Many corporations will retain profits to grow the business or reduce debt. The primary benefit to investors comes from increased stock values that can be converted to cash through the sale of the stock.
>
> — News item #6

> Becoming a corporation takes away the structure that makes cooperatives unique. That's important not only in its own right, but also because of the price advantage, which the uniqueness commands in the marketplace. In other words, it would change the company's image, and quite possibly for the worse. Cooperatives in America have a certain cachet or market power, which on a food label can rival that of the words, 100 percent organic. Both

labels reassure the consumer about the product's origins: its quality, safety — and, in cooperatives case, its distance from agribusiness, a Big Business and anti-farm stereotype that makes many consumers recoil. "This identity is a fundamental value created by the new (cooperative) organization," write Peter Goldsmith and Hamish Gow, farm economists at the Urbana campus of the University of Illinois. The premiums that producers are searching for will materialize not only by reorganizing into new organizational forms, but more importantly by creating unique value not found elsewhere in the marketplace. Consumers across the country are sympathetic to the plight of producers on the American farm. Let them know a grocery product hails from a cooperative that is farmer managed and owned, and those consumers will respond. They'll buy the product and just might pay a premium for it, too.

— News item #7

The change marks the end of the one-member, one-vote principle of coop ownership, and this will increase the power of the board. The current coop board of directors and officers control 2.2 percent of the total number of shares and voting rights. If the conversion had occurred Jan. 25, they'd own 11 percent of the common stock and will have greater influence over matters submitted for votes than they had as coop members.

— News item #5

The reason I didn't like it is because … the investors basically lose all their control … whereas a cooperative you had more of a say I would say, you know, one person, one vote. Now, with the corporation, the ones who own the most shares have the most say in the company and what the company does.

— Member interview

Although I guess I'm not sure that we ever had a lot of control even from the beginning, at least we had an information stream, the board and management put out a newsletter three or four times a year telling us what was going on, as well as having the district and the annual meetings.

— Member interview

[He] did mention that one of the concerns raised at the annual meeting was the possibility of a hostile takeover. The board said they discussed that and put in provisions in their filing with the SEC to avoid the possibility of a hostile takeover, but [he] said there is nothing to prevent really a large company from coming in and buying up shares of stock and then getting controlling interest. The provisions the board put in place mainly delay the process or put roadblocks up, but nothing really to stop it.

— Member interview

Another thing, the board was able to stay in power by changing over because their term limits were coming up, I think it was a nine-year term limit, so they were able to stay in control that way. I guess I'm probably a little more skeptical of the board than most, but I'm not too impressed with them. There is a lot of conflict of interest on that board, so I guess I'm a little skeptical.

— Member interview

Just on the pure economic financial self-interest, we gave away an opportunity, I think, to receive dividends on earnings and, looking back, we would have received some pretty good dividends on earnings, or would have been eligible to receive good dividends on earnings, because there were good earnings last year. That money could have been dividended to the members.

— Member interview

[We] knew what a coop was, attend an annual meeting, if the company made money you got a dividend back or a share of the profits, you know. If you had a corporation, then it goes up for public sale, public trading of stocks or shares. That's how you make your money in corporate America. You buy shares, buy them low, sell them high, that's how you make it, you know. People don't like that. The farming community wants to own a piece of the rock, as the phrase goes, you know.

— Member interview

To me, the big advantage to growers being members of this was it gave you that hedge, that price hedge that you really can't get off the futures markets with durum wheat. There is no futures contract that has any sort of stability that one can use to try and price protect. You can use a spring wheat hedge and a hybrid trading arrangement, and all those kinds of things, but nothing directly. To me, this was sort of an automatic one. I mean, if you're going to grow durum wheat and you were a member of Dakota Growers, you knew that for "X" percentage of your expected production, you had a market. Not

> only that, you knew that market, that you were going to sell this stuff to, was likely going to give you some price protection as well. So, if the price of durum went through the cellar, you would probably get a higher return as a grower at the end of the year from Dakota Growers because their profits would go up. So, that became your price hedge as well as a guaranteed market for the durum. To me, that was the strongest reason, the strongest rationale for being a member of Dakota Growers, and it was that rationale.
> — Member interview

> Yeah, loss of that whole idea that this is grown by North Dakota farmers and this is a special product because this is our best durum wheat. This is the best pasta you can buy. Maybe it still is good pasta, I don't know. You still buy it, don't you? We still buy it. If we see it on the shelf, we're going to pick that up because we own stock in it and even if I didn't, it's from Carrington, North Dakota, and we still have a certain amount of pride in it, but it's not what it was. It's just like Cenex Harvest States. It's not quite governed like it use to be, but it's still our company and we still have pride in it.
> — Member interview

Voluntary-Populism: Economic Implications

In news accounts and member interviews there were a series of other arguments from a voluntary-populist oppositional perspective that were framed solely on economic rationales. If conversion succeeded, members would be giving up a series of economic benefits in exchange for possible gains from investment stock appreciation and speculation.

Among the economic benefits that would be lost were patronage refunds (dividends), the potential for appreciating cooperative shares, contractually guaranteed sales of durum to the cooperative, and intra-membership share-trading. These benefits were among the original motivations for creating the cooperative, and their loss was a clear departure from the organizing principles on which new generation cooperatives were founded. DGPC was originally established, in-part, as a vehicle to gain economic advantages that a converted firm would lose.

Class/Collective Action Discourse

In the social class/collective action oppositional discursive frame, farmers are understood as a social group or collective with common interests who are often subordinated to economically powerful organizations in the marketplace and political arenas. These predominant firms are almost always non-local and frequently national and multinational in scope.

North Dakota has a striking political history of contention between liberal and more conservative interests (Mooney and Majka 1995). Cooperatives have been favored in the state as a tool for conserving and amplifying power for farmers. Cooperative organizing has harmonized with a parallel anti-big-business populist philosophy in the state (Crampton 1965; Mooney and Majka 1995). Many were established in North Dakota as farmer-owned economic institutions specifically designed to provide countervailing power against out-of-state corporations. These sentiments were based in a long history of out-of-state corporations removing value from agriculture, from North Dakota farmers, and from the state.

Though not as prevalent in the oppositional discourse on conversion as the voluntary-populist frame, the social class/collective action frame was articulated in a number of news accounts and interviews, arguing that:

- conversion was a loss of economic advantage for durum producer-members
- cooperatives are a means for farmers to take control of their destiny
- conversion threatens loss of control of farmer-generated capital to non-farmers
- the cooperative continues to be a solution to durum farmers' economic woes
- the democratic ideals motivating cooperative formation would be lost in an investment-oriented company
- North Dakota has always been an economic laboratory and cooperatives are part of that experience

Particular focus was given to losses and vulnerabilities to investor-oriented firms. Typical were sentiments such as: "Investors could relocate the plant elsewhere, away from local producers, in order to realize greater financial advantage for themselves" or "With conversion, the fundamental purpose of the organization would be changed from service to farmers to help them stay in business as a group, to making a return on investment for investors." The cooperative had already stepped in the wrong direction, according to opponents of conversion, departing from its founding principles as soon as it started using a buying pool. This loyal opposition reiterated the cooperative principles and strongly advocated that the cooperative should return to its original purpose as an economic organization of farmers oriented to keeping member farmers in business.

Statewide news accounts of responses from the North Dakota agriculture commissioner, as well as editorials in local newspapers, extolled the cooperative as an example of farmers organizing to control their destiny. The commissioner's comments recognized the cooperative's central role to act in the collective interests of farmers. Conversion would likely represent a permanent loss of this activity. Similar arguments were echoed by a local newspaper editor, who declared that cooperatives such as DGPC were organized with the intention of providing a way for producers to take control of their destiny by building a producer-owned cooperative to act in their collective interests. The conversion reflected a struggle between local producers and outside investment, illustrated by the rhetorical inquiry, "Are members of the cooperative willing to surrender control of the company to outside, non-farmer investors?"

> When it was organized in the late 1980s, Dakota Growers was presented as a kind of solution to the economic woes facing North Dakota farmers. The group's initial publicity — aimed at potential farmer members — emphasized farmers taking control of their destiny. When production began at the coop's plant in Carrington, ND, advertising aimed at consumers also stressed that Dakota Growers is a farmer-owned company.
>
> — News item #12, editorial by historian of North Dakota history and political observer

> It would be much harder to get APUC (Agricultural Products Utilization Commission) money for a corporate venture that is trying to do what Dakota Growers did as a coop. In my mind, this connection with the producer has been the selling point with a lot of these value-added ventures.… Dakota Growers is the one people hold up as the shining star of how farmers have taken control of their own destiny. If Dakota Growers goes corporate, it's going to be much harder to get producers to invest in another value-added venture.
>
> — News item #2, quoting North Dakota agriculture Commissioner

> There is a basic business question involved. A corporate structure would allow outside investors to own stock in the company and to have a voice in its management. Those prerogatives are limited to members of the cooperative. This, of course, is the question of capital. In a state with a radical past, this is a very big question. It's cropped up at critical times in the past, and each generation's answer has contributed to the state's political culture.
>
> — News item #12, editorial by historian of North Dakota history and political observer

> The state's reputation as an economic laboratory, established almost a century ago, is at stake. So is its self-image as a place where people get together to solve problems — and as a place where business is deeply distrusted. So is the deeply entrenched nostalgia that sees North Dakota as a David of yeoman farmers resisting the Goliath of big business and outside interests. So perhaps, is the political complexion of the state.
>
> — News item #12, editorial by historian of North Dakota history and political observer

> I suppose they can still say that if somebody will believe them, but they don't have anything to back it up and it's no longer geared to bringing economic advantages back to the North Dakota farmer.… Now that it's a corporation, it is still owned mostly by North Dakota farmers, but over time that will change and what I foresee in the future is some day there will be a board meeting and the management will come in and tell the board of directors, you know the machinery is all worn out at the Carrington plant and we are going to have to replace all that, and some accountant is going to say, if you're going to replace all of the machinery the building is just a shell, you're going to take everything out and replace it with up-to-date modern stuff, it would be just as cheap to build a whole new plant, and if you're going to build a whole new plant, that 2-cent-a-bushel advantage is to put it over here and good-bye.
>
> — Member interview

> The first argument is, why do we want to go that route? Now, there was a lot of thought that there is too much water over the dam with this non-member income. You know, they have operated it in a non–cooperative [way] so long that it's already not a cooperative, but the argument was we shouldn't have done that. We should have stayed true. So, I think that was the first reason people opposed the conversion. It was a bastardization of the system itself, and they resented that.
>
> — Member interview

Reprivatization Discourses

The hallmarks of discourse opposing conversion are distrust of big business, advocacy for family farmers, and countervailing non-North Dakota interests. The discursive arguments frame power, or lack thereof, not as an individual farmer or family 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 economically empower and amplify the voice of this community of farmers so they would have greater influence on the forces that affect their lives, the durum market, and farming generally. They took action by forming a democratically designed cooperative organization. Reprivatization strategies acknowledge these oppositional arguments while simultaneously dismissing their legitimacy.

Reprivatization discourse pushes the political aspects, or power relations, back to the individual or private level. The notion of farmers as a class interested in empowering themselves ceases to be a central goal of cooperative organization. Instead, return on investment for the individual owners — whether local farmer or non-local investor — becomes the central goal.

Reprivatizing discourse tends to be dismissive of all but economic arguments. It is characterized as "yes, but" discourse. With economic reasoning — i.e., economism, the dominant, if not the sole, discursive frame — little if any political, social, and collective reasoning is allowed into the discussion at all. Our critical discourse analysis of the board's SEC filing documents, newspaper accounts and editorials, as well as interviews, identified two frames of reprivatizing arguments in the debate on conversion. One focuses only on economic criteria, while another rebuts the political, social, and collective claims of the opposition.

Reprivatization through Discourse That Is Exclusively Economic

Economism frames tend to dismiss or subvert other considerations, such as farmers needing to influence their own destinies or cooperatives being a democratic tool to advocate for family farms. Economism emphasizes, instead, return on investment.

Any challenge to this reprivatizing discourse from the opposition was posed as a financial question, which illustrates how oppositional discourse gets pulled into the dominant discourse in ways that reinforce its legitimacy and dominance.

- Had forecasts been done comparing the profitability of DGPC as an investment-oriented firm versus remaining a cooperative?
- Had studies been done on other conversions?
- How had other companies fared financially when they had converted?

Ironically, management usually dismissed such questions as not relevant to DGPC's particular situation.

Context: When weather and disease problems began interfering with their delivery obligations, farmers formed a buying pool to supplement and replace farmer-member durum, buying wheat in members' names to meet contract obligations. Members were then billed for this purchase at the current market price and distributions from the cooperative were made through these contracts, regardless of whether members were actually growing the grain or not. Members who could no longer produce or deliver durum to the cooperative ceased to be as interested in whether value was added to the durum (one of the original purposes of the cooperative) and shifted their emphasis to the investment and capital stock appreciation aspects of the organization.

As in many cooperatives, a portion of margins in a good financial year could be distributed to members according to their patronage or the use they made of the cooperative. The greater the volume of product delivered by each member, the greater each member's overall return. This was apart from the appreciation of capital stock, which is also a factor of membership. Shares are tradable among members and capital stock has the potential to increase in value. Members could make financial gains by holding capital stock, and, given an appreciation in value, selling to other members. Those who had discontinued growing durum found grain price development itself less interesting and the capital and financial possibilities much more relevant. Once these particular interests were clear — i.e., increase the share value rather than the value of durum — those advocating conversion could emphasize the possible stock appreciation and return on investment aspects of a different organizational form.

In the SEC filing, the board of directors suggested that, after a conversion, the purchase of shares by non-producers would drive stock values up. Interview data indicated that members were led to believe that windfall profits would result from conversion. Other pasta companies, it was claimed, were selling shares at twenty-two times earnings, at ten to twenty times their purchase price, or at seven or eight times the current value of their own shares of stock.

The board warned that the cooperative would fail without conversion, because it simply could not compete with other pasta plants. While DGPC was buying durum at market price plus a premium (one of the reasons for the cooperative was to add value to members' durum), its pasta competitors were buying durum at the lowest possible price. Any requirement to continue to pay the premium would likely drive the cooperative out of business. The argument was made that if DGPC could not continue to be competitive, conversion was necessary to stay in business.

In this regard, reprivatization discourse essentially proposed that the fundamental purposes of the organization be converted from "service to farmers" to "return on investment," from matters of the group to matters of the individual. Larger group interests — e.g., farmers having an influence on their destiny — were not part of the economic logic; that argument had no validity or legitimacy in a privatization mindset and so did not appear in the reprivatization discourse.

> [He] appreciated coop dividends in the past, but now believes the primary way for him to profit from Dakota Growers is for the company stock to increase in value. And the primary way for Dakota Growers to be more profitable is to acquire its durum at the lowest cost possible. "If I'm expecting Dakota Growers to pay me more for my durum, how are they going to sell the pasta?" he asked.
>
> — News item #13, quoting non-oppositional member

> He said the coop ideal of acquiring grain only from its members is an antiquated idea because large competitors are buying grain wherever they please. Similarly, every farmer almost has a semi-trailer truck today and can drive by the local coop to market somewhere else.
>
> — News item #13, quoting DGPC board member

> Because I think they knew better than to think that there would be terrifically high value to stock if they converted to a corporation, but still I guess they must have been caught up in the whole stock market fever and admiration at the time.… I think they saw dollar signs in their eyeballs. I mean, I think they looked at Dakota Growers and started seeing dollar signs. Some people wanted a quicker return on their investment. I mean, we had been getting a fairly good return. The year before the conversion, the cooperative had not made any money, so there was no dividend that year and I think that people really thought, well, I want to sell some of my stock, make a bunch of money and keep some of it and sell it maybe later, but I think the overwhelming desire was to sell the stock and make a bunch of money. I think the fact that they weren't providing their own durum was terribly important to most people.
>
> — Member interview

> I think a large reason, though, was that when this conversion happened we had a booming stock market and I think people really had unrealistic expec-

> tations for making a great deal of money. If they would convert to a C corporation, they thought they could be trading their stock on some sort of stock exchange or finding non-farm investors to buy it at maybe ten or twenty times what they paid for it. One fellow at the annual meeting got up and said we should get forty times the value of our stock and he got, you know, just a crashing applause at the annual meeting for a statement that was, well, the bluest of blue skies. I mean, it was totally out of all reasonable bounds, so there were unrealistic expectations for economic return if they would convert to a corporation. I think that was the main driving force.
>
> — Member interview

Reprivatizing through De-Politicization Discourse

In addition to an economic frame that focuses exclusively on economic arguments, deprivatization discourse uses a de-politicization frame through which opposition arguments are exploited as "straw men" to be debunked, discredited, or dismissed. In the SEC filing and in various news accounts, the board and management of the cooperative depoliticized members' concerns; that is, they responded to certain concerns voiced by members who opposed conversion, but in a way that quickly dispatched them.

Opponents had several serious concerns:

- 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
- durum farmers might lose their market for durum
- the tax burdens of farmer-owners would increase because investor-owned, publicly traded companies are taxed twice, whereas cooperative income is taxed only once
- non-farmer interests might gain control over the new investor-owned firm
- out-of-state interests might acquire the company and remove it from local control

We have characterized reprivatization discourse as a "yes, but" style of argument. Nowhere is this better illustrated than in the arguments from a de-politicization frame. The "yes, but" strategy was easy to discern in our critical discourse analysis.

Proponents of conversion argued that, *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*, board members took pride in the image of cooperatives, as well as cooperative membership, *but* conversion was a necessary change. *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 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.

Somewhat greater attention was paid to the potential loss of control of the organization and a possible takeover by a firm outside the region, e.g., becoming a subsidiary of another firm. 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 were required to be filled by North Dakota farmers. By retaining this number for durum farmers and North Dakota residents, the board 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 the cooperative.

Part of the concern over loss of control by members had to do with the potential loss of a market for durum. This was acknowledged as well, but would be offset with the provision of Series D Delivery Stock to members. After conversion to an investor-owned firm, cooperative members would no longer be obligated to deliver durum. The issuance of the Series D Delivery Stock allowed members the discretion to deliver volumes of durum equal to those previously delivered to the cooperative; however, it was not guaranteed. The organization was obligated to buy farmers' durum *only* if it needed it. Thus, the "privilege" to deliver durum was not absolute and producers would have to watch the company's website to know when it actually required the wheat. Furthermore, farmers would receive the prevailing market price for their grain. Prior to conversion, members received the market price plus a premium whenever the market price was below a set level. Conversion would eliminate the "market plus premium" advantage. So, durum delivery rights were conditional and durum would be purchased at the existing market price.

That conversion risked the loss of local control was evident in the oppositional discourse in news accounts and interviews. Conversion from a cooperative to an investor-owned firm would make the pasta producer vulnerable to takeover by another firm. Again, the board acknowledged this concern but maintained that there were provisions in place to defend against a takeover. If any purchaser were to acquire 15 percent (or more) of the common stock, then a dilution of stock would occur in which additional stock would be offered for sale to create a larger pool of owners, thereby watering down what any individual owned and making a takeover unlikely. This is commonly referred to as a "rights plan." It allows current stockholders (other than the party holding 15 percent or more) to purchase additional stock at a discount. The board maintained this would have the additional benefit of keeping control at the local, producer level.

The existence of the rights plan, according to the board's SEC filing, would force a potential buyer to negotiate with the board of directors to avoid initiating the rights plan. This would give the board time to explore other alternatives and offers. Thus, the existence of the rights plan maintained the appearance of local control by farmer-stockholders (in contrast with farmer-members) and continued ownership as a North Dakota corporation. However, the board admitted that the rights plan was no absolute assurance that a takeover would not be initiated or, if completed, would be on terms favorable to the stockholders.

The depoliticizing frames could be detected in news reports of the SEC filing and interviews of cooperative board members. De-politicizing was a consistent response in board members' quotations.

> These are hard changes for some coop champions to swallow, [he] acknowledged. "With change, there's always pluses and minuses." Acknowledging the loss of the coop image is a strong negative. "We've always felt really good about being a coop, and we're going to miss that.… We're still going to be a mom-and-pop, people-help-each-other group of pasta makers.
>
> — News item #1, quoting DGPC board member

> The specifics of the situation that is facing Dakota Growers Pasta Co. is not about the general philosophy of coops and "corps." … We think it's great to be a farmer-owned business. It's true that non-farmers will be able to buy the stock, [but conversion has been] set up so it will continue to be controlled by, basically, North Dakota farmers.
>
> — News item #4, quoting DGPC board member

I think it's important for people to know that the board of directors of Dakota Growers does not consider this any kind of negative statement about the value of the cooperative structure.… On the contrary, Dakota Growers never has regretted its original decision to organize as a cooperative, and it proved itself under the circumstances at that time.

— News item #10, DGPC board member letter to the editor

The board: The same nine current board members will remain. They would serve the same three-year, staggered terms, with a third of the seats up for election in any year. The board legally could range from seven to fifteen members. In any case, at least five will be North Dakota residents. Of those five, at least three must have the ability and resources to produce small grains, including, but not limited to, durum.

— News item #5, quoting DGPC board's SEC filing

The new rules require farmers and North Dakota residents to hold some seats on the board. All of those things, individually, may not be huge, but taken as a group, they're going to be a very strong method of keeping the control in the hands of North Dakota farmers.

— News item #14, quoting DGPC board chair

The corporation creates a defensive mechanism against unwanted corporate takeovers. These would kick in if a person or group acquires or tenders for 15 percent of the corporation's common shares. A dilution would occur in which current shareholders could buy shares at a steep discount to the market. The mechanism can force a potential acquirer to negotiate with the board of directors, potentially giving the company time to find other alternatives or parties than the initial suitor.

— News item #5, quoting DGPC board's SEC filing

Several safeguards, including a stock dilution process, would kick in as an anti-takeover mechanism. This increases potential holdings by existing shareholders whenever a single stockholder exceeds 15 percent ownership.

— News item #14, quoting DGPC board chair

Dakota Growers will keep the coop philosophy in the form of Series D stock, which allows the stock to stay in the hands of growers in the position to deliver adequate-quality durum to the company. We're not giving up on

> the value-added side, or our link to the farmer, [he] says. We're still promoting this company from-field-to-the-plate.
>
> — News item #14, quoting DGPC board chair

> While this broader investor base isn't likely to change operations of the business, the filing acknowledges that future increases in durum costs could have a material adverse effect on operating profits.
>
> — News item #5, quoting DGPC board's SEC filing

Summary of Conversion Narratives

Our critical discourse analysis revealed all three discursive frames in the conversion discussion. Expert, oppositional, and reprivatization frames were each apparent in at least two of three communication formats — SEC filing documents, newspaper accounts and editorials, and interview testimony.

Two expert frames were used to promote conversion — equity liquidity and equity access. Weather, disease, durum yield, and delivery problems precipitated the conversion discussion. The equity liquidity discourse was the most influential in members' voting in favor of conversion. These precipitating conditions, coupled with cooperative rules limiting the purchase of shares to existing and prospective farmer-members, worked in tandem to depress the market for shares. This came at a time when aging farmer-members were eager to retire, would no longer be producing durum, and wanted to "cash in." From the equity liquidity frame, conversion would expand the pool of possible investors, improve the market for the shares, and allow members to cash in.

In the second expert discourse frame — equity access — firm expansion and becoming a "major industry player" were central issues. According to this argument, conversion would make more capital available from a broader range of investors and financial institutions, thus permitting various expansionary scenarios.

Three oppositional frames argued against conversion. Two were from a voluntary-populist perspective and one was from a farmer social class/collective action perspective. Democratic control and one-member, one-vote were key to the first set of arguments. Conversion would change farmer-members to investor-owners and would expand participation by non-farmers. Voting rights would no longer be based on one-member, one-vote, but would be weighted instead according to the amount of stock owned; the more stock owned by any one individual, the more weight would be given to his/her vote. From this perspective, conversion risked non-local, non-farmer investors gaining control of the organization. Conversion could potentially concentrate power within the board of directors because board members tended to be larger-volume farmers who would therefore own more stock. And conversion would risk a loss of access to information traditionally provided to members, as well as a general loss of organizational identity as a cooperatively owned business. Such changes represented an abandonment of the principles that guided cooperative formation; gone would be the vehicle for empowering farmer-members in favor of a capital gain principle that privileged return on investment.

Economic considerations were a second frame from the voluntary-populist perspective. The organizing principle for cooperative formation was to empower farmer-members by increasing the value of their durum, developing a value-added market for it, and providing a price hedge for it. With conversion to an investor-owned firm, durum would no longer carry a premium but would be bought as cheaply as possible in order to maximize returns on investment. The loyalty of the organization would no longer be to members and their interests, but rather to stockholders.

A third oppositional discourse framed farmers as a social class. Central to this narrative were concerns about loss of the organization as a vehicle to empower farmers as a group. This discourse overlapped with the voluntary-populist discourse, but was much more centered on farmers as a collective group. Conversion meant loss of an organization that could advocate for the collective interests of the group to stay in farming, to oppose much larger non-local organizations, and to prevent relocation of the firm out of the local area. Conversion meant return on investment to non-farmer investors would take precedence over these other farmer-class concerns.

Finally, two reprivatization discourse frames — economism and de-politicization — were employed in rebuttal to oppositional narratives.

Economism privileged economic reasoning, maintaining that if the cooperative did not convert, the pasta company would likely fail. Conversion to an investor-owned firm promised returns on investment, increases in the value of shares, and the possibility of windfall profits. This frame argued in terms of individual gains but did not consider the larger collective membership issues or the founding principles of cooperative organization. This shift in thinking ignored the significance of the cooperative as a membership-based organization and dismissed group interests in a populist, or group collective, sense.

The de-politicization rebuttal acknowledged oppositional discourse — i.e., that conversion would reflect badly on cooperatives and that non-farmer and/or non-local interests could gain control of the organization — but maintained that the cooperative was at a competitive disadvantage with other pasta firms and could go out of business without a conversion. This frame suggested that the firm would still be a neighborly pasta maker, controlled by North Dakota farmers and with daily operations no different from the cooperative, but with possibilities for greater growth and greater returns.

SECTION V: POSTCONVERSION STUDY

STOFFERAHN RE-ANALYZED THE INTERVIEW DATA in 2007 with a focus on the former members' (*qua* investors') specific responses to conversion. Board members and management were not interviewed due to the CEO's assertion 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).

Four general themes emerged from this secondary analysis:

- concerns about lack of information from the new investor-owned, publicly traded DGPC
- disillusionment about the conversion and the new company
- questions about the status of their investment (stocks)
- their conclusions about the outcomes of the conversion more generally

Lack of Information from Dakota Growers Pasta Company

A dominant theme among all of those interviewed was that there was an information void from the company following conversion. Prior to conversion, cooperative members regularly received information through participation, annual meetings, quarterly reports, and newsletters. This flow of information all but dried up after conversion. Shareholders (formerly members) remarked that board members had become quite closed-lipped about what was going on with the company.

> We haven't gotten any newsletters or anything, and I'm out of touch with what is going on.… There is no communication.

> We don't get any specific information from annual meeting to annual meeting. I mean, unless it's something they put in a public press release that everybody gets. The stockholders don't get any kind of special information. We really don't have much way of knowing.

> The board stood behind this cloak saying, "Well, we aren't allowed to discuss that. We can't comment on those things."

Rumors abounded in the absence of company information. Many members had voted for conversion to realize a greater liquidity on their shares and wanted to know when they might be able to sell. Without a market established for shares, members had to rely on word-of-mouth to learn whether anyone had sold shares and at what price. There was little or no information about the profitability of the company, about the possibility of dividends on their shares of stock, or the value of their stock.

> In fact, I've heard rumors of different things.… It's all through the grapevine as I understand. It's much more closed-lipped now that they are a corporation than they were when they were a cooperative.

> They [board members] tell me it's for security reasons and so they can't talk. I'm not sure I agree with them being closed-lipped on most stuff, but you're not going to force them to open up. I'm sure they're consulting their attorney and an attorney always recommends not saying anything.… I'm not asking them if I should buy more shares, I'm asking them how they feel the company is going and is there any new news or anything. So, they are very closed-lipped and it is very hard to get information out.

Disillusionment about the Conversion

With this dearth of information, many cooperative-members-turned-investor-owners became cynical and disillusioned with the company. This was often accompanied by embarrassment and a reluctance to discuss whether the new generation cooperative and its conversion was a good investment.

> It certainly has made me very cynical and the people I visit with and have the same thoughts that I do have become a lot more cynical

> It's a topic that no one discusses. It brings up a sore spot I guess, failure in your decision to invest wisely.

Others were disillusioned with the outcome of the vote to convert and wanted nothing to do with an investor-owned firm. For many, it was a frustration with the new company; they were no longer proud of being investor-owners, as they had been as cooperative members.

> He is disillusioned since Dakota Growers changed from a cooperative to a corporation and he has no interest in being involved in a corporation.

> I guess he's sort of frustrated with the whole proceedings.… He said it used to be kind of a pride thing that you could sit in a coffee shop and brag that you were one of the original investors in Dakota Growers. Back a few years ago there were people who looked upon that as a guy who really knows what he's doing. Now, he says you probably don't mention that you're a member anymore.

The most often-expressed sentiment, however, was disappointment that after having voted for conversion on the basis of it providing some liquidity, no market for shares had been developed:

> Some of them that were mainly for it because they were hoping there would be a sale for their stock and now that there hasn't been they're disappointed.…

Concerns about the Status of Ownership Shares

Reactions to the management of ownership shares were mixed among former cooperative members after the conversion. Three reactions predominated: concerns about lack of liquidity; patience and willingness to see how the new company would perform in the longer run; and conversion as a "sore topic." Past members, now stockholders, often expressed impatience that the stock was not performing, preventing any meaningful liquidation, which was the predominant reason given for conversion. Some of those interviewed expressed regret that they had not sold prior to conversion when the value of their shares was higher. Others were more patient and willing to see how the converted company performed in the longer run. They felt less need to pressure for liquidity, concluding that until the company had a profitable year, there was little likelihood investors would be interested in buying shares, anyway. Generally, however, there was a reluctance to discuss conversion; it was a sore topic, not readily brought up in conversation.

> I've talked to dozens of them who have shares, and I don't think there is a single one who wouldn't sell if they had the opportunity to get their money back out of it. They would dump it right now.… If there is ever value to it or a chance to sell it, I think there are going to be a lot of shares moving, an awful lot.
>
> I wish I would have sold it when it was, I think it was valued at one time and would have made money for a few years, at about $14 a share. If I was smart, I would have sold it all then.
>
> Nearly everyone who I visit with says, "Well, you know, I sure wish they would come up with a price and someone to buy these Dakota Growers shares so I can sell mine and get the heck out." That's almost universal. Everybody says, "This dog is dead, let's see if we can get a little money back out of it and get the heck out of it."
>
> There just is no market and there isn't going to be a market until the company makes some money and starts paying some dividends.
>
> So, a lot of people are sitting for the time being, waiting to see what happens and kind of grumbling, if they talk about it at all. But by-and-large, there wasn't a lot of discussion going on about it at all.

Member Conclusions about the Outcomes of Conversion

In 2007, most former members interviewed were not willing to judge the success of conversion. "Impatiently waiting" best characterized their mood. Equity liquidity was the main reason members had voted for conversion, but there still was none. Unless the company was economically profitable, most members realized that no investor would be willing to purchase any of their shares. So, while they disliked the wait, most were willing to wait a while longer to see if the company could provide some liquidity with a better profit picture. Of course, with no market for shares, they had little choice but to wait. Still, some members were unwilling to call the conversion a failure — at least not yet. While some regretted not selling their shares when DGPC was still a cooperative and shareholders were earning a return, few were willing to sell at a price less than what they had paid. A few concluded that this was a "dead dog" and they wanted their money out.

> Right now they're waiting for a financial report; they're waiting to see the performance of the newly organized corporation, and they were waiting to see what the dividend on what the shares may be. He said everyone is waiting for that to happen before they decide to sell because the dividends on the shares will set a price for the shares. So, for the most part, everyone is holding on to their shares at this point in time until such time as they get a dividend to establish market price for the shares.

> There is a fair amount of people, such as me, who are not going to judge it to the point of saying, oh, it was just a total failure. I did lose what I initially went into the business with. I understand that, but I'm not going to say that this for sure means it won't come back, there won't be a value to the stock or something, and I may still see somebody work for this investment, but I'm not going to get it back to the point where I wanted it to be from the start. But, I can't say I've heard a whole lot of people who have judged it to the point that they are feeling they wished they wouldn't have voted that way. I can't say that. Of course, I talk to probably more people who voted "no" than . . . "yes," so obviously they're willing to probably say, well, we kind of told you so more than you hear somebody admit they voted "yes" and are ready to give up on the idea.

Rarely were there explicit complaints among members about loss of member control. However, it was clear control was gone. Frustrations around these issues were implicit, with interviewees acknowledging little to no information coming from "closed-lipped" board members. While they expressed frustration with this state of affairs (lack of information, lack of performance), most interviewees recognized that no outside investor would be willing to invest in a company that had not been profitable or had not been returning a dividend. Until such time as the company's economic performance improved, shareholders would have to hold onto their shares.

A few of those interviewed had no misgivings about their vote for conversion or about the lack of progress in developing a market for their shares. Despite conversion, they believed the company was basically the same as before — same board, same purpose, and same owners. It was also clear from their testimony that some were still anticipating that conversion could provide important outcomes.

> I think everybody I know are still members [actually stockholders,] you know. I don't think anybody's opinion of what has happened has really changed that I can tell.

> I think it's a good organization. I think they're on the right track. You know, I would say not a lot has changed at Dakota Growers since we converted. I mean it's basically the same group of owners. The same board. It's the same management team. You know we treat each other all the same. You know a lot of it is more, I would suggest, it's just more of a perception than it has been reality. We are still a North Dakota based company that's owned by North Dakota farmers. You know, basically taking a North Dakota commodity and adding value to it by producing it into a food product in the state of North Dakota. I mean, you know those are all things I'm still very proud of it and I think most of the owners are. You know those were the same fundamental things that were … behind the startup of the cooperative, too. So, that hasn't changed. Now, I think we do maybe have a little bit more flexibility to evolve into something different,… acquire a partner or have a significant part of the company be owned by outsiders sometime in the future when the current owners are looking to transition out.

Summary of Postconversion Findings

Comments from the postconversion analysis followed four general themes: concerns about lack of information from the firm; disillusionment about the conversion and the firm; questions about the status of their shares; and general conclusions about the outcome of the conversion.

Cooperative members had regularly received information through participation, newsletters, quarterly reports, and annual meetings. This flow of information all but dried up after conversion. Board members became "closed-lipped" and rumors tended to fill the void in the dearth of information. Some of those interviewed expressed cynicism and embarrassment about DGPC after conversion. Cooperative members had thought a market would develop for the shares, and liquidity — even windfall profits — could occur. These predictions proved premature, if not outright wrong. Former members were particularly concerned about the status of their shares. Equity liquidity, an important incentive for conversion, had not materialized. Although many interviewees indicated their willingness to be patient for a market to develop for their shares, there was some frustration and impatience regarding how long the wait might be. Member control or influence over one's destiny was nearly absent from the postconversion comments. Perhaps a proxy for these lost cooperative goals was great dissatisfaction with how little information was forthcoming to former members (turned shareholders) in the postconversion period. Despite this, stalwart supporters of conversion remained.

SECTION VI: ACQUISITION BY VITERRA, 2010

Viterra Acquires Dakota Growers Pasta Company

ON 10 MARCH 2010, Viterra, a privately held, Canadian-based corporation formerly known as the Saskatchewan Wheat Pool (SWP), announced its intention to acquire Dakota Growers Pasta Company. This was particularly ironic as both the SWP and DGPC were formerly member-owned cooperatives converted to investor-owned, publicly traded companies. Even more ironic was that, through this acquisition, DGPC gave up any pretense of being locally owned, controlled, and operated by its shareholders as the board of directors had promised during the 2002 conversion campaign.

Conversion of Saskatchewan Wheat Pool into Viterra

The chain of events that led to Viterra acquiring DGPC began with the conversion of the SWP from a member-owned cooperative to an investor-owned firm. The SWP, once the largest of the three Prairie Provinces' wheat pools, began its transformation into a corporation in 1996, when it became partially demutualized by selling shares on the Toronto Stock Exchange (Fulton and Larson 2009). The SWP had been the major player in the grain-handling business in the Prairie Provinces, holding a 60 percent market share in Saskatchewan and exercising a major voice in Canadian agricultural policy. During the 1990s, the SWP diversified by investing in domestic and international ventures to extend its market reach and to add value to its commodities, at the same time restructuring its grain elevator system. At this time, rail deregulation, trade liberalization, and challenges to the single-desk marketing of the Canadian Wheat Board brought about a major reorganization of the Canadian grain industry. By the late 1990s, the SWP had lost a large part of its market share, had incurred significant financial losses, and had seen its debt increase rapidly.

Even before then, however, the SWP realized that it had a major financial problem in the mid-1980s due to the approaching retirement of almost half its members, which would require more than $100 million in patronage equity buyouts (Fulton and Larson 2009). These buyouts, combined with declining net earnings and the SWP's need to rebuild its elevator system and diversify its operations, propelled the organization to consider alternative financing methods. In that environment, in 1994, delegates to the SWP convention approved a dual A–B share structure, with the B shares, at $12 a share, selling on the Toronto Stock Exchange. The retained member equity was converted into tradable B shares with no voting rights; voting rights remained exclusive to farmer-members who held the A shares.

Moving member equity into tradable shares did not provide the SWP with needed equity capital, but it did give the company better leverage in negotiating loans from financial institutions for its building and expansion programs (Fulton and Larson 2009). The increased long-term debt allowed the SWP to finance expansion, including a $270 million investment in its Project Horizon to rebuild elevator facilities, as well as foreign investments in terminals in Poland and Mexico, ownership in a British trading company, and a joint venture with General Mills in North Dakota. It also made investments in food, oats, and hog processing facilities, farm input supply businesses, and hog production units. As a result of these investments, the company's long-term debt increased five-fold, from $97 million in 1996 to $540 million in 1999.

The SWP faced increased competition when the Alberta Wheat Pool and Manitoba Pool Elevators merged to form Agricore. Later in 2002, when Agricore took over United Grain Growers to form Agricore United (AU), the SWP lost its position as the country's top grain handler (Wikipedia 2010). The company's net income decreased dramatically during this period (Fulton and Larson 2009). Losses began in the 1998–99 crop year and continued for the following six crop years. As net income fell, so did the SWP's share of the grain handling market, from 61 percent to 33 percent. Unfortunately, share prices decreased dramatically after peaking at $24 in November 1997, falling to a low of $0.18 a share by March 2003. Due to the SWP's dire financial position, the CEO and COO were asked to resign in 1999. The new CEO tried unsuccessfully to reduce debt through massive divestment, and in 2003, the SWP undertook another debt restructuring and divestment.

As its financial problems increased, the SWP began to discard its cooperative character (Fulton and Larson 2009). In 1998, the board was restructured to add two non-producer shareholders; in 2000, the board size decreased from sixteen to twelve, retaining the two non-producer shareholders. In 2002, the company changed the ownership limit on shares, thereby providing an opportunity for companies to become major shareholders. In 2003, it increased the number of non-producer board members to four, leaving eight producer-members. When the SWP became a federal corporation, it changed the board composition once again, this time to seven appointed directors, four elected producer directors, and the CEO. With these changes, the SWP was no longer operating as a cooperative, although shares were still traded under the SWP logo.

In 2006, the SWP further restructured its elevator system and entered into a bidding war with James Richardson International (JRI) to acquire Agricore United (Fulton and Larson 2009). The SWP's initial and latter offers to Agricore involved a stock swap, but little cash, prompting the AU board of directors to reject the offer (Wikipedia 2010). In February 2007, Agricore and James Richardson declared their intention to merge and form Richardson Agricore, a *publicly traded* company. Subsequently, the SWP made a stock-plus-cash offer to Agricore, which JRI countered with an all-cash offer to form a *private* company. In May 2007, the SWP countered with a higher, all-cash offer, which succeeded.

Agricore United surrendered four-fifths of its limited voting shares to SWP, fulfilling the requirements for AU's incorporation. Following a special shareholders meeting in June, AU became a wholly owned subsidiary of SWP. Agricore United's CEO and board of directors resigned, the Wheat Pool's CEO and board of directors were voted in, and AU stock was delisted from the Toronto Stock Exchange. In June 2007, officials announced senior management for the newly merged company. Headquartered in Regina, Saskatchewan, in the former location of the Saskatchewan Wheat Pool, the new company was named Viterra, Inc.

Viterra's Aggressive Acquisition Strategy

After acquiring Agricore United, Viterra undertook aggressive growth strategies (Alacra Store 2011), making eight acquisitions, acquiring stake in another company, and divesting itself of yet another. Dakota Growers Pasta Company was one of its 2010 acquisitions. On 10 March of that year, Viterra announced that it had signed a merger agreement with DGPC by which a subsidiary would acquire all its outstanding shares (*Agweek* 2010). The board of directors of both companies approved the merger, which was structured as a tender offer followed by an all-cash transaction.

According to the press releases from both companies, Viterra and DGPC touted themselves as excellent strategic partners with similar histories. They had been created by grain growers as farmer cooperatives and they had followed similar paths to becoming corporations (*Agweek* 2010). As if the companies anticipated criticism that the merger would risk de-capitalization or closure of the DGPC Carrington plant, they made assurances that the combined financial strength of the two companies would be positive for the long-term viability of the durum-milling and pasta-manufacturing industries in North Dakota. Likewise, to mute potential criticism that the plant would be milling Canadian rather than North Dakota durum, they noted that the durum-milling portion of the DGPC operation would continue to source durum from farmers in the region and would meet its milling requirements by sourcing grains from the region. According to the news article that announced the merger, Viterra's acquisition of DGPC would result in a "stronger, more globally competitive organization, presenting opportunities for employees, customers and their communities. It will have a strong combined management team, high quality assets and a tremendous reputation in the marketplace."

The value of the acquisition was $240 million. According to the agreement, a Viterra subsidiary commenced a tender offer to buy all outstanding shares of DGPC Common Stock at $18.28 a share and all outstanding shares of Series D preferred stock at $0.10 a share. The liquidity that had been promised during DGPC's conversion was finally realized. Tim Dodd, DGPC's CEO, said the transaction was going to allow DGPC shareholders to realize the value of their investment in the company. Where there had been limited opportunities to capture the value of that investment until this point, the transaction would provide the liquidity that the board had long sought for shareholders (*Agweek* 2010).

Viterra Acquires Dakota Growers

William Patrie (1998), one of the original organizers of Dakota Growers Pasta Company and long-time cooperative observer, disputes press release claims that Viterra (formerly Saskatchewan Wheat Pool) and DGPC had followed similar paths to becoming a corporation. This is his account of the events that led up to the conversion of DGPC from a cooperative to its ultimate acquisition by Viterra (Personal Correspondence 2010, 2011).

During the earliest equity drives for the cooperative, board members believed that it would be necessary to allow non-durum growers to buy shares simply to raise the initial $12 million in equity. There were a few, though not many, farmers who joined the cooperative and never did raise durum. Most cooperative members were durum growers and most were willing to deliver durum until poor growing conditions and fusarium wheat blight led to rejected durum deliveries. The board's solution of purchasing durum from a buying pool meant that members were still able to meet their delivery obligations. Members were charged five cents per bushel for grain bought through the pool. From a management perspective, the cooperative model still worked.

Then a board member purportedly convinced management that buying all the durum through the pool was a good idea, and the cooperative dropped the five-cent-per-bushel charge and began to purchase durum at the lowest price possible, negating a founding principle of cooperative organization. The failure of management to track grain purchased to member accounts, as required by law, resulted in federal tax penalty of more than $7 million for non-member income earned. Their legal advisors warned the board that they were operating outside the cooperative charter and would either need to return to the cooperative operating principle of buying only members' grain or convert to a C corporation. The board feared that because of poor growing conditions and the fusarium wheat blight, member-growers would not be able to produce enough quality durum to meet the demands for pasta manufacturing. Consequently, the board sought a membership vote on conversion.

One director stated publicly that after the conversion shares could increase in value twenty-two times actual earnings. This, he claimed, was what the American Italian Pasta Company's shares were currently trading at. This suggestion of windfall profits provided the impetus for many members to vote for conversion as a way to maximize the returns on their investment.

The board's promise that conversion would increase access to new capital and share liquidity proved premature. Six years after conversion, CoBank remained the senior lender, and only two investor groups — LaBella Holdings LLC and MVC Financial Services — had purchased as many as two million shares from the original investors. Beyond these two investor groups, there had been no significant market for DGPC shares. Moreover, a few shareholders, according to Patrie, were disgruntled that the board and management had not achieved liquidity for the shares, as anticipated by the conversion to a C corporation. So now, with the offer from Viterra, they intended to "take the money and run." Many of the twelve hundred farmers who had invested in Dakota Growers Pasta Company saw the acquisition as their only way to sell their shares. When the cooperative began in the 1990s, these farmer-members were in their forties. They were now in their sixties, nearing retirement age. They feared that the 2009 earnings at $1.70 a share would continue and they wanted to take advantage of a lower tax on capital gains. Moreover, the share offering from Viterra was too complex and confusing to the average farmer-investor, who preferred to simplify by liquidating shares.

Although the board of directors and DGPC management had control of 30.9 percent of the common stock of the investor-owned firm, they would need 19.2 percent of the remaining shares to vote in favor of the sale to Viterra. Given members' desire for share liquidity, gaining the vote of the additional 19.2 percent remaining shares was not viewed as a difficult hurdle to complete the acquisition.

Patrie did not believe that the board of directors converted the company in order to sell it. He believed, rather, that the two investor groups that had purchased $20 million in equity were encouraging the sale. DGPC had a good year in 2009, with net income at $17.6 million on net revenues of $297 million and earnings per common share of $1.70. But due to the aggressive acquisition strategy of Viterra, the board feared no other buyer was likely to emerge and became eager to sell the company at the peak of its earnings rather than risk limited earnings or losses in future years.

Gains and Losses from Viterra's Acquisition of Dakota Growers Pasta Company

Cooperative observers recognized two victims in Viterra's acquisition of DGPC: the governments that invested in the cooperative and future durum growers. The first victims were governmental, those public entities — especially state government — that provided public capital to buy down the interest rates on loans so farmers could buy shares, and later provided subsidized-interest-rate loans and grants to the cooperative. The sale of DGPC to Viterra represented the conversion of public investment and goodwill into personal, private, one-time profits, rewarding speculators who would have never been allowed to participate in the cooperative. To cooperative proponents, this represented the worst of Wall Street investor greed imposed on North Dakota farmers.

The second victims of the conversion and acquisition would be future North Dakota durum farmers, who would never earn $1.70 a bushel more than market price for their durum through the cooperative their forebears had started and left them as a legacy. The conversion of Dakota Growers Pasta Company and the Saskatchewan Wheat Pool from cooperatives to investor-owned, publicly traded companies represents an enormous loss in market access to farmers of both countries. Rather than adding value to the market price of durum wheat through DGPC, farmers in North Dakota must once again compete with Canadian farmers as to who will sell their wheat for less to the company. To cooperative advocates, both the conversion of public value for private gain and the return to price-taker status for durum farmers is a significant breach of a cooperative legacy.

Section VII: Lessons Learned and Recommendations

Our study examined the conversion of Dakota Growers Pasta Company from a farmer-owned cooperative to an investor-owned firm in 2002, and its subsequent acquisition by a multinational corporation in 2010. Why did the campaign to convert the new generation cooperative succeed? Conversion seemed improbable in a state with a radical agrarian tradition and a history of populist anti-corporate sentiment. Cooperatives have been integral to the North Dakota culture, economy, and politics. Ubiquitous in the state, their physical presence has been a prominent feature of the landscape. Knowledge and understanding of cooperative principles have been deeply embedded in the consciousness of North Dakota farmers. That the flagship of the new generation cooperative movement would convert to a corporation seemed unthinkable to most cooperative knowledgeables and observers.

A number of explanations emerged from our analysis and follow-up. Extreme weather conditions and the rise of fusarium head blight made it difficult for members to raise sufficient, high quality durum wheat, and the cooperative had trouble procuring enough quality durum locally. Unable to meet their delivery obligations, farmer-members became reliant on a purchasing pool that accessed grain from non-members to fulfill their contract.

With fewer cooperative members participating in durum production, those left out began to think less about adding value to durum and instead about adding value to their membership shares. Some began to think of their shares as captive capital. With their desire for equity liquidity and the board's expressed need to access equity for expansion, conversion seemed the "logical" solution. Conversion became the dominant discourse, with the board arguing that conversion would create a market for captive shares, as well as drive up share values. This discourse was bolstered by the "expert" advice of business and legal consultants. Encouraged by the stock market fever of the 1990s and projections of windfall profits, the co-operative board, management, and general membership had unrealistic expectations about the potential value of their investment.

The dominant logic about conversion went largely unchallenged, except by a minority of cooperative loyalists. No organized and effective opposition emerged to challenge the board of directors' and company officials' assertions about the necessity for conversion. Those loyal to the cooperative organization argued from a weak position, lacking access to information and adequate resources to rebut the claims of the "experts." They had two avenues of re-course: to reiterate the founding principles for cooperative formation and to adopt the dominant discourse by questioning the logic, assumptions, and claims of the "experts."

While proponents of conversion argued for equity liquidity and equity access, their op-position argued from voluntary-populist and social materialist perspectives. They argued that conversion would negate the democratic ideal of farmer control and one-member, one-vote. It would weaken local ties and permit non-farmers to control farmer-generated capital. More threatening was the potential concentration of power in the board and the risk that non-local, non-producer investors could gain control of the organization. If this happened, there was nothing to prevent relocation of the company out of the local area. Lost would be a pro-tected market for durum farmers, patronage refunds, the essential flow of information, an organizational identity as a cooperative, and the cooperative as a vehicle to empower farmers as a group and advocate for the collective interests of the farmer class. With conversion, farmers would no longer control their own destiny.

Opponents also challenged the experts by demanding evidence of their economic claims. But proponents of conversion made effective use of such discursive frames as reprivatization, economism, and de-politicization to dispatch and dismiss opposition. In a series of "yes, but" assertions, the board acknowledged the concerns of opponents while at the same time suggesting their concerns were unfounded or not credible. 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 prevent 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 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.

In general, the board and a majority of members seemed to have adopted the idea that, for the most part, the cooperative was a business no different from any other business.

Without a doubt, the 2002 conversion of DGPC from a member-owned cooperative to an investor-owned firm created the conditions for the 2010 acquisition by Viterra. Ironically, Viterra itself evolved from the conversion of anther cooperative, the Saskatchewan Wheat Pool. But with Viterra's acquisition of DGPC, the long-sought-after liquidity promised to shareholders during the conversion campaign was finally realized.

With Viterra's acquisition of DGPC, the pasta company 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. The future did not unfold as predicted by observers such as Boland (2012), who commented, "There have been no outward signs that the conversion has changed the overall long-term strategy of DGPC. It still uses 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" (47). The failed forecast of this statement has become painfully evident. The locally owned farmer cooperative had morphed in identity to become, ultimately, a subsidiary of Glencore International (see Epilogue,) 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 investor-owned firm.

Recommendations

The analysis of the conversion discourse indicated that expert discourses of equity liquidity and equity access, along with reprivatization by economism discourses, dominated the conversation about conversion. The voluntary-populist oppositional discourse arguments did not seem to have much influence or effect at all, except among those who were already critical of the conversion. A few cooperative members attempted in public meetings and through newspapers to challenge the economic assumptions and rationale for conversion, as well as its probable consequences. The opponents argued from a weak vantage point, however, because they never had the resources to develop a critique of the assertions or claims of the board of directors or the officers. All they could do was defend cooperative principles while asking the board of directors or the officers of the company to substantiate their claims and predictions.

A reading of the SEC filing indicated that the board of directors conducted only one study about conversion, and that was simply to determine which organizational form would provide better liquidity. They did not conduct any studies of the outcome of conversion and their views were buttressed only by the opinions of their own accountants and legal counsel. All the cooperative members had were opinions and speculations of the board of directors and the company's accounting firm and legal counsel.

Early in the campaign for conversion, the director of the USDA Rural Development Cooperative Programs offered funding to the proponents and opponents of conversion to conduct scenario planning. The board of directors declined this assistance.

Scenario planning would have projected the likely outcomes of remaining a cooperative versus converting to a corporation for members and for the company. This type of planning attempts to write different scenarios about the future based on uncertain and influencing driving forces. Based upon the work involved in creating these scenarios, as well as the knowledge gained by constructing the likely outcomes in each scenario, the board of directors and the members could have made an informed choice regarding the likely outcome of continuing as a cooperative or converting to a corporation.

Recommendation 1

> In the event that the board of directors of a cooperative should begin to believe that the cooperative would be better off as a corporation, the board of directors should be required to contract with an independent third party firm to assist it in conducting scenario planning. Any cooperative considering conversion should engage in scenario planning to determine whether the outcome of conversion is beneficial both to the members and to the cooperative.

The opponents of conversion were a small minority with no legal recourse or standing within the bylaws to challenge the board of directors. According to the membership agreement, if a member was unable to deliver durum, the cooperative could purchase durum in the member's name for a five-cent fee per bushel and credit their account as having fulfilled their delivery requirement. DGPC discontinued this requirement and bought durum as cheaply as possible, most likely Canadian durum, from an elevator in Carpio, ND. It was delivered by unit trains to the plant in Carrington. Some members believed that management did not want to bother with individual members delivering durum to the plant and preferred instead to deal with unit-train delivery. Regrettably, the cooperative incurred a $7 million IRS tax penalty for income earned from non-member patronage. The board of directors tried to pass this off as a part of the cost of conversion, but it was a problem of the management's own creation.

The North American Bison Cooperative adopted provisions modeled after a Canadian statute that allows a minority (20 percent) of the members to call for a third-party performance audit and review of management practices in the cooperative. Had such a provision existed in DGPC's bylaws, a minority of members could have called for a review of the company's practice, and the purchase of an estimated 80 to 90 percent of its durum on the open market from non-patrons and the practice of unaccounted non-member patronage might have been caught early and the tax penalty avoided.

Recommendation 2

> The cooperative should consider adopting a bylaw provision to allow a minority of its members to call for a third-party performance audit and review of management practices in the cooperative.

Dakota Growers Pasta Company (DGPC) was organized under the 1933 and 1934 Securities Acts, which exempt defined cooperatives from provisions of these acts. The main reason for the exemptions is that member investment in cooperatives is considered consumptive use. Member investment was typically in the form of retained patronage dividends, which had been ruled not to be investments because they are eventually returned to patrons without interest earned or appreciation in value. In the case of new generation cooperatives, members contribute equity by purchasing delivery shares that are also exempted under the securities exemption. With cooperative conversion, exempted, non-secured delivery shares in the cooperative are converted to secured, speculative shares in a C-Corp.

Some have proposed that such converted shares should be subject to a penalty in recognition that the equity raised in a cooperative for one purpose has been converted in a corporation to another purpose. Otherwise, there is nothing to stop any company from deliberately organizing under the guise of a cooperative in order to raise equity from patrons, only to later convert to a corporation. A penalty on such converting shares might discourage such conversions. Indeed, the North Dakota agriculture commissioner noted that conversion of DGPC raised serious policy questions about the prior financial assistance the state provided to the cooperative and its individual members. The appropriation of public funds to the cooperative 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, those benefits would now accrue to individual non-resident, non-farmer shareholders.

Examples of state assistance to DGPC included the Bank of North Dakota's Coop Equity Loan Program and its AgPace Program. The Coop Equity Loan Program assisted farmers in purchasing shares of stock in new generation cooperatives. The interest rate on this loan program was the bank's base rate less one percent. The Bank of North Dakota's AgPace (Agricultural Partnership in Assisting Community Expansion) interest rate buy-down program was authorized to make loans up to $500,000 maximum per member to assist them in purchasing equity shares in a value-added processing facility. Some have suggested that now that the company has been converted, those members who benefited from Bank of North Dakota programs as a matter of conscience should repay, with interest, the loans they received. The agriculture commissioner seemed to imply such a possibility should the company convert to a corporation.

Recommendation 3

> Public entities should consider policy that would impose repayment penalties and other disincentives on individuals and businesses that convert cooperative shares to private stock. Cooperatives should consider incorporating into their bylaws such disincentives for share conversion by purchase by nonmembers. Converted shares should be subject to a penalty in recognition that the equity raised in a cooperative for a public purpose has been converted in a corporation to a private purpose.

SECTION VIII: EPILOGUE
ACQUISITION BY GLENCORE, 2012

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" (Glencore website 2011). 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 criticism. It has been cited as having questionable accounting manipulations in Zambia, receiving kickbacks in the oil-for-food programs for Iraq, violating various human rights and environmental regulations in mining interests in Columbia, causing acid rain and health problems in Zambia, and infringing upon various human rights and environmental considerations in the Congo (Davis 2011; Kimball 2012).

Glencore acquired Viterra in 2012 for $6.2 billion. The rationale for the acquisition included:

- 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
- increasing origination capabilities in the Australian market
- increasing access to emerging global agricultural markets with growing populations and increasing protein consumption rates per capita
- increasing earnings within the first year
- increasing cash flows with low on-going maintenance costs (Glencore 2011)

In its descriptions of acquired Viterra assets, Glencore lists the following under "processing acquisitions":

- five oat and specialty grain milling facilities in Canada and the US
- two pasta production facilities in the US
- one canola processing facility in Canada
- 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 (Money.cnn.com 2011). The locally owned farmer cooperative lost its identity as it morphed into 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 investor-owned firm.

The relationship between Glencore and the durum farmer-producers for Dakota Growers Pasta Company (no longer members) will likely parallel the relationship between Viterra and durum farmers, 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. There have been no reassurances, such as those that came prior to the Viterra acquisition, that the facility would continue to operate and source from local farmers. Individual farmers have lost all influence and power and are now absorbed into an organization that has also been charged with environmental, human rights, and accounting violations.

The neoclassical economics perspective illustrated by the following quotation rings hollow: "There have been no outward signs that the conversion has changed the overall long-term strategy of DGPC. It still uses 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. From the cooperative standpoint, however, much was lost with conversion to an investor-owned firm. The floodgates opened by the initial conversion permitted acquisitions by Viterra and later by Glencore. The singular rationality of making a return on investment displaced the cooperative organization. The cooperative's original purpose to add value to farmers' products with a democratic, locally embedded organization, which emphasizes use values and empowers farmers, has been lost.

Appendix I

Figure 1: Weather, Disease, Delivery Problems

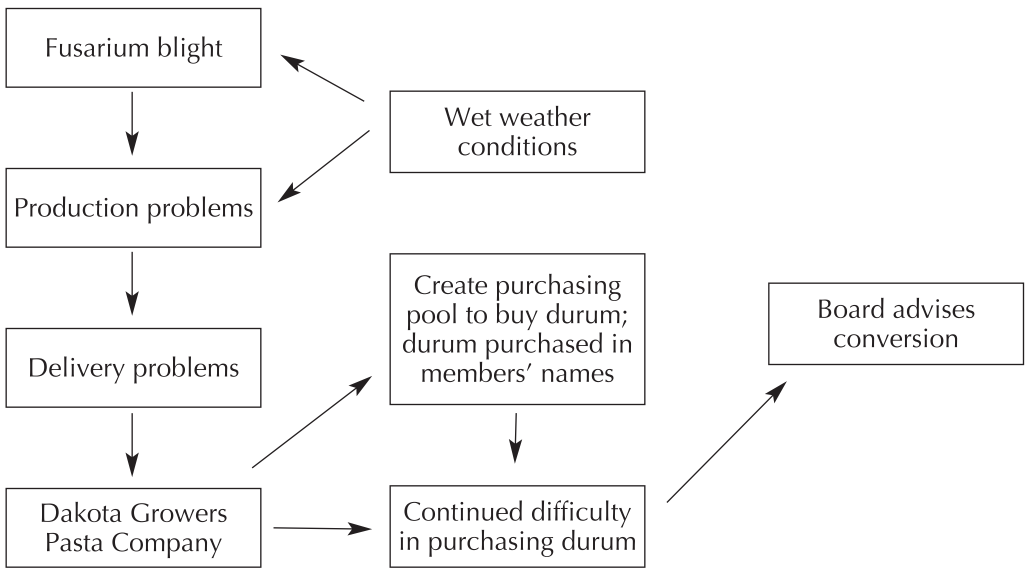
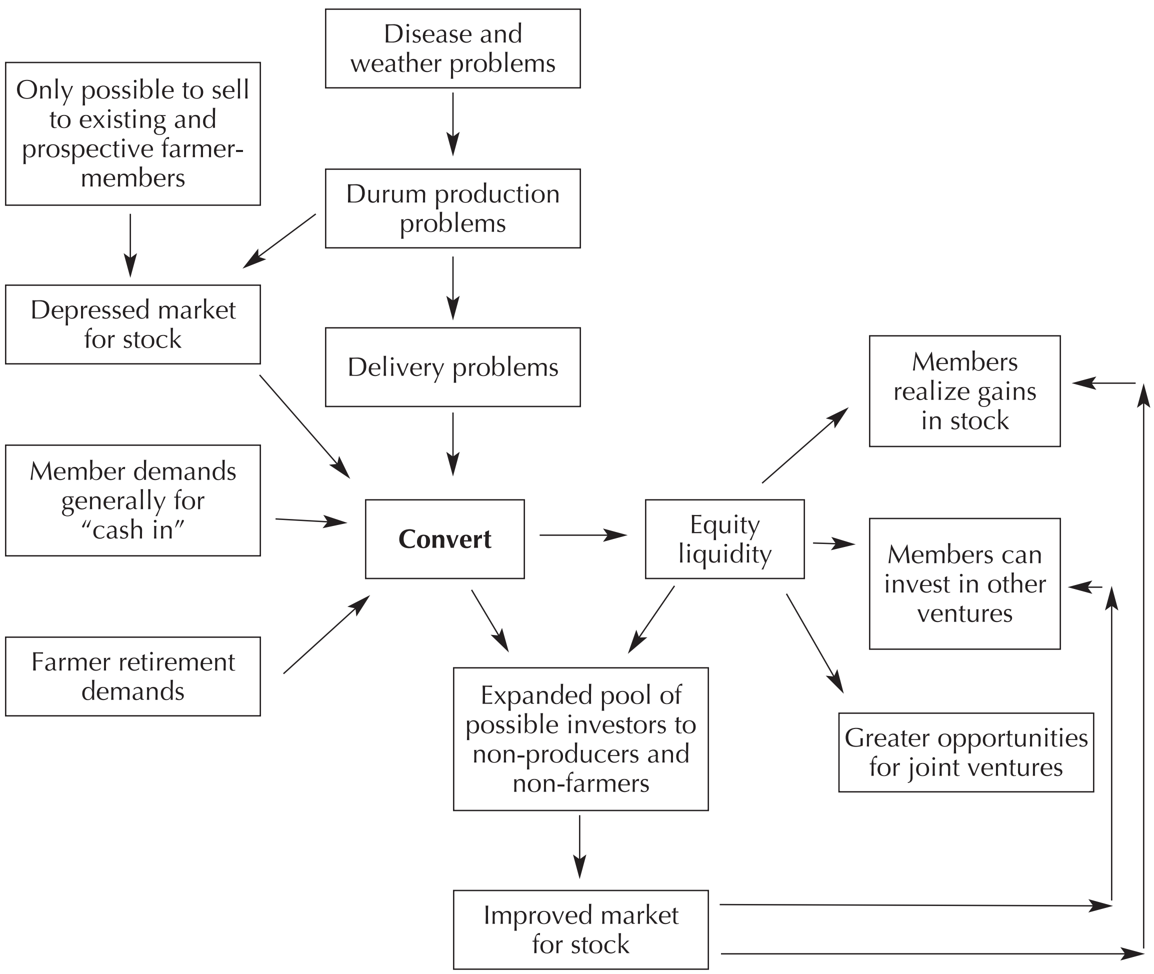


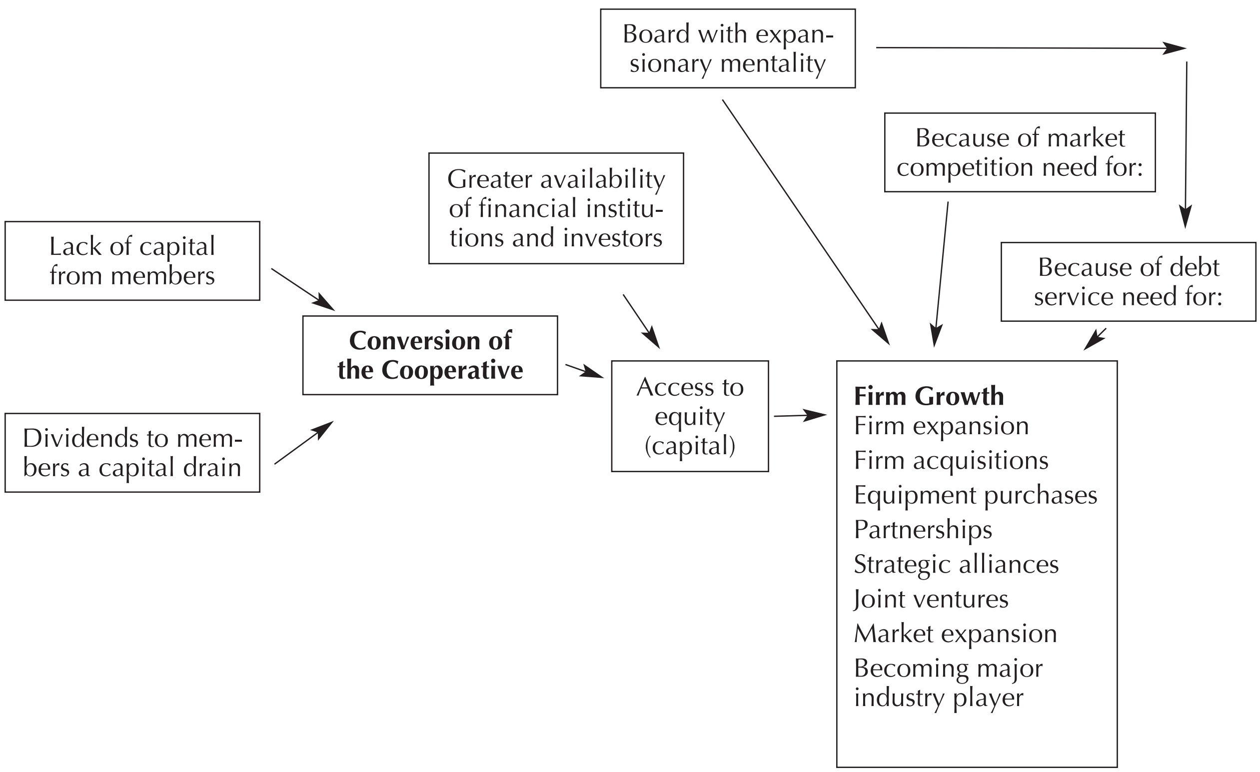
Figure 2: Equity Liquidity Discourse



Dissenting Views

- Not sure conversion will improve liquidity.
- How will a market for shares be developed?
- Board was pushing for conversion in order to sell out to a major corporation.

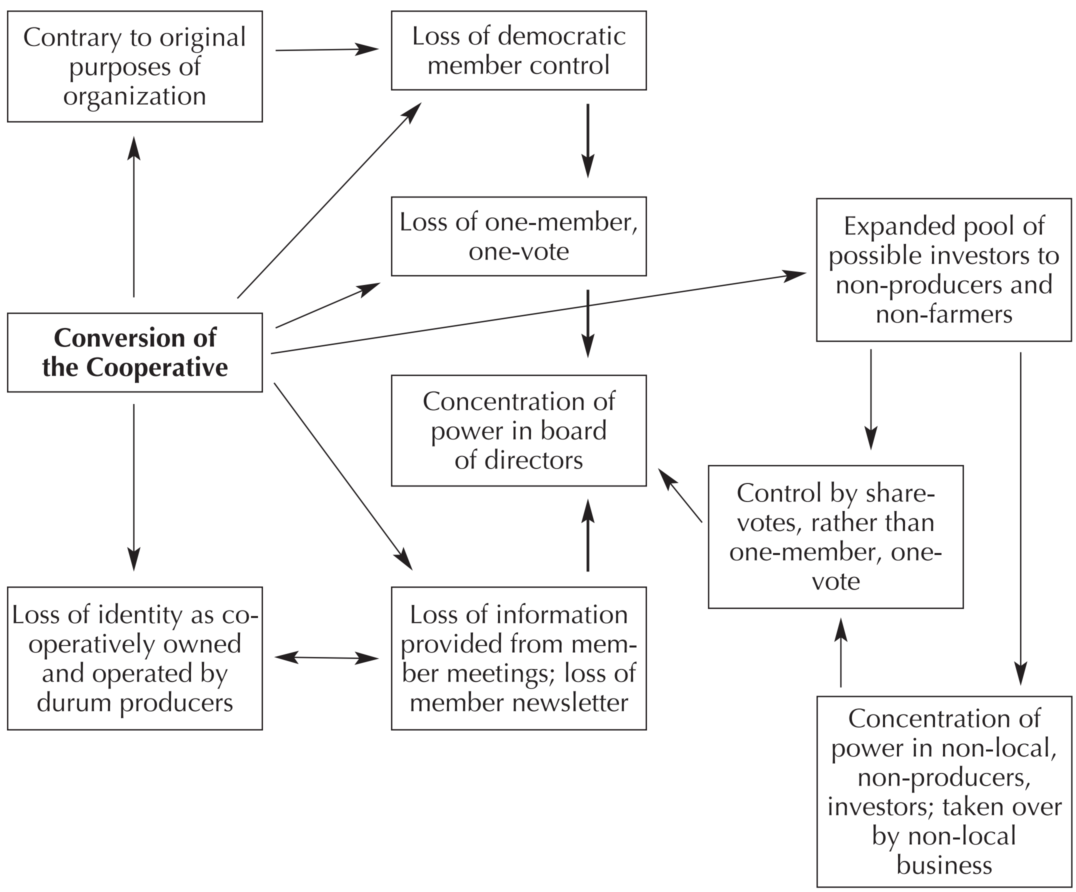
Figure 3: Equity Access Discourse



Dissenting Views

- Expansionary mentality had contributed to the company's financial difficulties, and thereby to the drive for conversion.
- Doubts about necessity of conversion for flexibility.
- Despite the board of directors' optimistic projections of access to private lenders upon conversion, the state agriculture commissioner warned that public sources of capital, such as the Bank of North Dakota, would not be available to the converted company.

Figure 4a: Oppositional Discourse: Voluntary-Populism



Dissenting Views

- It is possible to structure a conversion to a corporation and maintain farmer control. Saskatchewan Wheat Pool converted to a corporation, yet restricted voting rights to one specific class of stock owned only by farmers, thus maintaining the one-member, one-vote principle.
- The board of directors reassured them that they had incorporated provisions to forestall, but not prevent, a non-farmer, out-of-state takeover from occurring.

Figure 4b: Economic Arguments Using Voluntary Populist Justifications

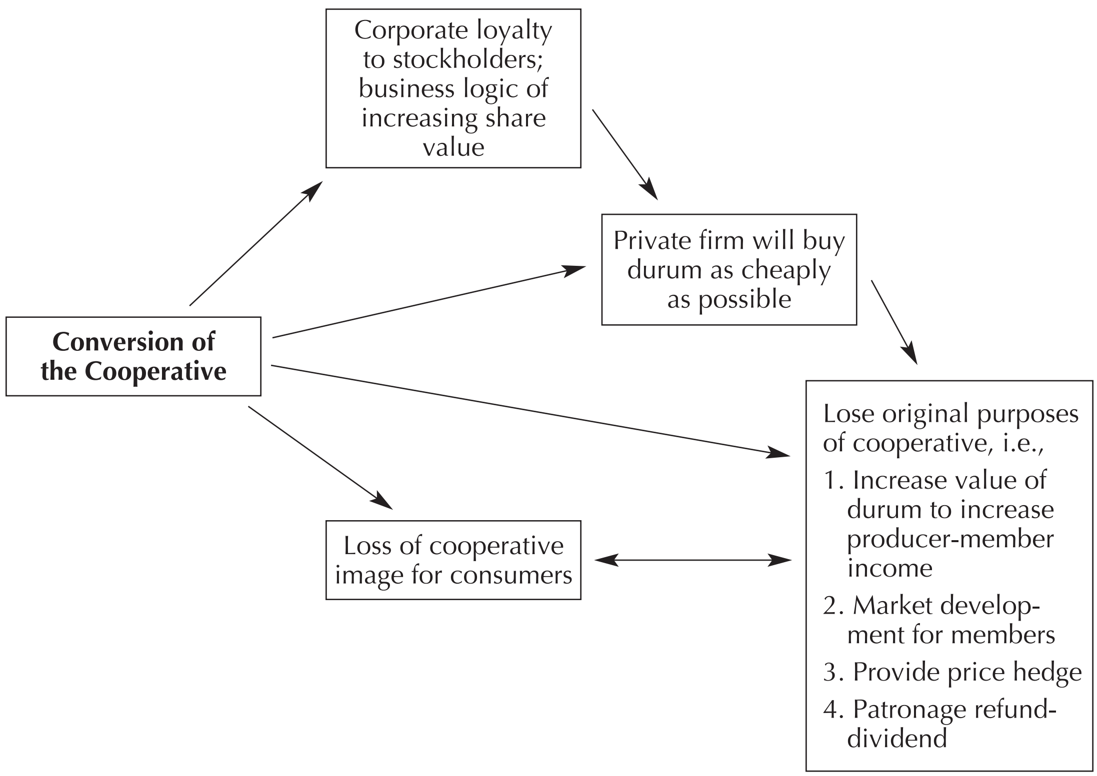
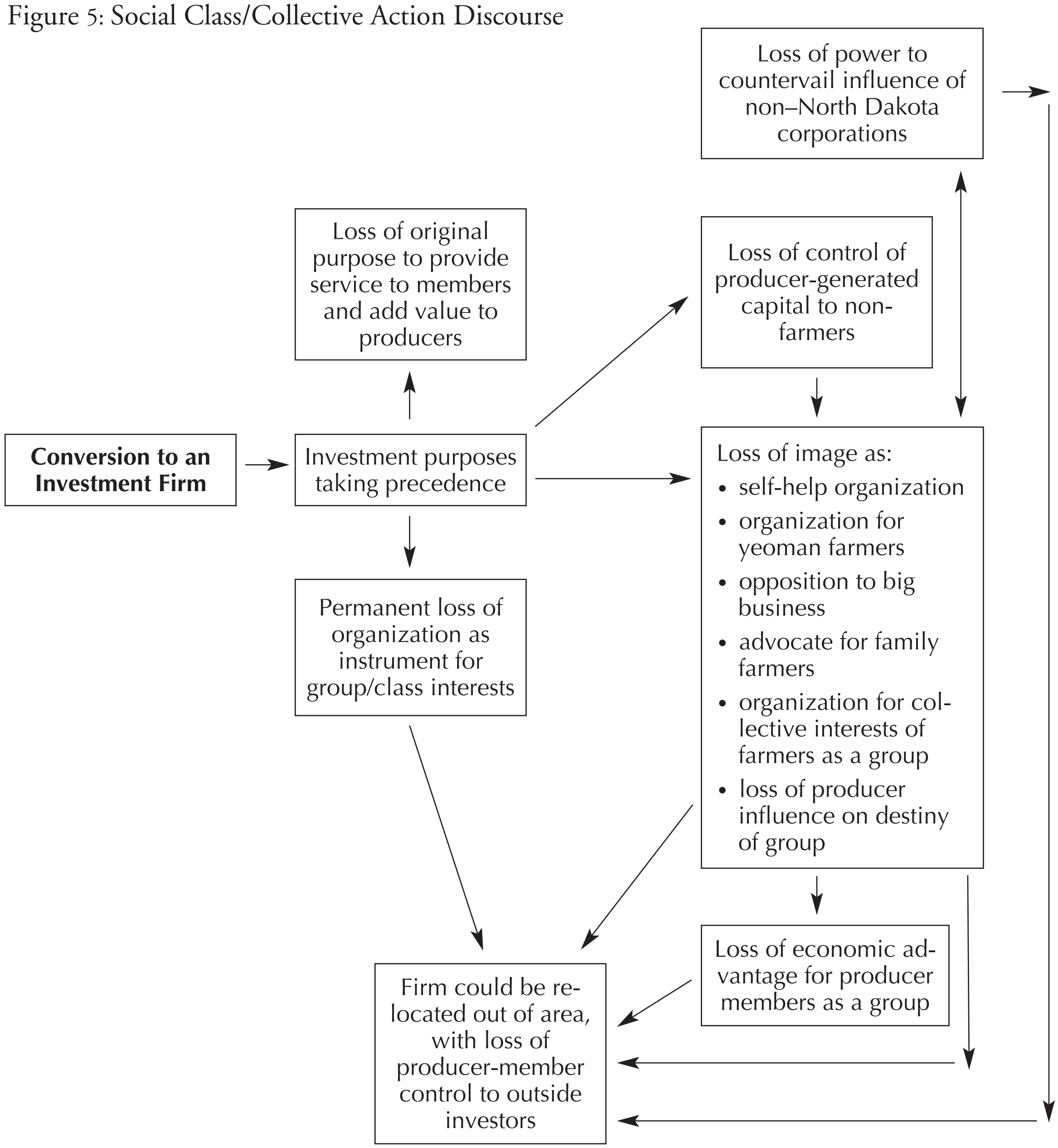


Figure 5: Social Class/Collective Action Discourse



Dissenting Views

- Economism arguments as presented in Figure 6a.

Figure 6a: Reprivatization Narrative Using Economic Arguments

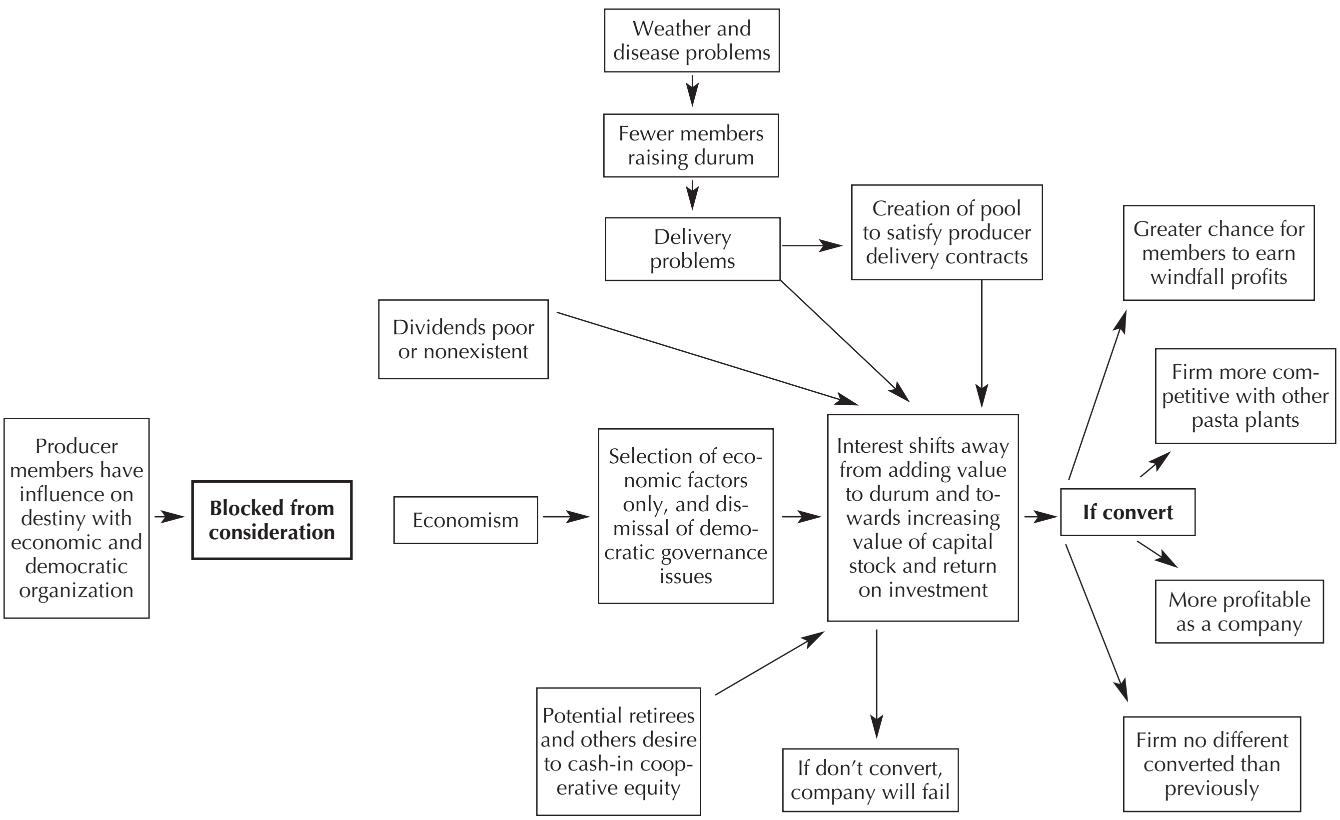
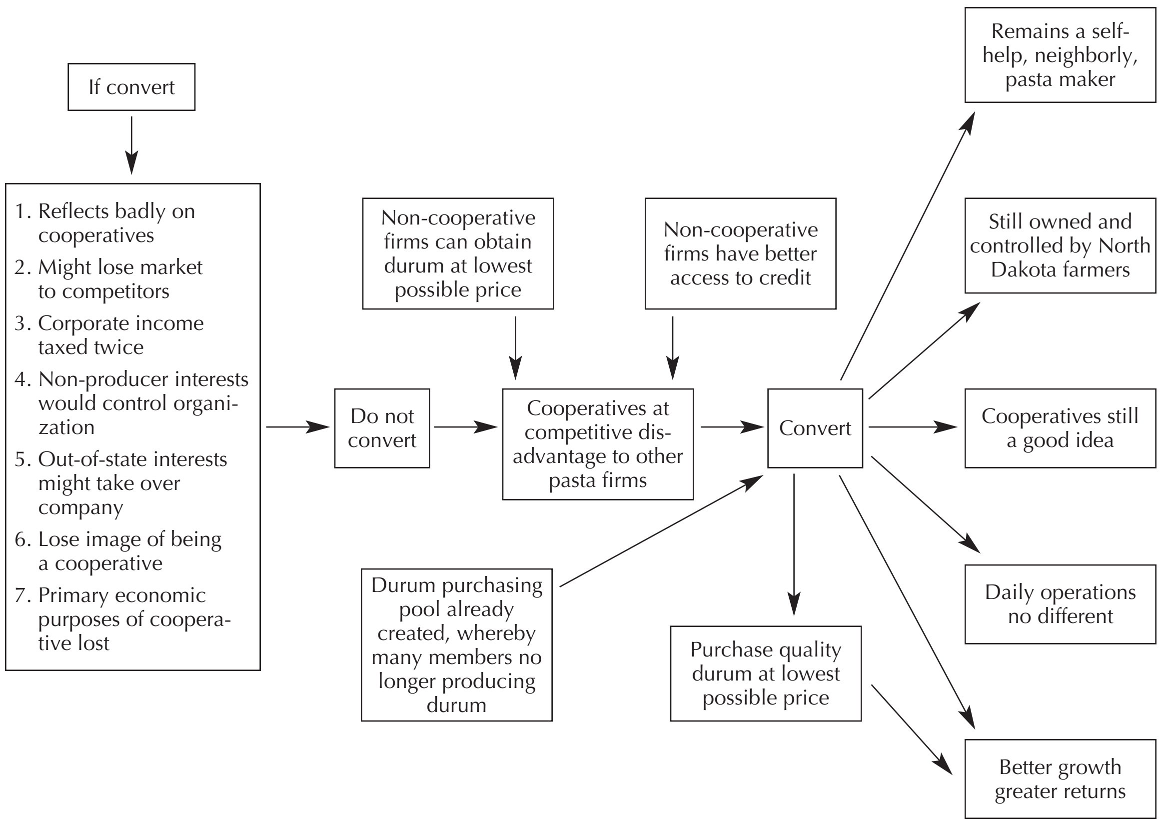


Figure 6b: Reprivatization by De-Politicizing Issues



Dissenting Views

- Durum would be bought at market price, rather than at a premium.
- Delivery rights would no longer be unconditional.
- Firm would remain vulnerable to takeover by non-local firm.

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