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Financial Profile of Largest 100 Agricultural Cooperatives, 2000

Preface

With a few exceptions, the agriculture sector continued to struggle with lower prices and higher costs of production in 2000. This, in turn, put pressure on cooperatives. According to a report from the Rural Business-Cooperative Service, Farmer Cooperative Statistics, 2000, total revenue was up 4.7 percent for all U.S. farmer-owned cooperatives. However, net income was down 3.9 percent. The total number of agricultural cooperatives contracted while the consolidation at the top continued. There were 120 fewer cooperatives in 2000 than in 1999.

The volume of business conducted by the largest 100 agricultural cooperatives represents nearly 62 percent of the total gross business volume of all cooperatives, up from 58 percent in 1999. They also control 60 percent of the total assets while representing only 3 percent of all agricultural cooperatives.

The largest 100 agricultural cooperatives vary tremendously in the volume and type of business they perform. The total volume of business ranges from $40 million to $12.3 billion. The types of businesses include manufacturing, marketing, processing and selling farm supplies. In this report, the category in which the cooperative is included is based primarily on the type of commodity it markets or processes for the members. While more than half of the largest cooperatives sell farm supplies, only those that sell predominantly farm supplies will be included in that category. Some cooperatives are involved with several commodities and cannot be easily categorized, so they were categorized as diversified cooperatives.

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Highlights

The combined total revenue of the largest 100 agricultural cooperatives jumped from $66.3 billion in 1999 to $70.8 billion in 2000. The 7-percent increase is due mostly to higher farm supply sales and service revenue. Total revenue for the last 2 years were as follows:

Year	Total Operating Revenue
	Billion dollars
1999	66.3
2000	70.8

Total revenue was not the only area showing promise; gross margins improved 7.5 percent, to $6.9 billion in 2000. The average gross margins as a percent of total operating revenue is illustrated below:

Year	Gross Profit Margins
	Percent
1999	15.9
2000	16.5

While sales and gross margins were up 7 percent, net operating margins soared 25 percent, to $933 million in 2000. A lower growth in operating expenses in relation to revenue supported higher net operating margins.

Year	Net Operating Margins
	Million dollars
1999	744.7
2000	932.9

Despite higher operating margins, total net margins were down 14 percent, to $454.9 million in 2000. Higher interest payments coupled with lower revenue from other non-operating source hurt the bottom line. Net margins for the last 2 years are shown below:

Year	Net Margins
	Million dollars
1999	527.1
2000	454.9

Highlights

Combined assets for the 100 largest agricultural cooperatives were valued at $29.8 billion, up 4 percent from 1999. Nearly every category of assets increased in value.

Year	Total Assets
	Billion dollars
1999	28.6
2000	29.8

Total liabilities jumped 5 percent in 2000. Leading the increase was short-term debt, which jumped 13 percent. Long-term debt fell by 2 percent.

Year	Short-term Debt	Long-term Debt
	Billion dollars	
1999	3.3	6.5
2000	3.7	6.3

Member equity increased 1.9 percent. This was mainly due to retained patronage refunds and issuance of preferred stock. Unallocated equity fell by 3.8 percent, to end 2000 at $1.8 billion. Sources of member equity are:

Year	1999	2000
	Billion dollars	
Preferred Stock	1.7	1.8
Common Stock	0.7	0.7
Certificates and Credit	5.6	5.8
Unallocated	1.9	1.8
Total	9.9	10.1

The liquidity for the largest 100 agricultural cooperatives continues to slowly erode. This is illustrated in the current and quick ratios. The declining liquidity is caused mostly by the jump in short-term debt.

Year	Current	Quick
	Ratio	
1999	1.40	0.78
2000	1.37	0.76

Highlights

Cooperatives increased their leverage slightly in 2000. This was mostly due to larger changes in liabilities. The slight increase in leverage and the drop in liquidity would indicate that operations are starting to be financed more by debt than by the operations themselves.

Year	Debt-to-Asset	Long-term Debt-to-Equity
	Percent	Ratio
1999	60	.60
2000	61	.61

Activity ratios held steady with the increase in revenue.

Year	Local Asset Turnover	Fixed Asset Turnover
	Percent	
1999	2.7	14.3
2000	2.7	14.4

Financial Profile of Largest 100 Agricultural Cooperatives

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Revenue Rebounds

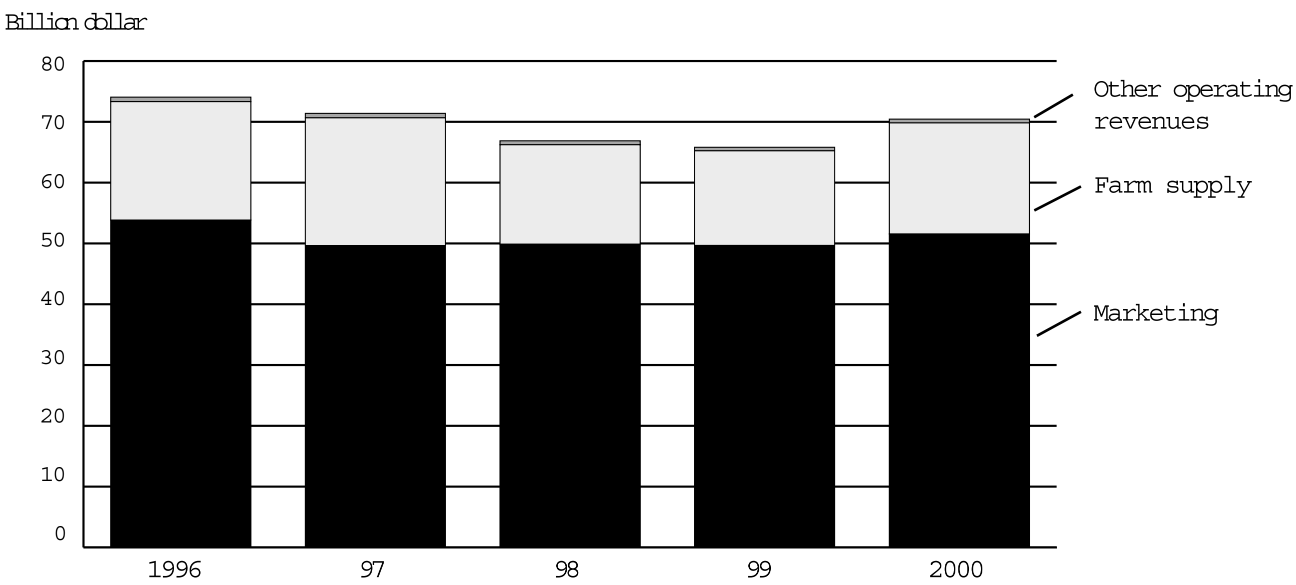
Revenue of the largest 100 agricultural cooperatives followed the trend of all agricultural cooperatives. Total revenue was up 7 percent (table 1) from 1999. This marked a turnaround from the prior 4 years (figure 1). Appendix tables 1A to 9A report the consolidated statement of operations by commodity group. Revenue for most cooperatives increased, with 57 showing higher revenue compared with 39 the year before. However, 69 percent of the increase was due to three cooperatives.

Driving revenue higher was farm supply sales, which jumped nearly $2.7 billion in 2000. Petroleum gained the most, accounting for 83 percent of the total increase in farm supply sales.

Dairy cooperatives had lower revenue despite a 4-percent jump in milk volume. USDA's National Agricultural Statistics Service (NASS) reported the average price index for dairy products fell 15 percent. This culminated in a 2-percent decline in total sales for dairy cooperatives included in the largest group.

Lower production coupled with suppressed prices resulted in declining revenue for rice cooperatives. NASS reported that between 1999 and 2000, rice

Figure 1—Revenues for top 100 agricultural cooperatives, 1996-2000



Prior years restated

Table 1—Consolidated statement of operations for top 100 agricultural cooperatives, 1999-2000

	2000	1999	Change	Percent change
	$1,000			
Revenue				
Marketing	$51,559,378	$49,664,378	$1,895,000	3.82
Farm Supply	18,266,457	15,573,040	2,693,417	17.30
Total Sales	69,825,835	65,237,418	4,588,417	7.03
Other Operating Revenue	616,537	574,118	42,419	7.39
Total Operating Revenue	70,442,372	65,811,536	4,630,836	7.04
Cost of Goods Sold	63,494,154	59,345,306	4,148,848	6.99
Gross Margin	6,948,218	6,466,230	481,988	7.45
Expenses				
Operating Expenses	6,015,351	5,721,550	293,801	5.13
Net Operating Margins	932,867	744,680	188,187	25.27
Other Revenue (Expenses)				
Interest Expense	(749,403)	(654,451)	(94,952)	14.51
Interest Revenue	82,847	68,008	14,839	21.82
Other Income	256,137	374,942	(118,805)	-31.69
Other Expenses	(132,378)	(58,055)	(74,323)	128.02
Patronage Revenue	35,387	51,481	(16,094)	-31.26
Net Margins from Operations	425,457	526,605	(101,148)	-19.21
Non-Operating Revenue (Expenses)	29,410	470	28,940	6157.45
Net Margins	454,867	527,075	(72,208)	-13.70
Distribution of Net Margins				
Cash Patronage Dividends	204,833	169,108	35,725	21.13
Retain Patronage Dividends	197,523	145,316	52,207	35.93
Nonqualified Non-cash Patronage	18,419	19,054	(635)	-3.33
Dividends	50,417	45,224	5,193	11.48
Unallocated Equity	(2,494)	44,877	(47,371)	-105.56
Income Tax	(13,831)	103,496	(117,327)	-113.36
Total Distribution	454,867	527,075	(72,208)	-13.70

production fell 7 percent while the average price fell 27 percent. The result for cooperatives was a 5-percent drop in sales revenue.

Sugar cooperatives continued to face difficult times in 2000. Despite higher production volume for most of these cooperatives, lower prices pushed overall revenue down. Operating revenue fell 7 percent in 2000, the first major decline for sugar cooperatives since 1990.

Despite lower revenue of a few sectors, other marketing cooperatives helped push total marketing revenue for all cooperatives up 4 percent. Cotton cooperatives showed an impressive 24-percent increase in total marketing and sales revenue to end the year at $1.5 billion. The increase was boosted by both quantity and prices.

Poultry & livestock cooperatives showed a slight, 2-percent increase in marketing sales, ending 2000 with $2.5 billion. Most was due to higher beef prices that pushed up revenue for livestock cooperatives. On the other hand, higher supply than the market could absorb continued to push down both broiler prices and poultry industry revenue.

Diversified cooperatives showed a 17-percent increase in total sales revenue. Most of the gain was carried on the back of farm supply sales, which accounted for two-thirds of the $4 billion increase. Higher petroleum sales led the way. For diversified cooperatives, petroleum sales jumped 46 percent, to $5.1 billion. This was mostly due to higher prices. Petroleum accounted for 60 percent of the gain in farm supply sales for diversified cooperatives.

Since 1996, fruit and vegetable cooperatives' sales revenue has climbed steadily between 2 and 3 percent per year. These cooperatives ended 2000 with $6.9 billion in total operating revenue, up 3 percent. However, the growth in sales between the various cooperatives was mixed. Some was attributed to higher value for fresh and processed fruit. For example, NASS indicated the total value of grapefruits and lemons produced in 2000 jumped 23 percent. Oranges, on the other hand, increased 3 percent in value due to higher volume, but the average unit price dropped 23 percent. The value of vegetable production was higher in 2000 than in 1999, but vegetable-processing cooperatives also showed mixed results. As with citrus, the price and value depended on what vegetable was being processed or sold.

Overall, the cost of goods sold and revenue increased by 7 percent. However, there were variations across commodity groups. While most commodity groups had changes in cost of goods sold in proportion to change in sales revenue, others had disproportional changes.

Poultry & livestock cooperatives returned a higher percent of the increased revenue back to their members in the form of cost of goods sold--92 percent in 1999 and 94 percent in 2000. On the other hand, fruit & vegetable cooperatives had lower cost of goods sold despite higher revenue, thus pushing up gross margins 13 percent in 2000 compared with a 3-percent increase in their sales revenue.

Gross Margins Continue Upswing

Across all commodity groups, gross margins increased by the same proportion as sales and cost of goods sold. Gross margins were up 7 percent, to $6.9 billion in 2000. This represents the second year in a row the top 100 agricultural cooperatives ended their year with higher gross margins. Every commodity group showed an increase in gross margins except poultry & livestock. As was explained earlier, these cooperatives increased payments for their members' products by more than the increase in sales, thus lowering their gross margins.

Cooperatives in some commodity groups--such as the dairy, rice and sugar--had lower revenue, but their cost of goods sold fell by a larger percentage, thus allowing higher gross margins. Other groups--such as fruit & vegetable cooperatives--boosted gross margins by lowering their cost of goods sold but still maintained higher revenue.

Net Operating Margins Bounce Back

Operating expenses for all top 100 agricultural cooperatives jumped 5 percent in 2000. For those reporting labor expenses, total wages and benefits increased 6 percent. Labor expense represented 50 percent of total operating expense—virtually the same as in 1999.

Leading this increase were cotton cooperatives with 31 percent followed by dairy with 11 percent. The growth in operating expenses for cotton cooperatives can partly be attributed to the higher volume processed, which means higher labor expenses. These costs were up 39 percent in 2000.

Higher volume of milk processed by dairy cooperatives pushed up operating expenses. Labor costs increased 6 percent while total operating expenses jumped 11 percent.

Farm supply and sugar cooperatives had lower operating expenses in 2000 than in 1999. Operating expenses for farm supply cooperatives were down 6 percent, due mostly to the restructuring of one cooperative. Otherwise, operating expenses for the group increased 5 percent. Labor costs were up 4 percent.

Operating costs for sugar cooperatives decreased 10 percent. All sugar cooperatives in the top 100 agricultural cooperatives showed improved efficiency in their operations. However, labor costs increased 3 percent and represented 62 percent of total operating expenses in 2000 versus 54 percent in 1999. Lower revenue forced sugar cooperatives to tighten operations.

Fruit & vegetable cooperatives' operating expenses increased 9 percent. Reported labor expenses grew at the same rate as total operating expenses and represented 41 percent of total expenses in 1999 and 2000.

Operating expenses for all other commodity groups increased a moderate 5 percent. Rice and poultry & livestock cooperatives reported steady labor expenses despite higher operating expenses. Labor costs pushed operating expenses for grain cooperatives up 8 percent.

Despite higher operating expenses, net operating margins for the largest agricultural cooperatives jumped 25 percent, to $933 million, between 1999 and 2000. This halted a declining trend, ongoing since net operating margins peaked in 1995 at $1.6 billion (see figure 2). Yet, not all commodity groups fared well.

Cotton, poultry & livestock and rice cooperatives had lower net operating margins for 2000 than in 1999. However, most declining values within these commodity groups were due to a single cooperative within each sector. The cooperative that pulled down the operating margins for each sector ended up paying a higher percentage for its cost of goods sold. So, while the operating margins were lower, it could be inferred that this was due to higher payments for the members' product. Poultry & livestock cooperatives ended with a net operating loss.

Most cooperatives in the other commodity groups had mixed results, with a larger number having higher net operating margins in 2000. Thus, overall net margins increased from 1999.

Sugar Cooperatives Turnaround

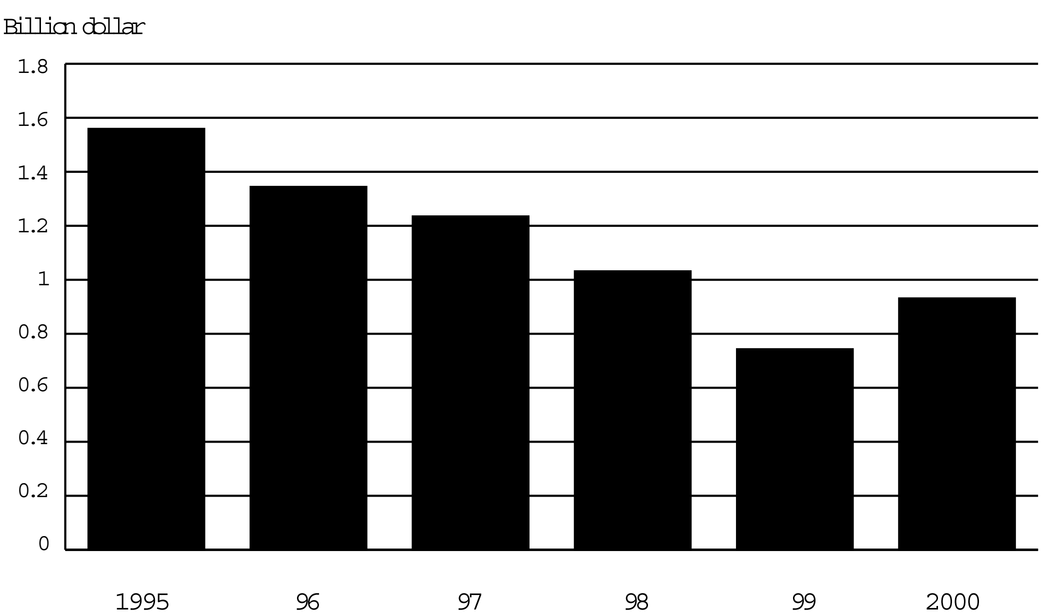
Sugar cooperatives showed the largest turnaround, nearly doubling their net operating margins from 1999. Most noteworthy is that despite higher labor costs, overall operating expenses dropped. Labor expenses were up of 3 percent while total operating expense fell 10 percent. The ability to control operating expenses gave sugar cooperatives the largest value of net operating margins over the past 5 years.

Increased gross margins for grain cooperatives absorbed higher expenses. The result was a 7-percent increase in grain cooperative net margins in 2000.

Throughout the mid to late 1990s, farm supply cooperatives had been losing ground in their operations. The result was net operating losses in 1999. However, in 2000, the trend was reversed thanks to higher sales and lower expenses. The result was net operating margins of $64 million.

Fruit & vegetable cooperatives found their net operating margins higher in 2000, mostly due to lower cost of goods sold. Most of these cooperatives either lowered the processing costs included in their cost of goods sold or adjusted payments to members for the products. In any case, net operating margins were up 68 percent.

Figure 2—Net operating margins for top 100 agricultural cooperatives, 1996-2000



Prior years restated

Diversified cooperatives showed increases in revenue, costs and expenses. However, increased revenue more than offset higher expense, and net operating margins jumped 49 percent.

Net Margins Continue To Slide

Interest expense jumped almost 15 percent in 2000. The nearly $750 million increase was due mostly to cooperatives carrying higher debt, which reached a record of more than $10 billion.

Dairy, diversified, fruit & vegetable and farm supply cooperatives were most heavily indebted. They held three-fourths of the debt for all cooperatives while representing 54 percent of the largest 100 agricultural cooperatives and 83 percent of total revenue.

Dairy cooperatives actually lowered their interest expense by 1 percent while overall debt increased by 1 percent, caused by their debt structure. More working capital was needed than long-term financing.

The situation facing diversified cooperatives merits special note. Their overall debt remained fairly constant, although there was some shifting from long-term to short-term debt. However, they experienced the largest increase in interest expense, up 24 percent in 2000. Every cooperative in this group had double-digit increases in interest expense.

Rice cooperatives, which carry the least amount of debt, also had a lower interest expense, down 58 percent from 1999. Much of this decline can be attributed to reduced demand for working capital funds. Their long-term debt actually increased 5 percent, but overall debt fell 17 percent.

Both the cotton and farm supply cooperative sectors had higher interest expense in 2000 but lower overall debt. Long-term debt for cotton cooperatives was pushed up by two cooperatives with additional financing needs, while declining demand for operating loans pushed down total outstanding debt. Their interest expense jumped 37 percent, to $16 million.

Farm supply cooperatives were in the opposite position. Their need for long-term debt declined by more than their increased need for short-term loans. Overall debt was cut. Yet, their interest expense increased 2 percent. Other cooperative groups had higher interest expense and debt levels.

Interest income was up 22 percent in 2000. However, nearly 42 percent of that increase was due to two poultry & livestock cooperatives. For most cooperatives, interest income is a minor revenue source. Diversified and poultry & livestock cooperatives account for more than 50 percent of all interest income for the largest agricultural cooperatives.

Non-operating income and other expenses include rental income, gain/loss on the sale of fixed assets, and income or losses associated with joint ventures or unconsolidated subsidiaries. While generally not related directly to cooperative operations, sometimes these peripheral activities can mean the difference between net gains or losses at the end of the year. Put another way, 17 cooperatives would either have shown a net loss (8) or had a larger net loss (9) without these activities in 2000.

Non-operating income and other expenses fell 61 percent in 2000. Only grain and cotton cooperatives had higher revenue from these other sources. All the other commodity groups combined for about a $200 million decline in 2000.

Patronage received by the largest cooperatives fell to its lowest levels since 1988. With net operating margins averaging less than 2 percent of total sales, patronage refunds had a significant impact on the bottom line. However, over the past few years, agricultural markets have been suppressed. Competition keeps margins slim. These factors have hurt both local and regional cooperatives. For regionals, the result meant reduced patronage returned to member locals. Patronage refunds in 2000 were only 10 percent of patronage paid in 1997.

Total patronage refunds received by the largest agricultural cooperatives were $35 million in 2000, down 31 percent from 1999. The refunds included both patronage from cooperative banks and other cooperatives. Every commodity group reported lower patronage refunds. Grain cooperatives accounted for nearly one-half of the total decline.

The net effect of these non-operational activities pushed net margins down to $455 million. Higher interest expenses, coupled with declining revenue from joint ventures, were the main cause in continued net margin decline in 2000.

The dairy cooperative group had the largest net margins, 47 percent of the total for the top 100 agricultural cooperatives. The diversified cooperatives were next, accounting for 29 percent of the top 100 agricultural cooperatives total. Farm supply, poultry & livestock and sugar cooperative commodity groups ended the year with net losses.

Members Receive Higher Patronage

Members received a higher patronage refund, both in terms of a higher percentage of net margins and absolute value, in 2000 than in 1999 (figure 3). Despite lower net margins, members received $87 million more in allocated equity than in 1999. Eighty-eight percent of total net margins were returned to members in 2000 versus 60 percent in 1999. All commodity groups allocated patronage to their members, with the exception of fruit & vegetable and sugar cooperatives.

If cash is king, then members should have felt like royalty in 2000. Forty-five percent of net margins were paid in cash in 2000 compared with 32 percent in 1999 (figure 4). That equates to a 21-percent increase in cash payments. Dividends paid on preferred and other stock were up 11 percent, to $50 million. These dividends are not directly based on patronage. With the exception of sugar, all commodity groups paid cash to their members. Despite net losses, farm supply and poultry & livestock cooperatives deducted from their unallocated equity to return cash back to their members. Only three cooperatives use nonqualified, non-cash patronage refunds.

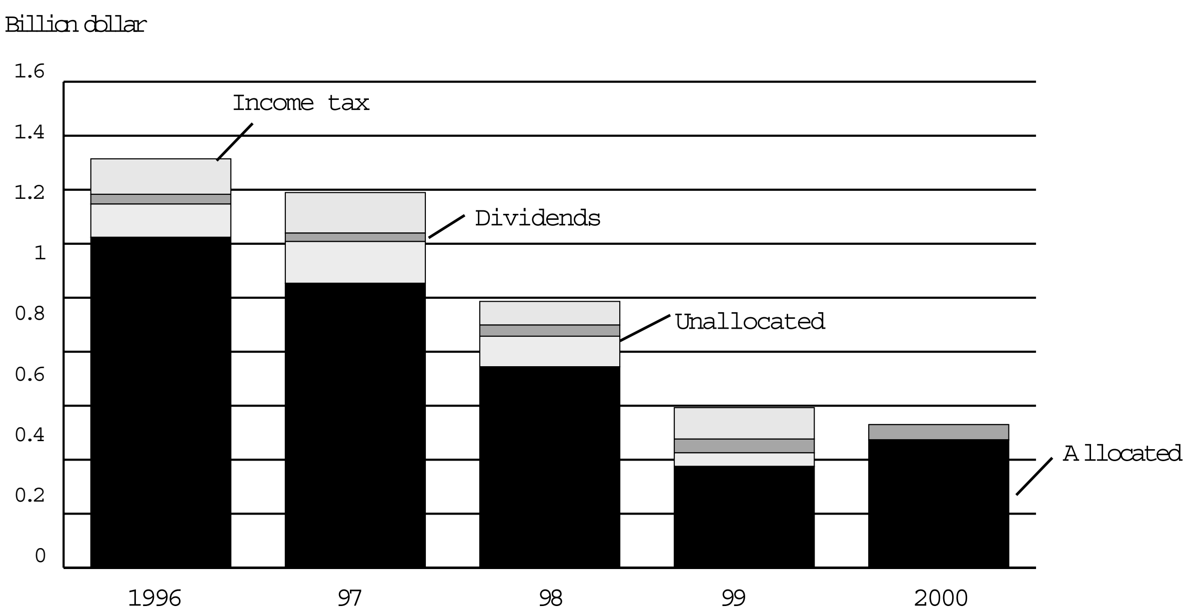
Fruit & vegetable cooperatives deducted $34 million from their member deferred equity account while paying $6 million in cash and allocating $12 million from current operations. The net result was a deduction of $16 million from members' equity. These deferred equity accounts are from a few pooling cooperatives that deferred some expenses related to specific pools that were not closed at that time.

Cotton cooperatives, as a whole, did not retain any allocated equity. Instead, they paid all their allocated equity in the form of cash patronage refunds. Similar to the fruit & vegetable cooperatives, their retained patronage is a negative number due to deferred expenses of pools not yet closed.

Dairy and diversified cooperatives allocated more to their members' accounts and paid more cash than in prior years. Despite lower net margins, diversified cooperatives paid out more cash and retained more allocated equity then in 1999. The difference was made up with deductions in unallocated equity and some tax benefits.

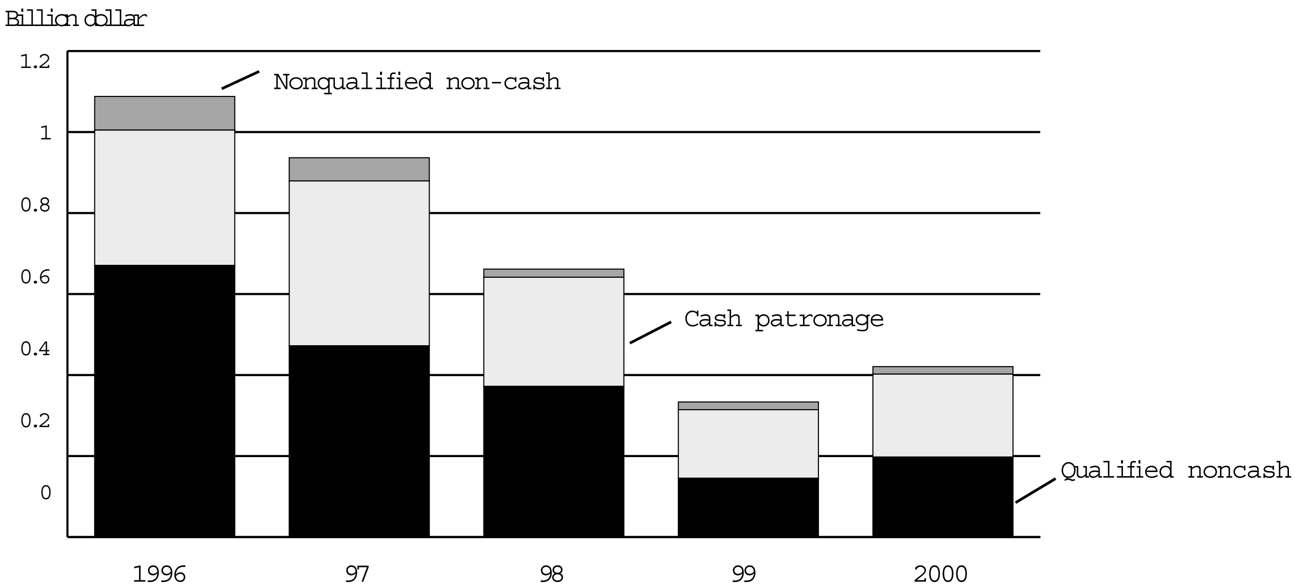
Although farm supply and poultry & livestock cooperatives ended with a net loss for the year, members received both cash and non-cash allocated equity. Most cooperatives had net margins but the few with net losses were substantial amounts--enough to affect the totals of that segment. The profitable cooperatives were able to allocate both cash and non-cash patronage refunds while the cooperatives with a loss absorbed them with unallocated accounts.

Figure 3—Net magin distribution for top 100 agricultural cooperatives, 1996-2000



Prior years restated

Figure 4—Allocated patronage refunds for top 100 agricultural cooperatives, 1996-2000



Prior years restated

Due to the combined effect of lower margins and higher allocations, unallocated equity actually was negative in 2000. It was used to cover loses and allocation shortfalls. Nearly a quarter of the top 100 agricultural cooperatives deducted amounts from these accounts. Eleven out of 16 cooperatives allocated net loss to their unallocated account. The other five cooperatives allocated it back to their members as deferred patronage.

Diversified, farm supply, poultry & livestock and sugar cooperatives all reduced unallocated accounts, mostly due to net losses. However, diversified cooperatives as a whole didn't have a net loss. Several cooperatives used the unallocated account to help pay for a larger patronage allocation.

The largest cooperatives also ended the year with a tax benefit, 25 of them had benefits that totaled $93 million. This compares with a total tax liability of $79 million for the other 75 cooperatives. While some of the tax benefits were due to net losses, seven cooperatives received a benefit by allocating unallocated equity back to members.

Farm supply and poultry & livestock cooperatives received tax benefits due to net losses. Diversified cooperatives were mixed between allocating their unallocated equity back to members and carrying net losses.

Assets Continue To Expand

Total assets grew 4 percent in 2000. Figure 5 illustrates the change and composition of assets from 1996 to 2000. Table 2 shows the consolidated combined balance sheet for all top 100 agricultural cooperatives, while appendix tables 10A-18A show the consolidated balance sheet for each cooperative sector.

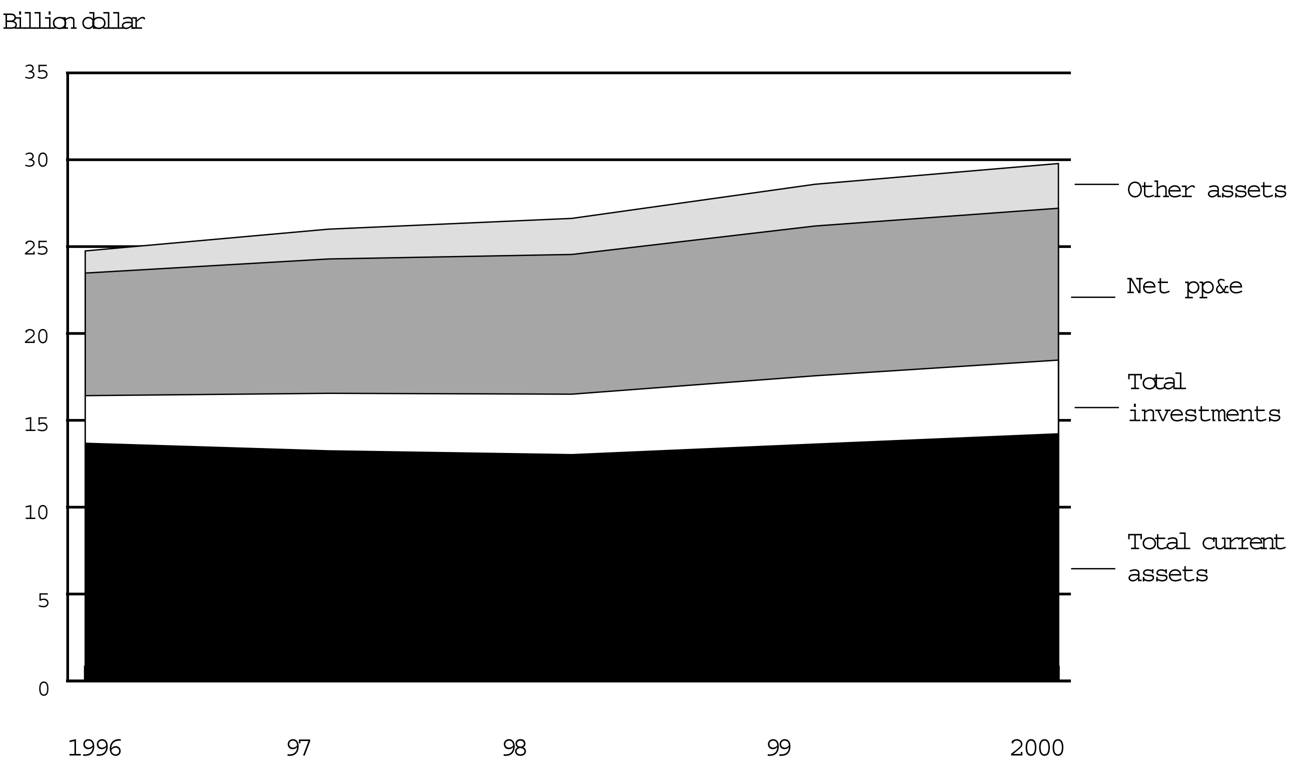
Leading the increase were current assets, up $591 million to $14 billion. Yet, most growth came from inventory accumulation and higher accounts receivable. In a stagnant economy, increases in these accounts can prove to be troubling. Looking at it in a different light, the average accounts receivable turnover ratio dropped from 17.5 to 16.8 in 2000. This indicates that accounts receivable are growing faster in relation to sales revenue. The average inventory turnover ratio fell from 26.7 to 22.9, indicating they were expanding faster than sales, not a good sign for marketing cooperatives.

Cotton cooperatives had fewer current assets due to lower inventory levels. Interestingly, the cumulative sales figures were up and inventory was down for the cotton cooperatives. However, the average inventory turnover was down. The larger cotton cooperatives were able to control their inventory better then the smaller ones. In this sector, inventory contributes as much as 57 percent to current assets.

Table 2—Combined Balance Sheet for Top 100 Agricultural Cooperatives, 1999-2000

	2000	1999	Change	Percent change
	$1,000			
Assets				
Current Assets				
Cash	$ 831,570	$ 897,744	$ (66,174)	-7.4
Accounts Receivable	6,084,896	5,688,296	396,600	7.0
Inventory	6,216,827	5,970,359	246,468	4.1
Other Current Assets	1,088,555	1,074,468	14,087	1.3
Total Current Assets	14,221,848	13,630,867	590,981	4.3
Investment				
Cooperative Banks	358,996	338,887	20,109	5.9
Other Cooperatives	1,880,531	1,713,491	167,040	9.7
Other Investments	2,004,331	1,880,291	124,040	6.6
Total Investments	4,243,858	3,932,669	311,189	7.9
Net PP&E	8,741,537	8,622,080	119,457	1.4
Other Assets	2,574,725	2,403,178	171,547	7.1
Total Assets	29,781,968	28,588,794	1,193,174	4.2
Liabilities				
Current Liabilities				
Total Short-Term Debt	3,717,556	3,264,031	453,525	13.9
Member Liabilities	2,000,570	1,723,880	276,690	16.1
Other Current Liabilities	1,971,214	1,576,405	394,809	25.0
Total Current Liabilities	11,290,085	10,258,947	1,031,138	10.1
Long-Term Debt Less Current Portion	6,325,232	6,482,164	(156,932)	-2
Other Liabilities and Deferred Credits	1,223,722	1,200,551	23,171	1.9
Total Non-current Liabilities	7,548,954	7,682,715	(133,761)	-1.7
Total Liabilities	18,839,039	17,941,662	897,377	5.0
Minority Interest	888,238	776,512	111,726	14.4
Member Equity				
Preferred Stock	1,772,232	1,664,749	107,483	6.5
Common Stock	735,869	714,553	21,316	3.0
Equity Certificates and Credits	5,771,975	5,646,451	125,524	2.2
Unallocated Capital	1,774,615	1,844,867	(70,252)	-3.8
Total Equity	10,054,691	9,870,620	184,071	1.9
Total Liabilities and Equity	29,781,968	28,588,794	1,193,174	4.2

Figure 5—Assets for top 100 agricultural cooperatives, 1996-2000



Prior years restated

Accounts receivable for dairy cooperatives drove up current assets. Accounts receivable comprise 59 percent of these cooperatives' total current assets in 2000, up from 56 percent in 1999. The number of times accounts receivable turned over dropped from 15.5 in 1999 to 13.8 in 2000.

Diversified cooperatives also saw their accounts receivable push up current assets. However, their average turnover was up slightly, due mostly to their increased sales.

The inventory levels for the fruit & vegetable cooperatives in 2000 were up 14 percent from 1999. Inventory plays a major role in the makeup of current assets for these cooperatives, encompassing 61 percent of the total. Yet, higher sales lifted their inventory turnover ratio from turning over 14.8 times in 1999 to 15 times in 2000.

Farm supply cooperatives had an increase in all their current asset categories. This would seem especially encouraging, given that the largest jump was in cash account. However, the cash reserve buildup was mostly from liabilities owed to members and eventually will need to be paid off. Given the jump in sales for the cooperatives, it was no surprise to see the levels of inventory and accounts receivable increase in the same proportion, leaving their average turnover ratios relatively unchanged from 1999.

Grain cooperative results were similar to those of farm supply cooperatives, except that grain cash accounts dropped. However, the grain cooperative accounts receivable jumped higher than sales, causing a drop in their average turnover ratio from 23.7 times in 1999 to 20.8 times in 2000. The inventory levels remained fairly constant.

Current assets for poultry & livestock cooperatives were boosted by an increase in accounts receivable. Yet in relation to the amount of sales, the accounts receivable did not increase as much. This is illustrated by the accounts receivable turnover ratio, which jumped from turning over 37 times in 1999 to 44.6 times in 2000.

Rice and sugar cooperatives would have found themselves with similar circumstances, had it not been for cash accounts. Sales for both sectors fell and they responded with smaller accounts receivable. However, sugar cooperatives boosted their cash balances through short-term loans that increased their current assets 12 percent. Cash balances for rice cooperatives declined 1 percent. Lower sales left inventory unsold for both cooperative types and their turnover dropped. Accounts receivable dropped in relation to sales.

Investments by Cooperatives

Investments increased 8 percent, to $4 billion, in 2000. The majority of the increase occurred with investments in other cooperatives and cooperative banks. Cooperative investment increased $187 million while investment in non-cooperative enterprises increased $124 million.

Farm supply and diversified cooperatives led the increase in investment in other cooperatives. These two sectors accounted for 90 percent of the total increase in cooperative investment. Farm supply cooperatives increased investments in cooperative banks and cooperatives in which they have less than 20 percent ownership, most likely retained patronage from regionals. Total cooperative investment for farm supply cooperatives in 2000 was $589 million.

Diversified cooperatives increased their ownership in other cooperatives by 9 percent, to $1.1 billion. Unlike farm supply cooperatives, most of the increase was due to cooperative joint ventures between two or more cooperatives.

Overall, investments fell 3 percent for cotton cooperatives. However, they increased cooperative investment, most notably in cooperative banks, which increased 19 percent, to $17.6 million. The higher investment in cooperatives by the cotton group represented larger loans with the cooperative bank.

Total investments for dairy cooperatives increased 4 percent, to $1.1 billion. Eighty-five percent of the increase was in non-cooperative businesses--mostly joint ventures in dairy product manufacturing plants.

Poultry & livestock cooperatives had the greatest increase in non-cooperative investment, up 58 percent, to $168 million. These investments also represented 97 percent of total investments.

Nearly three-quarters of the $29 million increase in grain cooperative investments was made in non-cooperatives. The $7 million increase in cooperative investments was retained patronage from larger regional cooperatives.

Fruit & vegetable cooperatives lowered their total investments by 4 percent. All areas of investment were down in 2000.

Rice cooperative investments were down 3 percent, mostly due to non-cooperative investment. These investments fell $1.3 million, or 7 percent. The only cooperative investments were with cooperative banks, up 2 percent, to $15.5 million.

Sugar cooperatives' increased investment was due to joint ventures in non-cooperative businesses. These investments were up $3 million, or 4 percent.

Net fixed assets increased 1 percent, to $8.7 billion. Some $1.3 billion worth of fixed assets were purchased in 2000 compared with $1.2 billion in 1999. Farm supply, poultry & livestock and sugar were the only commodity groups to decrease the amount of net fixed assets held.

Farm supply cooperatives had the largest decline in their net fixed assets, down 7 percent, to $1.3 billion. Fixed asset purchases during the past few years have indicated that the net losses had a major impact on maintaining their asset base. Purchases of fixed assets fell from $315 million in 1997 to $109 million in 2000.

Poultry & livestock cooperatives were in a situation similar to that of farm supply cooperatives. A few years of net losses pushed down new purchases of fixed assets, which declined 3 percent in 2000.

Despite suffering net losses since 1998, sugar cooperatives expanded their fixed assets throughout that time. However, in 2000 net fixed assets were down 0.3 percent.

Cotton cooperatives had the largest percentage increase (24 percent) in net fixed assets, reaching $176 million for 2000.

Dairy, diversified, fruit & vegetable, grain and rice cooperatives all had between 2- and 5-percent increases in their net fixed assets.

Higher Operating Loans Increase Liabilities

Total liabilities increased $897 million, up 10 percent from 1999. Most were in current liabilities, up $1 billion to $11.3 billion (figure 6). A majority of cooperatives relied more on short-term debt to help finance their operations in 2000. This can best be illustrated by looking at a combined consolidated statement of cash flow in table 3. Cash provided by operations was lower; there were fewer investments (fixed assets); total borrowings were down; yet short-term borrowing was up to help finance higher inventories and accounts receivable.

Short-term debt jumped $454 million in 2000, with most of the increase borrowed from commercial banks. Current portion of long-term debt fell due to declining long-term debt. Cooperative banks provided the largest source of working capital. However, commercial banks are increasing their loan portfolio with cooperatives.

Cooperative bank loans increased 2 percent in 2000, to just over $1.3 billion. However, as noted earlier, most commodity groups are using cooperative banks less. Commercial bank loans to top 100 agricultural cooperatives jumped 42 percent, to just under $1.3 billion. Bank loans, both cooperative and commercial, accounted for the majority of cooperative short-term financing, with 70 percent of the total short-term debt.

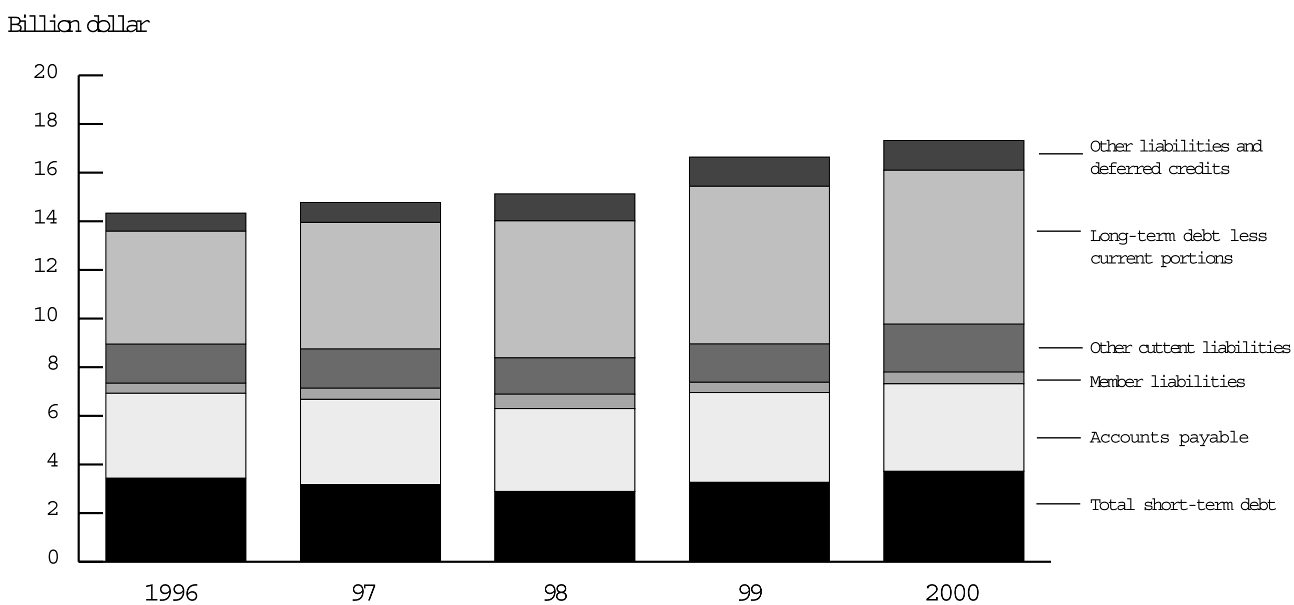
Cotton cooperatives used a mix of different sources for short-term financing, including cooperative banks and commercial banks. One cotton cooperative issued commercial paper. Most cotton cooperatives use Federal Government sources to help fund commodities. Overall, they are using $21 million, or 17 percent less, to cover their short-term needs. Most of the declining short-term financing is with cooperative banks and government sources.

Dairy,fruit & vegetable, grain and rice cooperatives rely mostly on cooperative banks for their short-

Table 3—Consolidated statement of cash flow for top 100 agricultural cooperatives, 1999-2000

	Net Cash Flow Operating Activities	Net Cash Flow Investing Activities	Net Cash Flow Financing Activities (1)	Net Change in Short-term Borrowings	Net Change in Long-term Borrowings
1999	$1,190,921	$(1,798,167)	$776,162	$144,371	$865,213
2000	1,101,374	(1,194,502)	41,505	389,005	(126,084)

Figure 6—Liabilities for top 100 agricultural cooperatives, 1996-2000



Prior years restated

term funding. Short-term debt for dairy cooperatives increased 10 percent, to $199 million. Dairy cooperatives relied more heavily on cooperative bank financing, which holds 57 percent of their short-term debt. However, a few cooperatives are turning to commercial banks.

Co-op Banks Fund Grain Debt

Fruit & vegetable cooperatives saw their short-term debt jump 28 percent, to $571 million, with cooperative banks holding 53 percent of it. Some fruit & vegetable cooperatives are using short-term bonds for working capital.

Cooperative banks fund nearly 75 percent of grain cooperatives' short-term debt. The 10-percent increase in their short-term debt of $329 million can be attributed to increased cooperative bank loans.

Rice cooperatives carry little debt. They represent only 2 percent of short-term loans for the top 100 agricultural cooperatives. They almost exclusively rely on cooperative banks for their loans. In 2000, they had short-term loans totaling $79 million, 29 percent less than in 1999.

Diversified cooperatives hold 42 percent of the top 100 agricultural cooperatives' total short-term debt. That debt increased 10 percent, to $1.5 billion, and the cooperatives relied more heavily on commercial banks. Commercial sources jumped 39 percent, to $818 million, representing 65 percent of total commercial bank borrowing among the top 100 agricultural cooperatives.

Most farm supply cooperatives relied heavily on cooperative banks while others used several different sources to finance their short-term needs. Commercial banks and bond issuances are becoming the staple for short-term financing for a few farm supply cooperatives. The amount of debt held by cooperative banks fell 29 percent in 2000, while the short-term debt jumped 20 percent, to $263 million.

Losses from operations pushed short-term debt for poultry & livestock cooperatives up 54 percent, to $299 million, most of it borrowed from commercial banks.

Sugar cooperatives saw their short-term debt increase 18 percent, to $267 million. However, the increase is due to government loans, which accounted for 52 percent of all short-term debt in 2000, up from 8 percent in 1999. All other sources of short-term funding were down.

Accounts payable dropped 3 percent, to $3.6 billion. Liabilities owed to members jumped 16 percent, to $2 billion. These member liabilities include cash payments, dividends, revolving equity (declared but not yet paid), pooling payments and other member credits. However, 48 percent of the total increase was caused by a single cooperative.

Diversified Co-op Liabilities

Diversified cooperatives carry the largest amount of total liabilities. However, in 2000, they had a decline of 10 percent in accounts payable, to $1.6 billion. Member liabilities increased 6 percent, to $251 million, mostly due to patronage refunds declared but not yet paid. Other current liabilities accounted for the largest amount of increase in current liabilities. This includes checks written but not yet cashed, accrued expenses, member prepayments and various other liabilities. This account reached $1.1 billion in 2000, up 48 percent from 1999. This increase represented 75 percent of the total increase in the cooperatives' current liabilities.

Cotton cooperatives decreased their use of debt, but other liabilities pushed their current liabilities up 7 percent, mostly in member liabilities. Cotton cooperatives owed their members 96 percent more in 2000 than in 1999, a $28 million increase.

Usually, accounts payable relate to inventory. With higher accounts payable, there usually is a correlation with higher inventory levels. Dairy cooperatives had a 7-percent increase in accounts payable in 2000, up $45 million, yet inventories decreased $42 million. Since portions of inventory are dairy products, the correlation would be with member payables. However, the sum of accounts payable and member payables still increased $37 million. Also of interest is the low amount of short-term debt the dairy cooperatives carry. Some don't carry any short-term debt, indicating they might be financing their operations through accounts payable.

Account and member payables of fruit & vegetable cooperatives, however, were down $18 million, while inventory levels were up $180 million, or 14 percent. This jump seems to correspond to a 28-percent hike in their short-term debt, which would imply that these cooperatives are funding operations with loans.

The farm supply cooperative group was strongly influenced by one cooperative that changed its current liability side of the combined balance sheet. The increase in member pre-payments pushed member liabilities up $203 million, to $219 million, in 2000.

Grain and rice cooperatives were more typical. Current liabilities increased much like current assets. Grain cooperatives used short-term debt, accounts receivable and member liabilities as well as cash-on-hand to fund their current operations. These four accounts increased between 8 and 10 percent, similar to the 8-percent increase in total current assets.

On the other hand, rice cooperatives acquired cash through operations and paid down their debts. Member liabilities and accounts payable were used to help fund the current operations. Accounts payable were up 12 percent, to $32 million, and member liabilities increased 34 percent, to $43 million in 2000. Using these funds meant rice cooperatives needed fewer loans to help fund operations.

Finally, sugar cooperatives used both short-term debt and member liabilities to help fund their operations. The increase in inventory was partly financed with government loans and member liabilities. Pooling liabilities were up 44 percent, to $71 million, in 2000. The combined effect left considerable cash on hand and allowed them to pay down some of their accounts payable.

Long-term Debt Declines

Total net long-term debt dropped 2 percent, to $6.3 billion. Most of the decline was attributed to diversified and farm supply cooperatives. While cooperative banks held 15 percent less debt in 2000 than in 1999, they still played an important role in cooperative finance. Cooperative banks and debt issued by the cooperative accounted for 77 percent of total outstanding long-term debt.

Diversified cooperatives ended 2000 with $143 million less in long-term debt, mostly loans from both cooperative and commercial banks. Diversified cooperatives used more self-financing through issuing bonds and using insurance companies for their long-term needs. Farm supply cooperatives used $109 million, or 13 percent less debt, in 2000. Debt from every source declined.

Cotton, fruit & vegetable and grain cooperatives relied heavily on cooperative banks for long-term funding. Cotton cooperatives used cooperative banks for 96 percent of their long-term funding needs, an 18-percent increase, to $78 million, in 2000. Grain cooperatives acquired 81 percent of their total long-term debt from cooperative banks, up $14 million from 1999. Fruit & vegetable cooperatives used cooperative banks for 61 percent of their long-term financing, which remained relatively unchanged at $1.4 billion, in 2000.

Dairy cooperatives used 1 percent less total long-term debt in 2000 due to bond retirement. Bond financing was down 14 percent, to $318 million. However, bonds still represented 50 percent of their outstanding long-term debt. Cooperative banks provided 41 percent of the other financing for dairy cooperatives, up $38 million to $260 million in 2000.

For rice cooperatives, debt use was up 5 percent, to $70 million. Their source of that debt is noteworthy. In 1999, cooperative banks funded 72 percent of rice cooperatives' long-term financing. But by 2000, that percentage fell to 20 percent, with bond financing used as a replacement source of funds. In 1999, bonds represented only 1 percent of the debt, but in 2000 they represented 35 percent.

Sugar cooperatives used less debt in 2000 than in 1999. Total long-term debt was down 4 percent, to $512 million.

Minority interest for the top 100 agricultural cooperatives was up 14 percent, to $888 million in 2000. This was due to several diversified cooperatives forming joint ventures, which accounted for 96 percent of the total increase. Seventy-three percent of the minority interest is held by just three cooperatives in different commodity groups.

Equity Continues To Grow

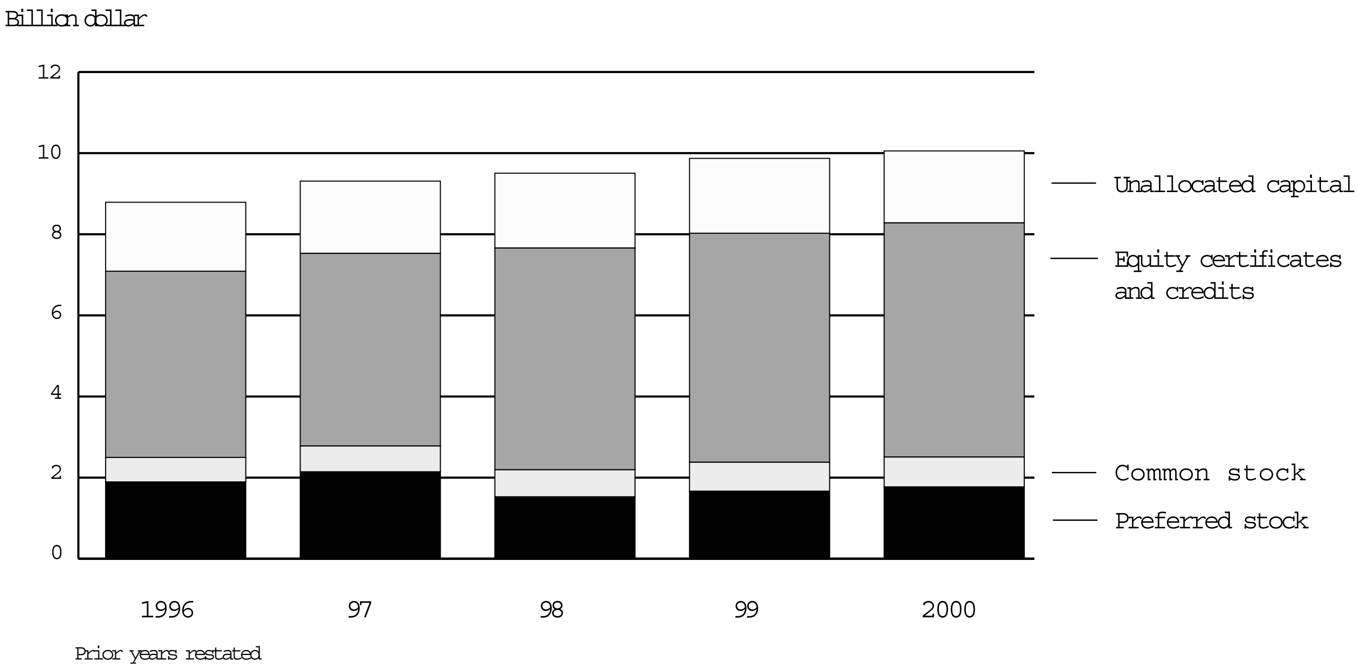
The top 100 agricultural cooperatives' total equity grew 2 percent in 2000, reaching a record $10 billion (figure 7). Member certificates, preferred stock and common stock increased $254 million to $8.3 billion. On the other hand, unallocated equity fell 3 percent, to $1.8 billion. Lower margins and higher patronage payments to members prompted the decline in unallocated equity.

For dairy, grain and rice cooperatives, 2000 was a successful year. Both member equity and unallocated equity grew. Dairy cooperatives had 4 percent more total equity in 2000 than in 1999. Total equity for grain and rice increased 3 percent. Most of the increase from these three groups was in unallocated equity.

Diversified, farm supply and sugar cooperatives had larger amounts of member equity but a decreased value of unallocated equity. Only diversified cooperatives ended the year with net margins, while the other two commodity groups had net losses. Diversified cooperatives used unallocated accounts to pay for some allocations and in a few cases to cover losses. Their unallocated equity fell 8 percent, to $525 million, while their allocated equity was up 2 percent, to $2.7 billion.

Farm supply and sugar cooperatives ended the year with net losses absorbed by unallocated accounts. Their unallocated equity was down 14 percent and 22

Figure 7—Equity for top 100 agricultural cooperatives, 1996-2000



percent, respectively. Farm supply cooperatives' allocated equity was up 12 percent, to $1.4 billion. For sugar cooperatives it was up 6 percent, to $579 million.

Cotton cooperatives paid their members $9 million in past allocations. The unallocated account was up $6 million, or 24 percent, in 2000. Between 1996 and 1999, unallocated equity fell 56 percent.

Fruit & vegetable cooperatives had declining values in both allocated and unallocated equity, even though they ended the year with net margins. Most of the lower allocated equity accounts were due to revolving out equity. This resulted in a 1-percent, or $10 million, decline in allocated equity. The declining unallocated account was caused by two cooperatives writing off losses, resulting in a 1-percent drop in unallocated equity.

Poultry & livestock cooperatives ended the year with a net loss, most of it absorbed by their unallocated equity accounts. Unallocated equity fell 31 percent, to $71 million, in 2000. Allocated equity fell 3 percent, to $229 million.

Performance Continues To Erode

Average performance measures for the top 100 agricultural cooperatives continued to deteriorate in 2000. Tools developed to analyze the cooperatives' financial information include several performance measurements or ratios found in most financial textbooks. A list of ratios for all cooperatives by sector is presented in table 4.

The current and quick ratios examine cooperative liquidity. Figure 8 illustrates that the averages eroded slightly in 2000. The current ratio fell from 1.40 to 1.37 between 1999 and 2000. The quick ratio fell from 0.78 to 0.76 during the same period. Liquidity declined because of lower cash flows from operations. Cooperatives needed to acquire working capital loans to help fund operations, thus a larger increase in current liabilities than in current assets.

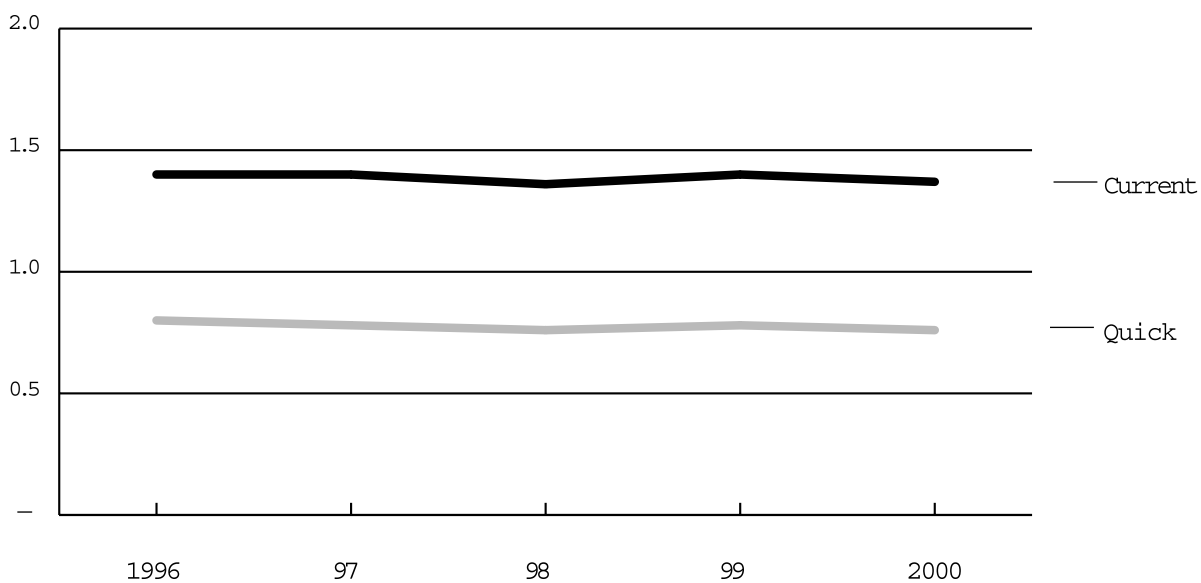
Leverage ratios show the risk associated with financing and the cooperative's ability to meet its obligations. The debt-to-asset ratio illustrates how assets are financed. In 2000, this average ratio was 0.61, up slightly from 0.60 in 1999 (figure 9). This means that 61 percent of the cooperatives' assets are owned by outside interests. Examining long-term financing, we focus on the long-term debt-to-equity ratio (figure 10). This ratio was virtually unchanged from 0.60 in 1999 to 0.61 in 2000.

What the combined effect of lower liquidity and stable leverage ratios illustrates is the change in the term structure of that debt. In other words, cooperatives appear to be shifting their debt loads from long-

Table 4—Selected financial ratios for top 100 agricultural cooperatives in 2000

	Current Ratio	Quick Ratio Equity	Debt To Assets	Long-Term Debt To	Times Interest Earned	Local Assets Turnover	Fixed Assets Turnover	Gross Profit Margin Assets	Net Operating Margin Equity	Return On Total	Return On Members
	------------Ratio------------				------------Times------------			------------Percent------------			
All Cooperatives	1.37	0.76	0.61	0.61	3.31	2.66	14.45	16.47	1.34	3.73	9.41
Cotton	1.44	0.69	0.56	0.42	3.25	2.64	22.40	15.49	5.20	9.77	21.59
Dairy	1.30	0.93	0.60	0.34	9.12	4.52	26.09	12.88	1.64	6.24	15.93
Diversified	1.25	0.84	0.72	1.47	1.62	2.18	10.28	10.36	0.63	1.32	3.47
Fruit & Vegetable	1.44	0.61	0.71	0.97	1.42	1.88	9.67	27.15	0.47	1.59	7.10
Farm Supply	1.41	0.61	0.58	0.53	2.39	1.99	10.94	16.74	1.52	3.62	7.43
Grain	1.27	0.67	0.58	0.46	1.88	2.30	8.53	13.25	1.25	3.41	8.70
Poultry & Livestock	2.06	1.73	0.63	0.75	1.13	3.48	45.42	6.14	1.60	1.93	1.66
Rice	1.68	0.77	0.50	0.34	3.98	2.29	5.63	29.38	2.10	5.06	10.70
Sugar	1.15	0.53	0.67	1.09	0.92	0.86	1.63	26.03	(0.40)	(0.33)	(2.16)

Figure 8—Current and quick ratio for top 100 agricultural cooperatives, 1996-2000



Prior years restated

term to short-term. Expansion of fixed assets slowed while the need for working capital increased. Short-term financing bridged this need.

Leveraging Risk to Business

While leveraging a cooperative is not necessarily bad, it puts more risk on the business, mostly from loan defaults. An examination of the times-interest-earned ratio provides a quick look at that scenario (figure 11). This ratio looks at the number of times interest expense is covered by net margins. This ratio has fallen from 4.7 to 3.3 in 2000, the lowest level in the past 5 years. While there is no current crisis, cooperatives are leveraging themselves to fund operations while the revenue from those operations continues to shrink. If this trend continues, there could be trouble ahead when some cooperatives find it hard to service their debt.

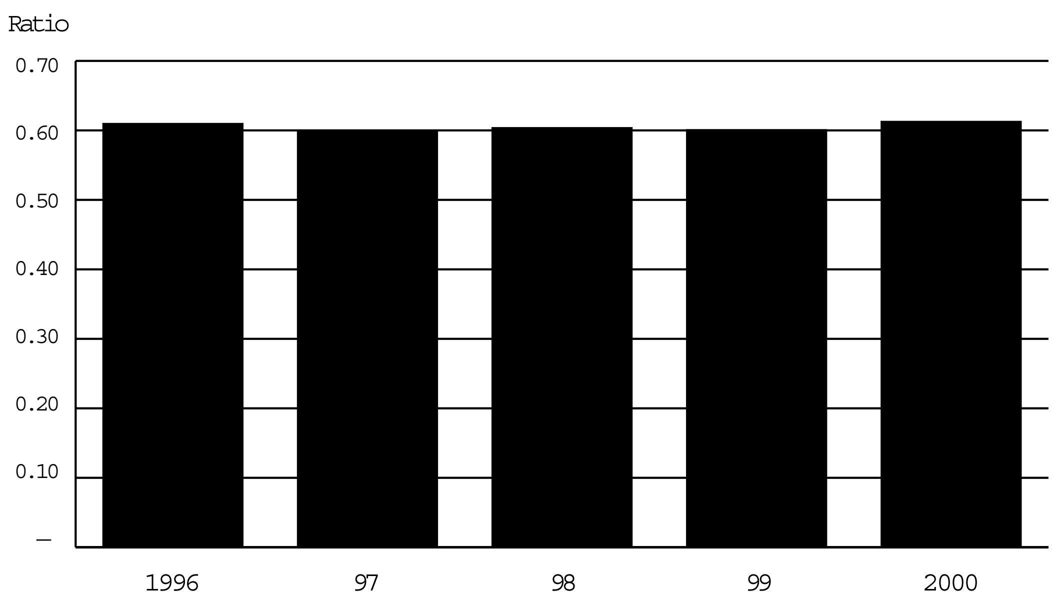
Activity ratios look at how well a cooperative uses its assets. These ratios are holding steady for cooperatives. Local-asset-turnover, calculated by taking total revenue divided by local assets, was constant at 2.7 in 2000. This represents how much revenue is generated by each dollar invested in local assets (total assets less investment in other cooperatives). Investments in other cooperatives are not considered revenue-generating assets. The investment is made due to business conducted with the individual cooperative and excluding this provides a better understanding of how well the cooperatives' working assets are performing.

Fixed-asset-turnover increased slightly from 14.3 to 14.4 in 2000, which says cooperatives are still using fixed assets efficiently. However, this doesn't tell the whole story. An increase could indicate higher sales or lower values of fixed assets. A closer look shows cooperatives purchasing less fixed assets and the average life remaining on the fixed assets falling. This would imply that assets are getting older. Figure 12 illustrates activity ratio for the top 100 agricultural cooperatives from 1996 to 2000.

These activity ratios indicate that cooperatives slowed their investment in fixed assets and instead invested, either voluntarily or involuntarily, in accounts receivable and inventory as a response to higher revenue.

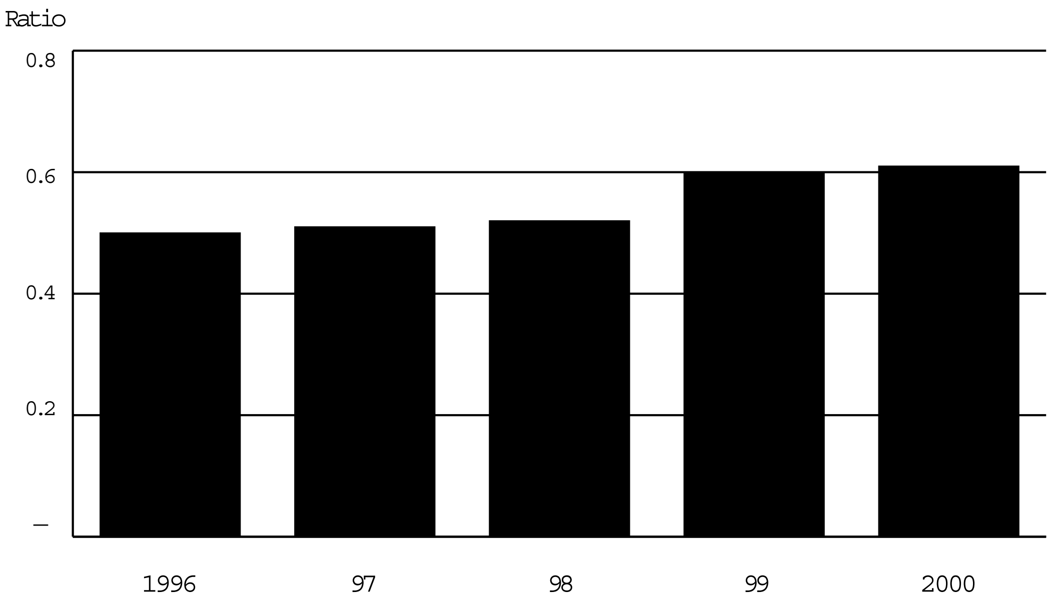
Profitability ratios, while limited as an absolute indicator, provide a view of financial strength for the cooperative. Gross profit margins jumped from 15.9 to 16.5 in 2000, continuing the upward trend since 1996. However, net operating margins fell from 1.6 in 1999 to 1.3 in 2000. Figure 13 shows these widening efficiency ratios and some inefficiency in handling the higher volume of sales.

Figure 9—Debt-to-asset ratio for top 100 agricultural cooperatives, 1996-2000



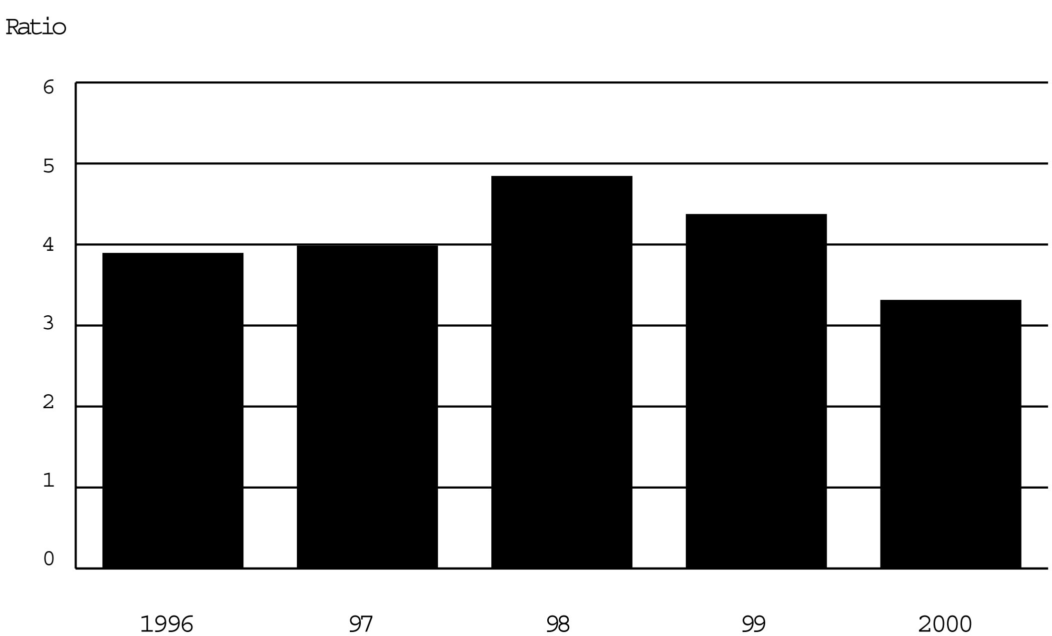
Prior years restated

Figure 10—Long-term-debt-to-equity for top 100 agricultural cooperatives, 1996-2000



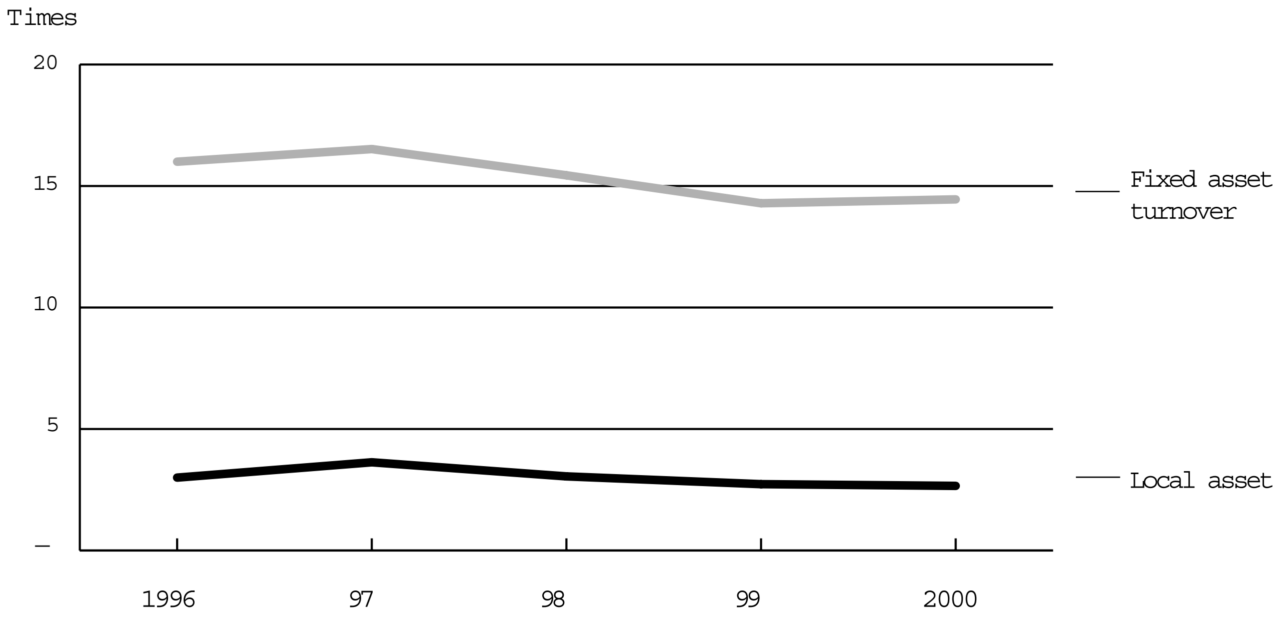
Prior years restated

Figure 11— Times-interest-earned ratio for top 100 agricultural cooperatives, 1996-2000



Prior years restated

Figure 12—Local and fixed asset turnover ratio for top 100 agricultural cooperatives, 1996-2000



Prior years restated

Return on total assets--calculated as net margins plus taxes and interest expense divided by total assets—fell from 4.5 in 1999 to 3.7 in 2000. This ratio focuses on the operation itself without identifying how the cooperative was financed. This reflects lower efficiencies in cooperatives' use of total assets in generating net margins.

Return on member equity looks at the return on member investment after all expenses have been deducted, including taxes and interest. After increasing for a few years, the return dropped from 13.8 in 1998 to 9.4 in 2000.

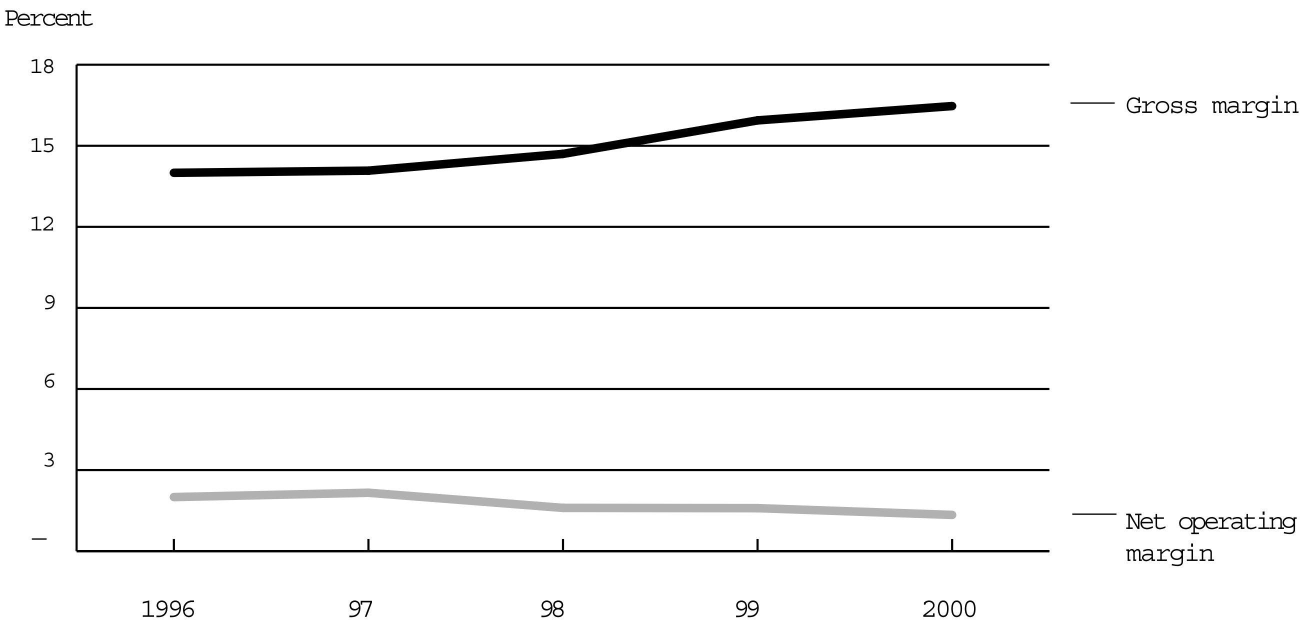
Figure 14 illustrates the movement of these profitability ratios from 1996 to 2000. They indicate that despite higher sales, cooperatives are finding that their operations cannot efficiently handle increased sales. Operations are not generating enough funds and the continued reliance on borrowed funds could cause problems down the road. Other revenue indirectly related to the cooperatives' business is not bringing in as much revenue as in 1999 while expenses associated with indirect activities have increased. Cooperatives are investing less for the future and focusing energies on keeping their operations funded.

Less Liquidity in Cotton

Cotton cooperatives were less liquid in 1999 than in 2000. Higher sales did not generate enough cash flow to fund current operations so cooperatives had to rely more on members to fund operations. The dramatic drop in their average liquidity ratios illustrates this. Their current and quick ratios fell from 1.64 and 0.83 in 1999 to 1.44 and 0.69 in 2000. They acquired more long-term debt to fund their fixed assets. Their average long-term debt-to-equity ratio jumped from 0.37 to 0.42. Higher levels of fixed assets helped the cotton cooperatives operate more efficiently and generate higher returns to their members. Fixed asset turnover was up from 19.9 times in 1999 to 22.4 times in 2000. Profit also was up, with average net operating margins up to 5.2 percent from 4.25 percent in 1999. These were the highest returns on revenue of all commodity groups. Lower interest rates and higher debt illustrates the benefits from leveraging. Average return on total assets was 9.8 percent, which awarded the difference between interest and the total return back to members. Return on members' equity was up from 19.9 in 1999 to 21.6 in 2000.

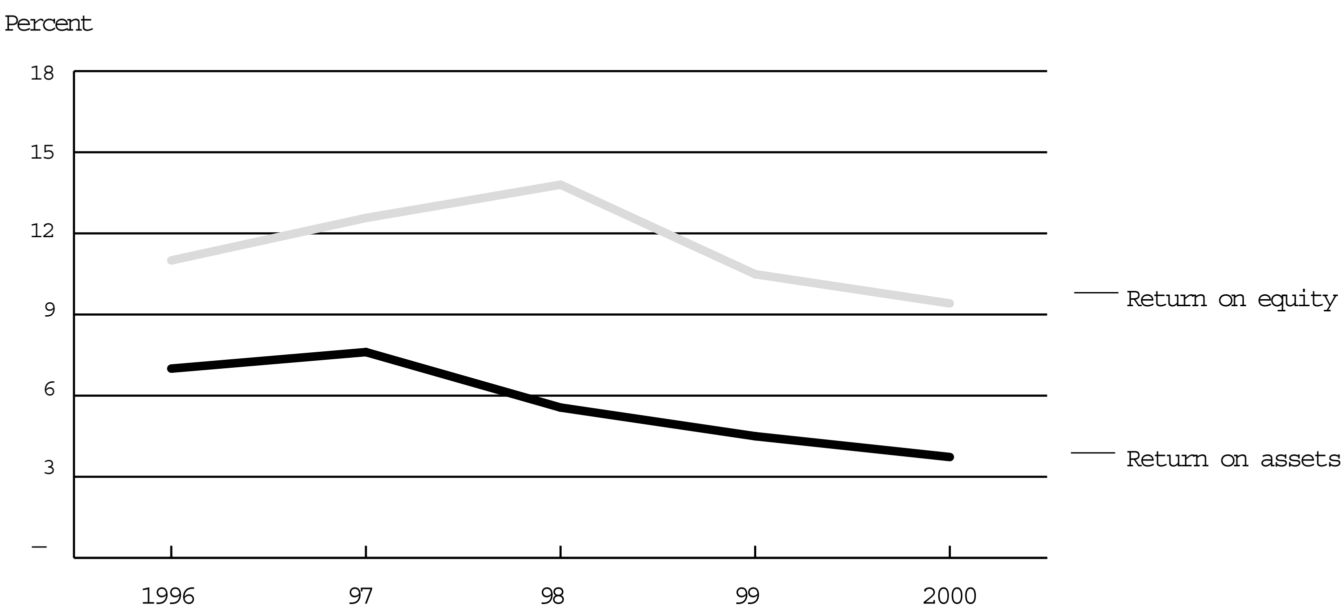
Dairy cooperatives found their average liquidity up slightly, with the current ratio increasing from 1.28 to 1.30 and their quick ratio from 0.88 to 0.93 between

Figure 13—Gross and net operating margin percentage ratio for top 100 agricultural cooperatives, 1996-2000



Prior years restated

Figure 14—Return on assets and equity for top 100 agricultural cooperatives, 1996-2000



Prior years restated

1999 and 2000, respectively. However, this is misleading due to the major influence from one cooperative. Without it, the average liquidity ratios decline. Collectively, dairy cooperatives had a larger increase in current liabilities than in current assets. Cash flow from operations was down and the cooperatives needed more short-term debt along with other current liabilities to fund the operations. This, in effect, pushed down the liquidity for most dairy cooperatives.

However, their leverage remained relatively steady. Average debt-to-asset ratio inched down, from 0.61 to 0.60, and average long-term debt-to-equity was up from 0.33 to 0.34. The average times-interest-earned ratio was 9.12 in 2000, down from 12.26 in 1999. However, this was still the highest of all commodity sectors. The average turnover ratios are smaller, mostly due to lower sales revenue. Yet, the average gross margin percent increased from 11.9 to 12.9 in 2000. This boosted the profitability ratios above the 1999 level. Net operating margins were up 0.07, to 1.64. With a slightly higher leverage position, a higher return on total assets pushed up return on members' equity from 14.04 to 15.93.

Performance Measures Fall

Diversified cooperatives saw their performance measures fall in 2000. Liquidity is down mostly due to higher short-term debt. These cooperatives used much of their cash balances to pay down long-term debt. Short-term loans were used to help cover the shortfall in cash generated by operations. This pushed up current liabilities more than current assets. Thus, the current ratio fell from 1.34 in 1999 to 1.25 in 2000.

The average long-term debt-to-equity ratio is up due mostly to one cooperative. The other diversified cooperatives all had lower amounts. Their times-interest-earned ratio of 1.62 was down from 1.87 in 1999, due to lower net margins and higher interest expense. Higher sales pushed up their turnover ratios of total and fixed assets. Total asset turnover ratio was up from 1.9 in 1999 to 2.2 in 2000 while the fixed asset ratio was up from 9 to 10.3. Diversified cooperatives hurt their members by leveraging their financing in 2000. Lower net margins, down from 1.15 to 0.63, pushed average returns on total assets from 1.83 in 1999 to 1.32 in 2000. Because higher debt loads pushed up interest expense, return on member equity was down from 5.83 in 1999 to 3.47 in 2000.

Fruit & vegetable cooperatives were similar to the diversified cooperatives. Liquidity was lower due to higher short-term debt. Their average long-term debt-to-equity was up from 0.94 in 1999 to 0.97 in 2000, mostly due to a single cooperative. Without that cooperative's impact, long-term debt would have remained steady. However, an increase in short-term debt meant higher total debt and higher interest payments and increased leverage. Net operating margins were down from 0.91 in 1999 to 0.47 in 2000. Again, higher leverage with lower margins pushed returns to member equity down to 7.1 from 9.79 in 1999.

The operations for farm supply cooperatives generated positive cash flows that left their cash balances higher in 2000. Yet, their overall liquidity fell due to member prepayments that substantially affected their current liabilities. The average current ratio for farm supply cooperatives fell from 1.48 in 1999 to 1.41 in 2000. There was less investment in fixed assets in 2000 that helped improve their leverage ratios. Long-term debt-to-equity fell from 0.56 to 0.53 in 2000. Having lower fixed assets and higher revenue meant higher fixed asset turnovers while local asset turnovers remained unchanged. The average fixed asset turnover increased from 8.8 to 10.9 in 2000.

Overall, there was a net loss for farm supply cooperatives, because a few cooperatives had substantial losses. However, most farm supply cooperatives ended the year with positive margins so their average profitability ratios were up. Net operating margins were up from 1.1 in 1999 to 1.52 to help lift the average return on total assets from 3.46 to 3.62. Lower leverage also helped members gain more on their investment. Return on member equity was up from 6.73 to 7.43.

The financial performance of grain cooperatives remained relatively unchanged between 1999 and 2000. Liquidity and debt structure held steady. The only concern was on the operations side. Lower margins coupled with higher interest expense dropped the times-interest-earned ratio from 2.87 in 1999 to 1.88 in 2000. The average earnings were still able to cover the obligatory interest payments, but concern continues over the decline of this value. This decline also carried over to the profitability of the grain cooperatives. The average return on total assets was down from 4.47 to 3.41 in 2000. The leveraging effect pushed down the return on members' equity from 10.88 to 8.70.

Poultry & livestock cooperatives as a whole paid their members a higher proportion of their sales in the form of cost of goods sold. Cash flows and margins were down. Debt was used to fund operations and reflected on both the liquidity and leverage ratios. The average current ratio was down from 2.44 to 2.06 while the average quick ratio was down to 1.73 from 2.06 in

1999. Despite this drop, these cooperatives still maintain the highest liquidity of any commodity group in the top 100.

Heavy Debt Concerns

The biggest concern for these cooperatives is that some are carrying heavy debt and are highly leveraged. Long-term debt-to-equity was up to 0.75 from 0.60 in 1999. The times-interest-earned ratio was 1.13, which left little room beyond interest payments. The turnover ratios held steady with sales, but profit ratios took a hard hit. The average net operating margins were down from 7.61 in 1999 to 1.60 in 2000. This affected return on total assets, which fell from 9.84 to 1.93. The leveraged effect pushed down return on member equity to 1.66 from a 5-year high of 14.27 in 1999.

Operations for rice cooperatives held fairly steady while they improved their financial position. Cash flow from operations lowered borrowing needs and other sources were used to help fund operations. Their average liquidity ratios were up in 2000, with the current ratio up from 1.56 to 1.68 and the quick ratio up from 0.73 to 0.77. An increase in their long-term debt kept leverage ratios from declining. Debt-to-asset ratio fell from 0.51 in 1999 to 0.50 in 2000 but long-term debt-to-equity increased from 0.32 to 0.34 during the same period. The changing structure of their short-term financing from debt to other sources dropped their interest expense and thus improved the times-interest-earned ratio from 2.08 in 1999 to 3.98 in 2000.

Like grain cooperatives, the performance measurements of sugar cooperatives were comparatively steady between 1999 and 2000. There was some decline in their liquidity due to lower cash generated from operations. Short-term debt and member payables provide operating cash and funding for inventory. The current ratio fell from 1.19 in 1999 to 1.15 in 2000 while the quick ratio fell from 0.59 to 0.53. Their debt shifted from long- to short-term as indicated by the relative lack of movement in the debt-to-asset ratio, while there was a substantial decline in the long-term debt-to-equity ratio between 1999 and 2000. The debt-to-asset ratio fell from 0.68 to 0.67. However, long-term debt-to-equity fell from 1.22 to 1.09.

The main concern facing sugar cooperatives is generating enough revenue to cover expenses. The times-interest-earned ratio is 0.92, which means there weren't enough margins to cover interest expense. Losses and low margins caused profitability ratios to have negative values.

Are Cooperatives Ready for the Future?

Faced with a slow world economy in 2001, U. S. agricultural exports declined. The surplus of agricultural goods built up over the past few years kept prices in check. Yet, domestic demand remained healthy and kept prices for output somewhat buoyant. Higher costs for farm supplies will result in lower margins unless cooperatives are able to pass the full price increases on to their members. Tighter credit standards along with lower margins will pinch cooperative financing. Overall, the agricultural economy will shadow the nation's total economy. Cooperatives, like any other business sector, will have to tighten their belts to control costs.

Mergers, consolidations and joint ventures will continue to provide cooperatives a cheaper way to access new markets. Adjustments in operations to lower costs will be driving many decisions in board meetings and executive offices. Hopefully, cooperatives will be able to adapt to the changing environment and continue to provide member benefits and position themselves for the future.

Appendix

Table 1A—Consolidated statement of operations for cotton cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Revenue					
Marketing	$1,473,823	$1,180,443	$1,695,838	$1,824,232	$1,692,065
Farm Supply	60,650	53,888	87,167	84,418	50,935
Total Sales	1,534,473	1,234,331	1,783,005	1,908,650	1,743,000
Other Operating Revenue	5,586	5,162	5,199	5,328	5,659
Total Operating Revenue	1,540,059	1,239,493	1,788,204	1,913,978	1,748,659
Cost of Goods Sold	1,404,858	1,121,591	1,649,257	1,765,021	1,592,984
Gross Margin	135,201	117,902	138,947	148,957	155,675
Expenses					
Operating Expenses	80,418	61,479	69,095	80,084	75,625
Net Operating Margins	54,783	56,423	69,852	68,873	80,050
Other Revenue (Expenses)					
Interest Expense	(15,676)	(11,401)	(20,137)	(20,832)	(22,320)
Interest Revenue	1,785	1,290	1,876	1,653	2,054
Other Income	1,562	871	419	396	943
Other Expenses	-	-	-	(311)	(180)
Patronage Revenue	3,419	3,678	1,938	1,899	1,884
Net Margins from Operations	45,873	50,861	53,948	51,678	62,431
Non-Operating Revenue (Expenses)	-	-	-	-	-
Net Margins	45,873	50,861	53,948	51,678	62,431
Distribution of Net Margins					
Cash Patronage Dividends	16,703	18,643	17,522	28,439	30,243
Retain Patronage Dividends	(6,764)	12,280	19,416	11,481	11,372
Nonqualified Non-cash Patronage	-	-	-	-	-
Dividends	22,380	24,261	16,984	13,996	14,204
Unallocated Equity	13,224	(4,240)	12	(2,553)	6,337
Income Tax	330	(83)	14	315	275
Total Distribution	45,873	50,861	53,948	51,678	62,431

Table 2A—Consolidated statement of operations for dairy cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Revenue					
Marketing	$17,438,350	$17,816,967	$17,154,126	$16,222,878	$16,476,585
Farm Supply	133,580	138,033	100,768	161,779	125,427
Total Sales	17,571,930	17,955,000	17,254,894	16,384,657	16,602,012
Other Operating Revenue	62,732	56,416	44,227	99,171	134,521
Total Operating Revenue	17,634,662	18,011,416	17,299,121	16,483,828	16,736,533
Cost of Goods Sold	16,414,963	16,918,073	16,254,305	15,477,305	15,616,880
Gross Margin	1,219,699	1,093,343	1,044,816	1,006,523	1,119,653
Expenses					
Operating Expenses	1,024,750	925,475	836,111	839,412	939,842
Net Operating Margins	194,949	167,868	208,705	167,111	179,811
Other Revenue (Expenses)					
Interest Expense	(59,682)	(60,004)	(58,675)	(56,138)	(47,076)
Interest Revenue	9,378	9,808	10,144	9,090	10,223
Other Income	77,559	97,371	143,677	14,143	10,506
Other Expenses	(27,116)	(24,534)	(19,327)	(5,962)	(8,854)
Patronage Revenue	6,464	9,775	6,057	53,190	32,065
Net Margins from Operations	201,552	200,284	290,581	181,434	176,675
Non-Operating Revenue (Expenses)	12,624	10,266	12,955	14,665	12,048
Net Margins	214,176	210,550	303,536	196,099	188,723
Distribution of Net Margins					
Cash Patronage Dividends	76,786	59,763	71,024	74,606	55,642
Retain Patronage Dividends	73,496	71,258	88,779	41,505	63,121
Nonqualified Non-cash Patronage	-	-	-	726	-
Dividends	941	944	945	951	970
Unallocated Equity	41,324	56,006	91,320	54,109	48,930
Income Tax	21,629	22,579	51,468	24,202	20,060
Total Distribution	214,176	210,550	303,536	196,099	188,723

Table 3A—Consolidated statement of operations for diversified cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Revenue					
Marketing	$16,593,880	$15,282,772	$15,323,197	$15,614,098	$18,663,100
Farm Supply	11,417,159	8,737,134	9,068,022	11,754,241	10,866,790
Total Sales	28,011,039	24,019,906	24,391,219	27,368,339	29,529,890
Other Operating Revenue	234,060	198,005	283,058	288,184	271,996
Total Operating Revenue	28,245,099	24,217,911	24,674,277	27,656,523	29,801,886
Cost of Goods Sold	26,612,144	22,732,979	23,153,752	26,015,574	28,184,208
Gross Margin	1,632,955	1,484,932	1,520,525	1,640,949	1,617,678
Expenses					
Operating Expenses	1,351,760	1,296,778	1,185,517	1,232,160	1,230,067
Net Operating Margins	281,195	188,154	335,008	408,789	387,611
Other Revenue (Expenses)					
Interest Expense	(277,329)	(224,289)	(191,346)	(177,411)	(192,734)
Interest Revenue	24,382	18,532	26,355	27,633	30,548
Other Income	111,489	135,443	132,487	87,202	128,775
Other Expenses	(60,112)	(10,017)	(29,857)	(8,396)	(9,102)
Patronage Revenue	6,589	7,406	41,963	138,837	149,686
Net Margins from Operations	86,214	115,229	314,610	476,654	494,784
Non-Operating Revenue (Expenses)	45,358	24,947	22,000	(8,584)	(5,868)
Net Margins	131,572	140,176	336,610	468,070	488,916
Distribution of Net Margins					
Cash Patronage Dividends	64,890	44,479	101,974	150,145	109,097
Retain Patronage Dividends	100,814	72,391	137,641	201,331	253,417
Nonqualified Non-cash Patronage	-	-	-	35,001	39,038
Dividends	11,982	11,398	10,567	4,660	4,852
Unallocated Equity	(24,725)	1,357	60,080	22,278	24,333
Income Tax	(21,389)	10,551	26,348	54,655	58,179
Total Distribution	131,572	140,176	336,610	468,070	488,916

Table 4A—Consolidated statement of operations for fruit & vegetable cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Revenue					
Marketing	$6,810,025	$6,599,812	$6,377,419	$6,364,802	$6,269,779
Farm Supply	10,414	8,206	9,124	7,352	7,211
Total Sales	6,820,439	6,608,018	6,386,543	6,372,154	6,276,990
Other Operating Revenue	42,282	46,827	53,663	73,405	72,828
Total Operating Revenue	6,862,721	6,654,845	6,440,206	6,445,559	6,349,818
Cost of Goods Sold	4,818,863	4,845,198	4,731,344	4,806,756	4,792,396
Gross Margin	2,043,858	1,809,647	1,708,862	1,638,803	1,557,422
Expenses					
Operating Expenses	1,847,111	1,692,672	1,528,269	1,443,137	1,433,300
Net Operating Margins	196,747	116,975	180,593	195,666	124,122
Other Revenue (Expenses)					
Interest Expense	(163,270)	(142,314)	(108,883)	(102,729)	(114,074)
Interest Revenue	412	414	637	677	1,502
Other Income	19,722	65,740	5,151	5,842	4,043
Other Expenses	(2,077)	(14,583)	(1,376)	(1,422)	(2,538)
Patronage Revenue	4,779	6,230	7,807	4,150	(2,217)
Net Margins from Operations	56,313	32,462	83,929	102,184	10,838
Non-Operating Revenue (Expenses)	(28,729)	(19,945)	-	4,606	4,000
Net Margins	27,584	12,517	83,929	106,790	14,838
Distribution of Net Margins					
Cash Patronage Dividends	5,869	3,923	7,107	8,213	3,329
Retain Patronage Dividends	(21,892)	(84,941)	15,981	25,841	7,759
Nonqualified Non-cash Patronage	18,103	17,211	19,358	19,275	18,690
Dividends	7,691	7,015	6,609	6,107	9,561
Unallocated Equity	8,891	34,563	23,484	25,740	(12,743)
Income Tax	8,922	34,746	11,390	21,614	(11,758)
Total Distribution	27,584	12,517	83,929	106,790	14,838

Table 5A—Consolidated statement of operations for farm supply cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Revenue					
Marketing	$348,871	$356,993	$457,396	$605,159	$2,570,754
Farm Supply	5,192,278	4,653,714	4,699,982	5,918,732	5,625,325
Total Sales	5,541,149	5,010,707	5,157,378	6,523,891	8,196,079
Other Operating Revenue	95,707	77,491	80,451	79,448	101,247
Total Operating Revenue	5,636,856	5,088,198	5,237,829	6,603,339	8,297,326
Cost of Goods Sold	5,005,744	4,512,739	4,601,357	5,839,652	7,324,292
Gross Margin	631,112	575,459	636,472	763,687	973,034
Expenses					
Operating Expenses	567,253	601,931	530,376	561,862	626,010
Net Operating Margins	63,859	(26,472)	106,096	201,825	347,024
Other Revenue (Expenses)					
Interest Expense	(80,355)	(79,138)	(77,649)	(74,150)	(84,822)
Interest Revenue	12,941	14,202	27,858	42,256	35,333
Other Income	11,535	25,907	22,371	18,349	18,009
Other Expenses	(12,228)	(241)	(1,746)	(146)	(264)
Patronage Revenue	1,722	4,165	6,069	88,316	83,034
Net Margins from Operations	(2,526)	(61,577)	82,999	276,450	398,314
Non-Operating Revenue (Expenses)	1,703	(6,660)	(279)	(556)	362
Net Margins	(823)	(68,237)	82,720	275,894	398,676
Distribution of Net Margins					
Cash Patronage Dividends	11,781	8,337	25,424	108,945	103,389
Retain Patronage Dividends	21,225	16,900	36,359	128,643	265,198
Nonqualified Non-cash Patronage	-	-	-	-	-
Dividends	6,924	1,081	1,032	1,305	1,750
Unallocated Equity	(26,464)	(87,230)	10,470	19,565	11,406
Income Tax	(14,289)	(7,325)	9,435	17,436	16,933
Total Distribution	(823)	(68,237)	82,720	275,894	398,676

Table 6A—Consolidated statement of operations for grain cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Revenue					
Marketing	$ 3,744,735	$3,154,821	$3,855,120	$4,258,833	$4,018,167
Farm Supply	1,450,568	1,975,977	2,392,133	2,378,441	2,216,102
Total Sales	5,195,303	5,130,798	6,247,253	6,637,274	6,234,269
Other Operating Revenue	117,874	121,554	116,238	132,305	107,904
Total Operating Revenue	5,313,177	5,252,352	6,363,491	6,769,579	6,342,173
Cost of Goods Sold	4,832,181	4,794,894	5,863,963	6,301,463	5,909,859
Gross Margin	480,996	457,458	499,528	468,116	432,314
Expenses					
Operating Expenses	415,140	395,718	395,539	371,799	317,614
Net Operating Margins	65,856	61,740	103,989	96,317	114,700
Other Revenue (Expenses)					
Interest Expense	(42,439)	(35,405)	(32,117)	(33,760)	(48,005)
Interest Revenue	10,893	11,279	13,078	9,622	6,278
Other Income	31,048	25,448	21,475	8,591	6,047
Other Expenses	(1,307)	(507)	(1,639)	(803)	(20)
Patronage Revenue	12,410	20,200	32,213	34,614	33,933
Net Margins from Operations	76,461	82,755	136,999	114,581	112,933
Non-Operating Revenue (Expenses)	(1,204)	268	2,028	88	(144)
Net Margins	75,257	83,023	139,027	114,669	112,789
Distribution of Net Margins					
Cash Patronage Dividends	18,808	22,592	28,865	27,988	26,748
Retain Patronage Dividends	29,382	43,311	72,223	61,104	71,071
Nonqualified Non-cash Patronage	316	1,843	757	-	-
Dividends	40	34	55	88	87
Unallocated Equity	15,894	10,769	24,257	11,426	6,268
Income Tax	10,817	4,474	12,870	14,063	8,615
Total Distribution	75,257	83,023	139,027	114,669	112,789

Table 7A—Consolidated statement of operations for poultry & livestock cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Revenue					
Marketing	$2,528,444	$2,487,366	$2,334,415	$2,255,358	$2,029,757
Farm Supply	-	-	-	702,500	577,320
Total Sales	2,528,444	2,487,366	2,334,415	2,957,858	2,607,077
Other Operating Revenue	7,839	7,382	6,776	6,211	6,158
Total Operating Revenue	2,536,283	2,494,748	2,341,191	2,964,069	2,613,235
Cost of Goods Sold	2,445,173	2,267,549	2,325,155	2,763,210	2,363,270
Gross Margin	91,110	227,199	16,036	200,859	249,965
Expenses					
Operating Expenses	109,467	104,502	91,699	189,644	175,617
Net Operating Margins	(18,357)	122,697	(75,663)	11,215	74,348
Other Revenue (Expenses)					
Interest Expense	(41,694)	(32,418)	(33,129)	(31,375)	(24,227)
Interest Revenue	19,854	10,721	11,243	20,377	15,371
Other Income	(1,810)	14,118	10,974	8,106	5,962
Other Expenses	-	-	(224)	(409)	(1,886)
Patronage Revenue	4	27	230	12,924	711
Net Margins from Operations	(42,003)	115,145	(86,569)	20,838	70,279
Non-Operating Revenue (Expenses)	(342)	(8,406)	(45,911)	(1,843)	(4,330)
Net Margins	(42,345)	106,739	(132,480)	18,995	65,949
Distribution of Net Margins					
Cash Patronage Dividends	3,077	4,481	4,284	8,111	5,722
Retain Patronage Dividends	931	13,702	729	817	(1,724)
Nonqualified Non-cash Patronage	-	-	-	-	24,212
Dividends	-	-	128	119	87
Unallocated Equity	(24,810)	50,769	(102,863)	12,963	16,454
Income Tax	(21,543)	37,787	(34,758)	(3,015)	21,198
Total Distribution	(42,345)	106,739	(132,480)	18,995	65,949

Table 8A—Consolidated statement of operations for rice cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Revenue					
Marketing	$1,071,349	$1,119,073	$1,167,781	$1,217,314	$1,086,505
Farm Supply	-	3,247	2,511	3,397	4,186
Total Sales	1,071,349	1,122,320	1,170,292	1,220,711	1,090,691
Other Operating Revenue	-	4,846	2,725	9,133	18,085
Total Operating Revenue	1,071,349	1,127,166	1,173,017	1,229,844	1,108,776
Cost of Goods Sold	768,688	836,702	845,055	912,156	784,814
Gross Margin	302,661	290,464	327,962	317,688	323,962
Expenses					
Operating Expenses	285,002	272,321	295,492	292,252	299,913
Net Operating Margins	17,659	18,143	32,470	25,436	24,049
Other Revenue (Expenses)					
Interest Expense	(2,890)	(6,933)	(11,971)	(18,328)	(14,750)
Interest Revenue	-	-	-	-	-
Other Income	2,590	2,611	1,875	1,840	1,209
Other Expenses	(2,848)	(908)	(1,517)	(2,190)	(205)
Patronage Revenue	-	-	185	318	726
Net Margins from Operations	14,511	12,913	21,042	7,076	11,029
Non-Operating Revenue (Expenses)	-	-	-	-	-
Net Margins	14,511	12,913	21,042	7,076	11,029
Distribution of Net Margins					
Cash Patronage Dividends	6,919	6,890	13,341	-	-
Retain Patronage Dividends	331	415	815	-	-
Nonqualified Non-cash Patronage	-	-	-	-	-
Dividends	459	491	527	472	433
Unallocated Equity	5,624	5,389	5,509	4,694	6,965
Income Tax	1,178	(272)	850	1,910	3,631
Total Distribution	14,511	12,913	21,042	7,076	11,029

Table 9A-Consolidated statement of operations for sugar cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Revenue					
Marketing	$1,549,901	$1,666,131	$1,504,208	$1,282,654	$1,038,977
Farm Supply	1,808	2,841	5,507	6,379	7,386
Total Sales	1,551,709	1,668,972	1,509,715	1,289,033	1,046,363
Other Operating Revenue	50,457	56,435	54,432	33,591	13,642
Total Operating Revenue	1,602,166	1,725,407	1,564,147	1,322,624	1,060,005
Cost of Goods Sold	1,191,540	1,315,581	1,166,814	995,311	815,417
Gross Margin	410,626	409,826	397,333	327,313	244,588
Expenses					
Operating Expenses	334,450	370,674	325,107	265,920	230,293
Net Operating Margins	76,176	39,152	72,226	61,393	14,295
Other Revenue (Expenses)					
Interest Expense	(66,068)	(62,549)	(58,408)	(50,324)	(18,440)
Interest Revenue	3,202	1,762	2,045	2,063	867
Other Income	2,442	7,433	2,130	1,066	4,835
Other Expenses	(26,690)	(7,265)	(28,335)	(16,387)	(785)
Patronage Revenue	-	-	-	4,997	2,040
Net Margins from Operations	(10,938)	(21,467)	(10,342)	2,808	2,812
Non-Operating Revenue (Expenses)	-	-	(1,230)	(6,929)	-
Net Margins	(10,938)	(21,467)	(11,572)	(4,121)	2,812
Distribution of Net Margins					
Cash Patronage Dividends	-	-	-	748	169
Retain Patronage Dividends	-	-	-	1,388	313
Nonqualified Non-cash Patronage	-	-	-	2,247	1,138
Dividends	-	-	-	-	-
Unallocated Equity	(11,452)	(22,506)	(11,725)	(10,728)	1,507
Income Tax	514	1,039	153	2,224	(315)
Total Distribution	(10,938)	(21,467)	(11,572)	(4,121)	2,812

Table 10A—Consolidated balance sheet for cotton cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Assets					
Current Assets					
Cash	$24,762	$23,324	$18,381	$45,473	$56,742
Accounts Receivable	100,089	90,933	104,326	93,784	96,374
Inventory	197,590	225,202	223,843	156,790	181,579
Other Current Assets	25,292	20,804	16,902	8,824	12,792
Total Current Assets	347,733	360,263	363,452	304,871	347,487
Investment					
Cooperative Banks	17,571	14,745	14,452	16,893	18,371
Other Cooperatives	1,839	949	1,167	1,991	1,248
Other Investments	30,215	35,253	21,319	22,207	25,833
Total Investments	49,625	50,947	36,938	41,091	45,452
Net PP&E	175,717	141,744	144,925	168,657	152,181
Other Assets	21,634	15,168	14,732	1,679	1,999
Total Assets	594,709	568,122	560,047	516,298	547,119
Liabilities					
Current Liabilities					
Total Short-Term Debt	167,987	189,177	165,450	88,961	154,314
Accounts Payable	19,969	15,329	20,524	27,495	31,510
Member Liabilities	57,449	29,323	66,319	60,675	55,962
Other Current Liabilities	22,036	16,917	20,213	10,218	12,828
Total Current Liabilities	267,441	250,746	272,506	187,349	254,614
Long-Term Debt Less Current Portion	81,626	67,824	39,389	72,205	44,597
Other Liabilities and Deferred Credits	6,530	7,350	6,609	5,474	4,300
Total Non-current Liabilities	88,156	75,174	45,998	77,679	48,897
Total Liabilities	355,597	325,920	318,504	265,028	303,511
Minority Interest	-	-	-	-	-
Member Equity					
Preferred Stock	-	-	-	-	-
Common Stock	13	8	8	4,254	4,300
Equity Certificates and Credits	208,364	217,427	207,615	202,470	183,494
Unallocated Capital	30,735	24,767	33,920	44,546	55,814
Total Equity	239,112	242,202	241,543	251,270	243,608
Total Liabilities and Equity	594,709	568,122	560,047	516,298	547,119

Table 11A—Consolidated balance sheet for dairy cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Assets					
Current Assets					
Cash	$274,561	$264,712	$251,047	$246,184	$230,696
Accounts Receivable	1,326,294	1,237,338	1,390,099	1,143,927	1,184,021
Inventory	601,270	643,109	571,067	634,164	649,167
Other Current Assets	50,707	56,765	44,314	73,216	51,780
Total Current Assets	2,252,832	2,201,924	2,256,527	2,097,491	2,115,664
Investment					
Cooperative Banks	30,473	30,041	30,128	117,175	69,102
Other Cooperatives	132,444	129,172	157,723	387,187	244,410
Other Investments	892,003	853,002	750,960	98,879	66,338
Total Investments	1,054,920	1,012,215	938,811	603,241	379,850
Net PP&E	1,211,212	1,153,530	1,005,776	1,099,924	1,080,616
Other Assets	89,429	108,156	74,171	97,718	102,067
Total Assets	4,608,393	4,475,825	4,275,285	3,898,374	3,678,197
Liabilities					
Current Liabilities					
Total Short-Term Debt	198,613	180,097	172,306	271,073	210,241
Accounts Payable	650,364	605,394	626,379	514,708	566,700
Member Liabilities	806,056	814,376	756,426	656,136	678,462
Other Current Liabilities	224,606	211,072	209,658	219,143	239,594
Total Current Liabilities	1,879,639	1,810,939	1,764,769	1,661,060	1,694,997
Long-Term Debt Less Current Portion	610,645	618,401	606,868	602,741	527,939
Other Liabilities and Deferred Credits	87,438	84,866	78,084	32,439	40,227
Total Non-current Liabilities	698,083	703,267	684,952	635,180	568,166
Total Liabilities	2,577,722	2,514,206	2,449,721	2,296,240	2,263,163
Minority Interest	302,628	302,658	302,140	178,925	35,309
Member Equity					
Preferred Stock	69,539	71,306	75,128	75,274	63,639
Common Stock	24	24	24	26	26
Equity Certificates and Credits	1,234,671	1,203,866	1,107,265	1,072,004	1,072,931
Unallocated Capital	423,809	383,765	341,007	275,905	243,129
Total Equity	1,728,043	1,658,961	1,523,424	1,423,209	1,379,725
Total Liabilities and Equity	4,608,393	4,475,825	4,275,285	3,898,374	3,678,197

Table 12A—Consolidated balance sheet for diversified cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Assets					
Current Assets					
Cash	$91,043	$279,485	$138,727	$97,013	$65,045
Accounts Receivable	2,639,092	2,384,388	2,054,621	2,096,090	2,184,442
Inventory	2,012,895	2,030,450	1,933,855	2,123,005	2,299,258
Other Current Assets	536,541	552,023	422,144	321,018	372,308
Total Current Assets	5,279,571	5,246,346	4,549,347	4,637,126	4,921,053
Investment					
Cooperative Banks	93,371	96,598	97,127	128,412	129,490
Other Cooperatives	998,811	906,571	867,782	843,369	725,149
Other Investments	344,829	320,675	187,733	203,019	128,551
Total Investments	1,437,011	1,323,844	1,152,642	1,174,800	983,190
Net PP&E	2,535,072	2,474,514	2,438,856	2,326,308	2,220,868
Other Assets	1,443,491	1,333,549	1,090,665	862,299	703,404
Total Assets	10,695,145	10,378,253	9,231,510	9,000,533	8,828,515
Liabilities					
Current Liabilities					
Total Short-Term Debt	1,543,209	1,400,415	844,339	1,074,218	1,260,020
Accounts Payable	1,576,246	1,749,171	1,495,236	1,570,611	1,562,056
Member Liabilities	251,078	236,958	287,138	179,453	182,223
Other Current Liabilities	1,124,036	759,866	745,348	897,514	899,554
Total Current Liabilities	4,494,569	4,146,410	3,372,061	3,721,796	3,903,853
Long-Term Debt Less Current Portion	2,345,574	2,488,647	2,200,385	1,989,736	1,886,573
Other Liabilities and Deferred Credits	525,006	545,631	528,210	300,370	281,859
Total Non-current Liabilities	2,870,580	3,034,278	2,728,595	2,290,106	2,168,432
Total Liabilities	7,365,149	7,180,688	6,100,656	6,011,902	6,072,285
Minority Interest	232,618	125,850	95,398	80,562	70,394
Member Equity					
Preferred Stock	140,669	144,053	149,063	691,789	672,740
Common Stock	557,046	538,435	483,937	468,003	433,915
Equity Certificates and Credits	1,999,402	1,953,725	1,965,511	1,400,753	1,241,719
Unallocated Capital	400,261	435,502	436,945	347,524	337,462
Total Equity	3,097,378	3,071,715	3,035,456	2,908,069	2,685,836
Total Liabilities and Equity	10,695,145	10,378,253	9,231,510	9,000,533	8,828,515

Table 13A—Consolidate balance sheet for fruit & vegetable cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Assets					
Current Assets					
Cash	$51,130	$113,004	$82,888	$82,449	$87,092
Accounts Receivable	645,958	679,787	648,837	580,277	602,191
Inventory	1,437,258	1,256,848	1,141,275	1,015,241	986,603
Other Current Assets	214,098	185,883	172,243	132,263	134,427
Total Current Assets	2,348,444	2,235,522	2,045,243	1,810,230	1,810,313
Investment					
Cooperative Banks	70,048	72,440	80,991	79,350	76,667
Other Cooperatives	18,272	30,550	25,247	46,354	48,035
Other Investments	359,016	363,065	183,816	197,582	202,893
Total Investments	447,336	466,055	290,054	323,286	327,595
Net PP&E	1,361,110	1,317,001	1,075,556	1,051,588	1,071,176
Other Assets	288,840	276,682	249,758	150,770	144,382
Total Assets	4,445,730	4,295,260	3,660,611	3,335,874	3,353,466
Liabilities					
Current Liabilities					
Total Short-Term Debt	570,809	444,498	428,736	365,815	413,505
Accounts Payable	400,958	404,358	364,574	305,149	318,386
Member Liabilities	320,558	334,785	435,259	413,281	413,537
Other Current Liabilities	244,402	234,658	206,311	208,166	161,951
Total Current Liabilities	1,536,727	1,418,299	1,434,880	1,292,411	1,307,379
Long-Term Debt Less Current Portion	1,366,873	1,362,917	937,317	814,164	863,816
Other Liabilities and Deferred Credits	280,908	239,558	211,323	169,506	147,994
Total Non-current Liabilities	1,647,781	1,602,475	1,148,640	983,670	1,011,810
Total Liabilities	3,184,508	3,020,774	2,583,520	2,276,081	2,319,189
Minority Interest	43,000	43,000	-	-	-
Member Equity					
Preferred Stock	269,303	261,016	105,361	99,391	92,656
Common Stock	134,125	130,693	136,390	128,704	127,930
Equity Certificates and Credits	552,350	574,829	605,351	597,117	593,539
Unallocated Capital	262,444	264,948	229,989	234,581	220,152
Total Equity	1,218,222	1,231,486	1,077,091	1,059,793	1,034,277
Total Liabilities and Equity	4,445,730	4,295,260	3,660,611	3,335,874	3,353,466

Table 14A-Consolidated balance sheet for farm supply cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Assets					
Current Assets					
Cash	$174,087	$47,924	$114,360	$258,768	$277,907
Accounts Receivable	537,848	479,504	418,985	634,725	692,577
Inventory	803,174	720,635	646,527	680,153	749,607
Other Current Assets	52,333	49,314	52,924	150,810	316,128
Total Current Assets	1,567,442	1,297,377	1,232,796	1,724,456	2,036,219
Investment					
Cooperative Banks	58,082	37,554	35,117	53,862	52,849
Other Cooperatives	531,275	454,049	447,770	509,786	437,871
Other Investments	60,519	75,309	72,859	124,470	68,322
Total Investments	649,876	566,912	555,746	688,118	559,042
Net PP&E	1,292,253	1,386,811	1,353,776	1,215,745	1,069,416
Other Assets	181,936	169,457	164,024	145,342	175,939
Total Assets	3,691,507	3,420,557	3,306,342	3,773,661	3,840,616
Liabilities					
Current Liabilities					
Total Short-Term Debt	262,919	218,845	184,183	362,768	448,673
Accounts Payable	498,226	468,263	426,107	532,369	550,917
Member Liabilities	219,130	15,733	31,669	117,351	172,556
Other Current Liabilities	97,857	96,891	95,933	71,629	86,865
Total Current Liabilities	1,078,132	799,732	737,892	1,084,117	1,259,011
Long-Term Debt Less Current Portion	712,522	821,073	686,824	673,151	617,162
Other Liabilities and Deferred Credits	162,414	151,659	147,917	182,654	174,866
Total Non-current Liabilities	874,936	972,732	834,741	855,805	792,028
Total Liabilities	1,953,068	1,772,464	1,572,633	1,939,922	2,051,039
Minority Interest	7,693	7,444	7,121	6,011	6,646
Member Equity					
Preferred Stock	1,067,537	964,161	963,074	1,077,358	959,613
Common Stock	14,515	14,804	14,807	14,524	13,253
Equity Certificates and Credits	309,105	266,199	261,364	260,167	359,248
Unallocated Capital	339,589	395,485	487,343	475,679	450,817
Total Equity	1,730,746	1,640,649	1,726,588	1,827,728	1,782,931
Total Liabilities and Equity	3,691,507	3,420,557	3,306,342	3,773,661	3,840,616

Table 15A—Consolidated balance sheet for grain cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Assets					
Current Assets					
Cash	$80,353	$101,816	$114,558	$96,931	$79,744
Accounts Receivable	369,612	330,418	345,883	373,915	377,297
Inventory	533,148	503,982	448,837	495,039	641,943
Other Current Assets	120,655	89,438	80,606	85,424	107,057
Total Current Assets	1,103,768	1,025,654	989,884	1,051,309	1,206,041
Investment					
Cooperative Banks	45,116	44,229	44,774	37,167	32,176
Other Cooperatives	185,844	179,238	164,542	146,394	128,651
Other Investments	78,896	57,799	56,691	49,626	38,464
Total Investments	309,856	281,266	266,007	233,187	199,291
Net PP&E	827,123	805,967	738,643	633,813	578,342
Other Assets	105,078	103,484	102,869	112,354	80,387
Total Assets	2,345,825	2,216,371	2,097,403	2,030,663	2,064,061
Liabilities					
Current Liabilities					
Total Short-Term Debt	329,023	298,217	219,494	273,270	506,536
Accounts Payable	222,535	205,503	225,683	244,088	238,355
Member Liabilities	219,989	199,963	214,533	212,956	178,537
Other Current Liabilities	128,910	129,241	118,180	116,635	101,858
Total Current Liabilities	900,457	832,924	777,890	846,949	1,025,286
Long-Term Debt Less Current Portion	356,213	323,829	287,579	241,704	164,242
Other Liabilities and Deferred Credits	30,804	29,516	31,513	30,282	27,978
Total Non-current Liabilities	387,017	353,345	319,092	271,986	192,220
Total Liabilities	1,287,474	1,186,269	1,096,982	1,118,935	1,217,506
Minority Interest	73,604	70,297	75,744	86,550	85,443
Member Equity					
Preferred Stock	72,523	71,287	84,385	57,004	55,842
Common Stock	28,890	29,324	30,707	20,234	20,304
Equity Certificates and Credits	650,981	642,626	589,955	552,038	503,995
Unallocated Capital	232,353	216,568	219,630	195,902	180,971
Total Equity	984,747	959,805	924,677	825,178	761,112
Total Liabilities and Equity	2,345,825	2,216,371	2,097,403	2,030,663	2,064,061

Table 16A—Consolidated balance sheet for poultry & livestock cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Assets					
Current Assets					
Cash	$35,238	$36,995	$21,878	$26,637	$27,525
Accounts Receivable	233,982	208,514	210,865	347,201	319,989
Inventory	193,979	201,841	187,483	298,979	272,764
Other Current Assets	67,325	78,879	351,988	108,816	62,903
Total Current Assets	530,524	526,229	772,214	781,633	683,181
Investment					
Cooperative Banks	4,373	4,554	4,781	5,058	4,860
Other Cooperatives	1,270	1,279	969	30,854	976
Other Investments	167,988	106,199	125,623	103,851	106,013
Total Investments	173,631	112,032	131,373	139,763	111,849
Net PP&E	267,946	276,273	285,352	320,704	279,005
Other Assets	161,760	116,425	96,003	61,000	46,728
Total Assets	1,133,861	1,030,959	1,284,942	1,303,100	1,120,763
Liabilities					
Current Liabilities					
Total Short-Term Debt	298,634	193,604	436,020	324,321	241,613
Accounts Payable	95,421	100,680	97,914	158,761	135,420
Member Liabilities	12,952	12,060	8,864	9,106	32,701
Other Current Liabilities	75,041	93,741	58,245	59,431	70,928
Total Current Liabilities	482,048	400,085	601,043	551,619	480,662
Long-Term Debt Less Current Portion	269,332	201,424	335,467	268,512	191,324
Other Liabilities and Deferred Credits	80,365	88,701	55,953	54,056	44,384
Total Non-current Liabilities	349,697	290,125	391,420	322,568	235,708
Total Liabilities	831,745	690,210	992,463	874,187	716,370
Minority Interest	1,390	1,048	676	28,458	28,172
Member Equity					
Preferred Stock	2,884	2,696	2,757	2,766	2,329
Common Stock	1,096	1,097	1,099	1,098	1,102
Equity Certificates and Credits	225,430	232,260	228,682	233,333	235,166
Unallocated Capital	71,316	103,648	59,265	163,258	137,624
Total Equity	300,726	339,701	291,803	400,455	376,221
Total Liabilities and Equity	1,133,861	1,030,959	1,284,942	1,303,100	1,120,763

Table 17A—Consolidated balance sheet for rice cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Assets					
Current Assets					
Cash	$26,607	$20,235	$3,836	$9,390	$4,111
Accounts Receivable	89,331	100,988	112,644	103,156	92,882
Inventory	142,699	137,556	183,732	210,716	206,603
Other Current Assets	3,205	6,889	396	1,279	5,370
Total Current Assets	261,842	265,668	300,608	324,541	308,966
Investment					
Cooperative Banks	15,503	15,266	13,845	12,511	12,741
Other Cooperatives	-	-	-	-	-
Other Investments	18,325	19,690	20,907	20,795	15,904
Total Investments	33,828	34,956	34,752	33,306	28,645
Net PP&E	189,674	182,009	181,622	183,821	177,650
Other Assets	2,613	3,101	4,244	2,654	3,215
Total Assets	487,957	485,734	521,226	544,322	518,476
Liabilities					
Current Liabilities					
Total Short-Term Debt	79,466	112,330	135,610	183,461	147,446
Accounts Payable	32,139	28,690	33,057	33,014	44,529
Member Liabilities	42,765	31,823	35,335	25,658	24,777
Other Current Liabilities	19,192	8,929	16,191	10,242	13,462
Total Current Liabilities	173,562	181,772	220,193	252,375	230,214
Long-Term Debt Less Current Portion	70,063	66,913	71,183	67,136	65,665
Other Liabilities and Deferred Credits	-	-	-	-	-
Total Non-current Liabilities	70,063	66,913	71,183	67,136	65,665
Total Liabilities	243,625	248,685	291,376	319,511	295,879
Minority Interest	-	-	-	-	-
Member Equity					
Preferred Stock	-	-	-	-	-
Common Stock	8	8	8	8	8
Equity Certificates and Credits	162,888	161,636	159,832	160,297	161,512
Unallocated Capital	81,436	75,405	70,010	64,506	61,077
Total Equity	244,332	237,049	229,850	224,811	222,597
Total Liabilities and Equity	487,957	485,734	521,226	544,322	518,476

Table 18A-Consolidated balance sheet for sugar cooperatives, 1996-2000

	2000	1999	1998	1997	1996
			$1,000		
Assets					
Current Assets					
Cash	$73,789	$10,249	$9,475	$16,141	$8,217
Accounts Receivable	142,690	176,426	145,490	153,192	93,015
Inventory	294,814	250,736	315,672	313,285	128,687
Other Current Assets	18,399	34,473	42,947	28,706	19,032
Total Current Assets	529,692	471,884	513,584	511,324	248,951
Investment					
Cooperative Banks	24,459	23,460	23,727	21,055	24,474
Other Cooperatives	10,776	11,683	10,272	10,328	29,433
Other Investments	52,540	49,299	40,465	43,007	53,242
Total Investments	87,775	84,442	74,464	74,390	107,149
Net PP&E	881,430	884,231	818,316	733,269	426,619
Other Assets	279,944	277,156	280,044	281,752	15,734
Total Assets	1,778,841	1,717,713	1,686,408	1,600,735	798,453
Liabilities					
Current Liabilities					
Total Short-Term Debt	266,896	226,848	304,054	231,612	52,305
Accounts Payable	104,887	117,243	119,006	115,883	44,736
Member Liabilities	70,593	48,859	22,786	84,200	75,546
Other Current Liabilities	35,134	25,090	23,275	20,283	20,268
Total Current Liabilities	477,510	418,040	469,121	451,978	192,855
Long-Term Debt Less Current Portion	512,384	531,136	468,578	472,652	280,376
Other Liabilities and Deferred Credits	50,257	53,270	48,648	45,713	22,366
Total Non-current Liabilities	562,641	584,406	517,226	518,365	302,742
Total Liabilities	1,040,151	1,002,446	986,347	970,343	495,597
Minority Interest	227,305	226,215	244,482	240,539	338
Member Equity					
Preferred Stock	149,777	150,230	147,117	139,748	46,861
Common Stock	152	160	160	157	4,154
Equity Certificates and Credits	428,784	393,883	341,016	271,036	238,726
Unallocated Capital	(67,328)	(55,221)	(32,714)	(21,088)	12,777
Total Equity	511,385	489,052	455,579	389,853	302,518
Total Liabilities and Equity	1,778,841	1,717,713	1,686,408	1,600,735	798,453

U.S. Department of Agriculture

Rural Business–Cooperative Service

Stop 3250

Washington, D.C. 20250-3250

Rural Business–Cooperative Service (RBS) provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The cooperative segment of RBS (1) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs. RBS also publishes research and educational materials and issues Rural Cooperatives magazine.