

# Dear Larry... Open letter to Larry Martin on ag potential...<sup>1</sup>

May 1994 Column, Country Life in BC

Larry.larry

My Esteemed Colleague...

Thanks for allowing me to bounce off you some of the work I'm doing on agricultural potential assessment for the B.C. government!

You are, of course, right. I have indeed injected a co-operative bias. But the word *bias* — like the word *subsidy* — has gotten a bum wrap. Bias simply reflects one's (hopefully, well-considered) *point of view*. The following is offered in defense of *my* point of view on this issue.

As most market participants soon realize, there comes a time in the life of those firms successful enough to break through the stratosphere of competitive positioning and arrive in the more lush fields of the oligopolist or oligopsonist — few firms selling to or buying from many — *when a dollar spent on further competition contributes less to bottom line profits than does a dollar spent on collaboration with its (former) rivals*. (Because competition is costly and market collusion profitable, collaboration is attractive. This is, of course, precisely why anti-trust legislation is necessary.)

The private sector is legally precluded from market collaboration (entering into formal or informal agreements to lessen competition). And as all tax-payers well know, the public sector is devoid of competitive pressures. But the *third sector of our economy*, the cooperative sector, offers participants the best of both worlds — structures that both encourage peer competition (challenges to excellence) and allow strategic collaboration in pursuit of markets. Managed well, this unique interface between competition and collaboration holds many benefits for B.C. farmers.

The trick, of course, is for farm coops to effectively incorporate "challenges to excellence". *For Canada's agriculture sector, the difference between the 1970's-80's and the last half of the 90's is that farm cooperative structures will surely die if they do not move in the direction of challenging excellence amongst their members*. In many cases, this will require "new rules" relating to quality thresholds, pooling procedures, etc. Inevitably, there will be protests by some farmers that such measures are antithetical to the cooperative "philosophy."

But cooperative structures have been around for a long time. As a vital third sector of our economy, they surely must be capable of evolving in their own self-interest and self-preservation. I continue to believe cooperative producers in this province can position themselves to greet the 21st century strong and well-equipped to face her many challenges.

If this can be accomplished successfully, there is a further market "perk" beyond structural health and competitive positioning which B.C.'s farmers will be ideally positioned to serve — the consumer's increased demand for *ethics* as a "listed ingredient" on goods and services. (Just as ORGANICS was the cry of the 70's - mid 80's and GREEN is today's demand, ETHICALLY PRODUCED will most assuredly be an important and very lucrative, niche market of tomorrow.) Why will ethics be an easy sell for B.C. farmers? Because co-ops are by their very nature non-exploitive of human capital and distribute profits on a broadly based level. The farming of food in a sustainable manner by farms that respect the environment, the community and the consumer, where profits go to many medium-sized, successful and independent farms as opposed to large trans-nationals farming (often exploitively) in foreign lands will be rewarded by the consumer. (We see this beginning today; witness the success Ethical Funds Inc. and the strong bottom lines of firms such as Ben and Jerry's in the U.S. Their products are no "better" than their competition. Their prices are, at times, premium. The consumer is clearly buying "ethics" — choosing where to "park" the profits that arise from their participation in the market transaction with those firms that operate *ethically*.)

The inclusion of a "strong cooperative structure" as one of the determinants of agricultural potential is also based on my belief that, beyond their collaborative benefits, cooperatives also assure the farmer independence important to a) sectoral "fleet-footedness" (ability to adapt quickly to changing market conditions), b) sustainable land and resource stewardship (sufficient profits for investment in good farm management practices) and c) the ability to withstand the pressures of large-scale contract integration (due to the first two factors).

The relative weight put to the "cooperative" factor — how important is it to structural health/agricultural potential? — remains to be determined through a broad, consultative process that must pivot on industry consultation. (The need to include a way to measure *strongly collaborative* producer structures that may exist outside a cooperative framework has, of course, been noted in the research.) My own cooperative bias may well be dropped from consideration by the consultative process. (I would, however, be surprised if this were so.)

As always, Larry, while I may not be ultimately persuaded by all of your arguments, I continue to highly value your well-considered points of view. Your thoughts on the above would, therefore, be most welcome!

(816 words, excluding title and footnote)

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<sup>1</sup> During the course of a contract with the Resources Branch, BCMAFF to assist in the development of a pilot GIS-based system to map agricultural potential, the author discussed her work with respected colleague Dr. Larry Martin (Director of Economic Research, George Morris Centre, University of Guelph). This letter was written in response to that discussion.