# Member Equity

Co-ops don't have anything unique about what they need to do financially. They have to make money, they have to have a strong balance sheet, they have to have liquidity working capital in their balance sheet so the the business model is no different than any business model. The primary difference is how they distribute their equity after they've earned it. Those normal financial factors give them access then to borrow money from a co bank or other sources of capital. CoBank happens to be the you know the largest premier lender to cooperatives across the country but you you have to have the the performance indicators. You've gotta have a you know a strong equity position, you've got to be profitable so you know the in the 80s what was really transpiring there were a couple of things. One is the the general economy was really stressed you had you know high inflation high interest rates. In an Ag community you had the added dimension of low commodity prices and so grain elevators cooperative organizations were dealing with those kind of stress factors like any other company so the ones that had you know put away a few shekels over the years had strong net worth so they could withstand that but that was also stressful at the farmgate. So their members their farmers were also having their balance sheets ravaged and many in many situations they were out of their control. There were other economic factors it might have been you know world issues or just commodity prices wherever maybe so you had that that two-inch sword going on the co-operative the co-operative itself and then the farmer members. The other issues that were going on there then was just attrition the the size of those businesses you know extremely stressful financial time could not compete. So wasn't that they couldn't make some money it wasn't that they weren't successful. They were making good business decisions it was the economy of scale they may have been a small elevator trying to compete with a train loading elevator and so and the bank all banks at that time we're trying to you know juggle those balls to say well are you economically viable and can you afford to take on enough debt to see through these these challenging times. So in the 80s that was a real major transformation of the the business structure and climate and essentially all of agriculture and cooperatives were no different. They weren't any more stressed or any less stressed it all depended on their you know their financial strength going in and others not just cooperatives but businesses agribusiness says we're losing a lot of money so the equity was flowing out of the business. Farmers saw their land devalued which is a typically a large component their balance sheet so they had equity coming out of their personal balance sheets albeit not always in cash but the devaluation of their farms and so the equity just wasn't there to sustain the viability of some of those businesses. So those were the compounding effects that you had in balance sheets in the in the 80s.