

Farmland industries inc. essay



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Introduction

Today, when we hear the slogans “ better farming, better food,” or “ proud to be farmer owned” one company comes to mind, Farmland Industries.

We may think of this of this fortune 500 company as a leading agricultural powerhouse, which it is, however, it was not always that way. Background Farmland Industries Inc. was founded by Howard A. Cowden, who was born and raised in Southwestern Missouri.

Cowden started young in the cooperative business by working for the Missouri Farmers Association (MFA). However; in October of 1927, he had resigned from the position of secretary for the MFA and started out on his own. Immediately following, Cowden received the MFA oil contract that previously had been held with Standard Oil Company, and Cowden was now in the wholesale oil business. On January 27, 1928, Cowden Oil Company was founded.

This business was moved to Kansas City, Missouri in late 1928. In January of 1929, Cowden Oil Company was dissolved and Union Oil Company (Cooperative) was formed.

It was clear that Cowden had planned to do more than just buy and sell oil to local cooperatives. A board of directors was created to run the company, yet Cowden retained full control over the company that he had created. Cowden started recruiting smaller companies to join their cooperative by signing contracts to sell certain amounts of Unions products. In 1929, Union Oil Company had purchased its first land.

“ The Two Car Garage,” as it is referred to, was the building that they had purchase to become their new home. In 1935, Union Oil Company changed its name to Consumers Cooperative Association (CCA). CO-OP was decided to be its official logo. In October of 1956, CCA moved to their new home on North Oak Trafficway, in Kansas City, and the company was ready for major business. In June of 1961, Howard A.

Cowden retired as President of CCA and Homer Young stepped in to fill his shoes. In early to mid 1966, CCA changed its name again.

This time to Farmland Industries, Inc., however; they still kept that CO-OP symbol for a trademark. CCA now emphasized much of its business to fertilizer, petroleum and commercial feed. This business only grew and grew for them.

“ By 1967, Farmland Industries had manufacturing facilities for various kinds of fertilizer at Lawrence, Kansas; Hastings, Nebraska; Green Bay, Florida; Fort Dodge, Iowa; Joplin, Missouri, and a plant under construction in Dodge City” (Fite 281). From here, Farmland Industries only increased its size, sales, and dividends, not to mention popularity. Some of the major lines include: Food Marketing, Feed, Crop Production, Grain, Beef, and Pork. Of course, there are many, many other lines that the company has produced throughout the years. Some of these things include: Ful-O-Pep (Union Oil Companys “ Antiknock” gas designed to compete with ethyl), CO-OP tires, Batteries, Groceries, Canning and Dehydration, Tractors, Paint, Twine, Steel buildings, and many other successful ventures, along with many other flops.

“ Weve been working to improve margins-by lowering costs, by implementing shared margin programs, by offering prebooking, and contracting programs in fuel, crop production, products, & feed-and by increasing our emphasis on providing timely information and other services” (Annual 94 2). Organizational Culture Today, Farmland is the largest farmer-owned agricultural input cooperative in the United States. Its mission is: To be a producer-driven, customer-focused and profitable “ ag supply to consumer foods” cooperative system (The Farmland Cooperative System 6). The people of Farmland Industries believe in American agriculture.

They believe that everyone involved in progressive agriculture in America today is entitled to a return on their investments. Farmlands world headquarters are located in Kansas City, Missouri. The city is located on the banks of the Missouri river in western Missouri.

The metropolitan area itself includes four counties in the state of Kansas which helps make up its population of 1.

65 million people (U. S. Bureau of the Census 1). According to the U. S. Census Bureau, 82.

2 percent of this population are White, 12. 7 percent are Black, 3. 1 percent are Hispanic, and 1. 9 percent include various other Races (1). In 1995, the estimated Kansas City median household income was \$37, 841. Thirty-eight percent of the households in the metro area have an effective buying power (this is the discretionary income households have after paying off all debts) of more than \$50, 000 per year (U.

S. Bureau of the Census). Kansas City also boasts one of the lowest cost of living in major metropolitan areas. It ranked third among 25 cities with populations above 1.5 million people (U. S.

Bureau of the Census). There are many exciting things to do once you're in Kansas City.

If gambling is what you are looking for, the metro area offers five river boat gambling establishments (Alm 61). In addition to the casinos, year-around dog racing and seasonal horse racing is offered at The Woodlands in Kansas City, KS. Kansas City also offers sporting excitement. The Kansas City Blades for the hockey fans, the Kansas City Royals, a major league baseball team and the Kansas City Chiefs, a professional football team, in which Farmland Industries is a major supporter.

Approximately 500,000 farmers and ranchers across the Midwest own the Farmland Cooperative system. The cooperative system was built to serve these people. Their economic benefit is why it continues to exist and evolve (The Farmland Cooperative System 1). These producers own more than 1,400 farmer-cooperative associations which, in turn, own Farmland Industries, Inc.

, their regional agricultural cooperative (The Farmland Cooperative System 17).

More than 13,000 livestock producers also own the regional co-op directly, since it is through this entity that they market and add value to their hogs and cattle. It is this network of farmers, farmer-cooperatives and regional land

the many people who work for them—that make up the Farmland Cooperative System. Each member of this network has important roles in ensuring its total, long-term profitability.

Farmland is the largest farmer-owned regional co-op in America, with sales in 1995, totaling \$7.3 billion and it does business in all 50 states and over 70 countries (The Farmland Cooperative System 17). Its owners, who represent 22 Midwestern states account for 80% of U. S.

grain and livestock production, set the policies and direction for their regional through elected representatives to their local association and regional boards of directors (The Farmland Cooperative System 17).

Their locally based farmer-cooperative associations function as central links between the farmer and their regional in designing the systems products, services, and information to meet their individual needs. The flexibility and responsiveness of these associations give them an advantage over other agricultural input suppliers (The Farmland Cooperative System 12). Farmland and the thousands of people it employs are compelled by one common purpose: to help its farmer-owners accomplish long-term success in agriculture by positioning them and their system as competitive forces in global agribusiness. To be competitive in the world marketplace, the systems producer-owners must continue to find ways to lower their unit production costs, increase their market access, and secure higher returns from their farm products that is, increase their revenues from the “ farm gate to consumer” sector of the food chain.

Helping them do that is the primary focus of their locally based and regional cooperatives.

Lowering their production costs, increasing markets for their farm products, and improving the quality of their grains and livestock through technology are key functions their Cooperative system performs for its owners to help them improve their profitability. Expanded markets and better quality often translate into higher prices for their farm commodities. Naturally, the successes Farmland has enjoyed and the products and services they provide their patrons have not come overnight or by reckless leadership. It has been a long process led by men and women dedicated to the advancement of agriculture. Management Style As with any major corporation, a competent management staff is critical to the well being of the company.

The management staff acts as the infrastructure of the company, making sure that orders are handed down and initiated.

Farmland Industries Inc. is governed by 21 Board of Directors that consist of “ prominent farmers, ranchers, and managers of farmer co-ops throughout the Midwest” (Tolley 1). Each of the members of the Board of Directors is elected to a three-year term (Farmland 23).

President and chief executive officer Harry Cleberg is the leader of the Farmland team and is also a member of the Board of Directors. He has been with the company for 37 years and named CEO in April 1991 and recently been named Agri-Marketer of the year (Hartke C). As CEO, Cleberg must create a motivational factor for Farmlands employees. He does not do this by sitting in his office all day as one would think, but he actually goes into the

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work areas and meets with many of the 14, 000 employees (Hartke C). He enjoys making unannounced visits to various areas, and even sits in “ small-group meetings that he calls listening posts,” covering all 22 state trade areas every 18 months. (Hartke C).

These listening posts which Cleberg speaks with consist of employees and managers ranging in size from 10 to 100 people. According to Harry Cleberg, he spends about 70 percent of his time outside his office actively communicating with other people in their offices (Hartke D). He has a seven member senior management staff that he meets with for about four hours once a week. The senior management staff and council “ are made up of highly skilled individuals” (Farmland 23).

In addition to this, he also meets with staff directors every week for about three hours (Hartke D). This man did not get to the top if Kansas City largest private company (Kansas City Business Journal 20) by sitting in board rooms and talking on the telephone, but he makes it a point to communicate one on one with the employees and managers of Farmland.

Farmland has a traditional management style, with three Executive Vice Presidents directly under Cleberg that are responsible for a major core business area. There are well-defined lines of authority and ordinary layers of management (Tolley 1).

Farmland evokes a “ family feeling” by implicating the use of teams in decision making processes (Tolley 1). According to Warren Tolley, Director of Employee and Organizational Development, “ It is not unusual to find employees that have been here 20 to 30 years, and most of them with

Agricultural roots” (1). Farmland focuses on employee satisfaction, making employee feedback necessary if improvements are to be initiated. According to Cleberg, “ If you dont have some form of regularly scheduled communication, youll communicate just after you should have communicated” (Hartke D). By this statement, Farmlands CEO stresses the importance of employees appropriate communication within an organization.

At Farmland management focus on “ total utilization of all assets of the division” (Farmland 16).

Their main focus is to generate higher margins, reduce costs, and improve the competitive position. In todays market, management plays a bigger role than it has in the past. Competition is greater, meaning that having current information, better and more advanced management skills, and access to financing are very critical to the bottom line of the company (Farmland 16).

Education & Training Early into Farmland’s history, few educational meetings had been held.

However, they suddenly realized how important the education process was for the cooperation movement. Sessions held for managers and other officials affiliated with what was then Union Oil company, were held as far north as Aberdeen, South Dakota, and as far south as McPherson, Kansas.

According to Homer Young, “ Education is the chief problem of the cooperative movement” (Fite 104). In 1936-37, Farmland cooperated with Kansas State college to offer a seven week training course to train Farmlands leaders.

They immediately hired four of the thirty students that graduated from the course. By the 1970s Farmland had several training techniques. Some of these were located at the School of Cooperation, named the Farmland Training Center in 1975, while others were carried on out in the fields. By 1977 the center had 18 professional instructors on staff. There were training programs for cooperative members, board members, sales representatives, cooperative accountants, those handling special products such as petroleum and other chemicals, and many others (Fite 105).

Today, there is a tremendous amount of training going on at Farmland. “ Each year, through an agreement with Rockhurst College in Kansas City, about 12 of the top executives are nominated and sent to an Executive MBA program, which lasts two years, with classes held on alternate Fridays and Saturdays” (Tolley 2). “ When they are through,” says John Eller, director of IS Planning, “ these employees can pretty much write their own career tickets” (Computerworld 43). Each and every employee gets to go through training, not just top executives. Everyone takes classes on such things as time-management, problem solving, sexual harassment, and even team-building assignments.

International As stated earlier, Farmland Industries Inc. does business in over 70 countries around the world.

The largest international office is in Mexico City, Mexico. This branch office is used in this section as an example of an international office. In the Mexico City office, all of the Farmland employees are trained so they have an idea of the size of the company and how each section of the company works. By

allowing employees to understand this process, potential customers can be brought to the company and referred to the pertinent departments.

During the training, all the personnel are taught about the cooperative decision making process. Consequently, they will learn about the philosophy and operational process of each division (Cabrera). The Farmland office in Mexico City is a subsidiary for the offices in Kansas City. Their function is to introduce Farmland into the Latin American countries, look for investors, find new distributors, learn about other countries credit system, laws and regulation from their departments of agriculture, and most important of all, learn about the cultures and identify all products that will be successful in their market (Cabrera).

Farmland is selling feed, meat, and pet food to the Mexican and Latin American consumers. Also, they are beginning to introduce oil in form of lubricants, gasoline, and other oil based products.

They have products being sold in some European countries and Asian countries. All offices in these countries are considered distributors for Farmland, therefore; they have the capacity to import and make sales separately from the Kansas City offices. On the contrary, the office in Mexico is in charge of developing new customers for the cooperative and making the sales. All orders are sent back to Kansas City where they will take care of delivering the products. In Mexico city, Farmland has about 100 customers and at least one or two in each Latin American country. Farmland is a cooperative that tries to maintain a cultural diversity.

In most cases, the personnel working abroad are originally from the country where Farmland or the subsidiary is based.

Although being native of the country is not a requirement, it is important to be fluent with that particular language and know the customs of the country (Cabrera). If we look at the Farmland office in Mexico City, we see that the sales personnel must have a good understanding of the Latin American culture, how well they accept new product ideas, what is their lifestyle like, credit system, and most important of all, how is the business environment like (Cabrera). One big problem a salesperson faces in Latin American countries is the credit issue.

Considering that Farmland has been working abroad for over a decade, it has not fully developed trust on the foreign economies. In Latin American countries, credit is very difficult to obtain and even if you get the credit approved by a bank or other entities, Farmland acts rather conservatively and makes this process difficult for some companies. This is one of the problems salespeople encounter as they seek potential customers. The salaries that Farmland offers abroad are very competitive, and they basically match the salaries offered by other leading companies.

Income is also based on education and experience. There are two different ways you will be paid when working for Farmland in a foreign country.

If you are working in the US. and then you are transfer to a foreign country, your salary will not change once you are in the other office. In addition to regular salary, you will be given a percentage extra on the currency of the country where you are going to live called expatriation allowance. This

money is supposed to help pay bills, such as house, food, and other basic necessities (Cabrera). The other way you can get paid is in 100% the currency of the country you are living in.

This case is only applicable to the people who have been hired by the subsidiary in a specific country (Cabrera). As part of the training, we let people know performance will be measured in a yearly bases. When you are hired, you are requested to set some performance goals, where you will distribute your time given to the company, given to the customers and to yourself.

At the end of the year you will meet with the supervisor for your division, and you both will analyze your performance and determine how productive you have been for the company (Cabrera). When the Mexico City office has people coming from the Kansas City office, they try to explain some cultural differences such as business, lunch hours, and working hours. In the business aspect, people must understand that the Latin Americans rely a lot in the relationship that is developed between the salesperson and the buyer.

A written contract is not as valuable as the trust that emerges from knowing one another as individuals. In Mexico, people work from 9am. to 6pm., and their lunch break is around 4: 00pm. In some cases, people working in Mexico are suggested to start the day a little bit earlier, because in this way they will be able to contact everyone in Mexico and Kansas City.

From Monday trough Thursday, all people are required to dress suit and tie, and Fridays everyone can dress more informal (Cabrera).

These are some of the problems and experiences that Farmland must face to do business abroad. This is just one example of the cultural diversity, and every country will have different situations. Conclusion In the agriculture industry today, just as anything else, things change rapidly. The American farmer and rancher need somebody to inform them of the changes that need to be made, then help them implement the changes. They also need not only to market his/her product on a local or national level, but on a global scale to remain competitive.

The American consumer as well as the international consumer needs to be confident that they are getting excellent product at a competitive price. Farmland Industries is the crucial link between these two segments of the market. It is a system that has proven strong for many decades and promises to be strong for many more.

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