

**Approaches to Developing Cooperative Marketing Strategies:
The San Joaquin Valley Hay Growers Association**

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Origin In the late 1930's, the situation confronting hay growers in the San Joaquin Valley was not good... in fact, it was rapidly becoming disastrous. Prices were down. Each hay grower had to market his own product. In 1939 members of the hay growers division of the San Joaquin Farm Bureau Federation met and appointed a committee to investigate the feasibility of forming a hay growers association. As the result of that meeting, thirty (30) charter members began the formation of the San Joaquin Valley Hay Growers Association as a nonprofit cooperative marketing association of growers.

The Association opened offices at the Union Stockyards on April 29, 1940. In the first year, the Association marketed 16,210 tons of hay with a value of \$168,803. At the Association's year end on March 31, 1993, the Association had completed its 53rd year, marketing over 219,000 tons of hay with a market value of nearly \$20,000,000, including the sales of seed supplies, in both categories; the Association currently represents over 350 members on 35,000 acres. The Association moved to its Headquarters where it resides located three (3) miles east of Tracy housing the central administrative and sales office.

Membership Growers may join the Association on a two-year contract at which time they may resign. Contracts are automatically renewed.

Leadership The fourteen (14) member Board of Directors are elected to a two-year term and meet at the Tracy office monthly. Officers are elected by Board members at the beginning of the new fiscal year. One of the contributing factors to the stability has been the ability of the Association to attract and keep well-qualified personnel. The first General Manager William E. Straight, followed by S. K. Neal and Leonard Cary, now headed by Mel Coelho, has by working with the Board of Directors demonstrated the ability to operate the Association profitably and soundly to the benefit of the membership.

Operation In over 50 years of operation, the Association has expanded its activities and has brought financial stability and security to the industry. The Association has always operated on a retainer basis. \$5.60 is retained for operating costs with the unused balance revolved after the close of the fiscal year. (\$3.50 average cost, five years) Additionally, \$.40 per ton is retained for losses and other contingencies for a five (5) year period (or at the discretion of the Board). Two percent (2%) of the FOB Ranch price is retained for the capital revolving fund which is also revolved on a five (5) year basis.

Over the last five (5) decades the Association has expanded its activities with district operations in Los Banos/Dos Palos, Tracy/Westside, Lodi/Eastside, Clarksburg and Woodland and a sales office in Petaluma. All offices are connected to the Main office by means of a radio network and cellular telephones to provide instant contact throughout the marketing and growing areas served.

An insurance program on hay is offered the members at competitive rates, in case of a loss by fire.

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Over the years the Association has expanded its activities into areas of dehydrating, pelleting and compacting hay. Those activities were abandoned when the Board of Directors decided they were no longer profitable and ceased those operations to concentrate on marketing. The financial position of the Association, its substantial capital, represented by revolving funds, and its ability to borrow from CoBank (\$2,000,000 line of credit), puts the Association in an excellent position to meet its financial requirements both to the grower and to the trade. The Dairyman benefits greatly by the terms he or she is able to secure from the Association.

The strong position of the Association enables it to maintain an orderly marketing climate which was one principle reason for forming it, and provides if necessary a source for members to borrow on their hay. This enables them to choose the time they want for marketing their product.

Marketing The Associations eight (8) member marketing staff maintains constant communication with Growers and Sellers. Accurate inventories are maintained on a varied supply of hay to supply nearly all of the buyers needs.

Sales meetings are held monthly, allowing interaction between other districts and management. Discussions on inventories and market values clearly advise other areas of market demand and values. This is especially valuable during periods of excess supplies or low inventory periods. Sales representatives discuss market conditions with growers enabling them to make sound market decisions on storage.

Purchase and Sale Agreements are obtained to confirm selling prices which contains legal information advising buyers on methods which may be used to collect delinquent accounts.

Field receipts are a necessary part of the movement of hay to assure members' payments on loads of hay leaving their ranch will be made.

A high demand for quality hay has virtually caused most lots of hay to be sampled for protein content. An evaluation of the lab report may then be discussed with the grower and buyer to determine values and available markets.

The Association has many customers that have developed a confidence in their sales representative to supply their needs for a full year. That kind of confidence continues to support the Associations longstanding marketing performance for the past five (5) decades.

It is well known, that hay marketing contains many pitfalls and risks. The Association has provided protection against most of these difficulties by furnishing and maintaining an aggressive marketing force soundly based on financial responsibility; a combination vitally necessary to successfully promote the growth and conduct of the Association.