

The Economic Impact of Montana's Cooperatives

Information based on year ending 2015

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Cooperatives have been operating in Montana for more than 100 years, and they continue to be an essential component of the state's agricultural sector. Producer cooperatives, farm supply co-ops, and cooperatively-operated grain handling facilities dominate Montana's landscape, especially in the state's central and eastern regions. Not all cooperatives in Montana are farm-related, however, as many other types of member-owned businesses are incorporated under the state's cooperative statutes.



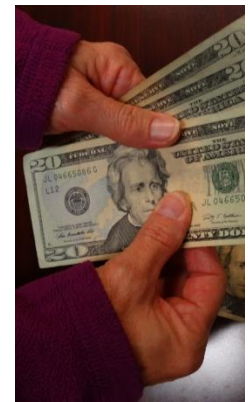
For example, some 33 rural cooperative utilities ensure the delivery of electricity and telecommunications services across the state, especially in its least populated regions, and 52 credit unions serve the financial needs of both large and small Montana communities.



Over the past 20 years, Montana consumers also have formed more than 30 cooperative associations to operate cafés, art galleries, natural food stores, farmer's markets, retail stores, and health & fitness services. The latest trend is forming co-ops to operate existing small-town grocery stores when private ownership cannot continue.



Even oil refining and propane/fuel delivery are managed on a cooperative basis in Montana, bringing significant benefits to the state in terms of jobs, economic activity and patronage refunds to the member-owners.



This report documents the contributions Montana cooperatives made to the state's economy in 2015 in terms of retail trade, personal income, total business activity, employment, and tax revenue. Figures were solicited from cooperatives as part of a biennial research project funded by two co-op support organizations.



METHODOLOGY

This study used expenditures of cooperatives operating in Montana in 2015 as the basis for its analysis. A simple survey instrument (Appendix A) was distributed to cooperative businesses in August 2016. Because participation was voluntary and anonymous, returns varied widely by sector. While participation was high among Montana's credit unions and electric cooperatives, only seven of the state's fuel/farm supply co-ops returned the survey. Where at least 50% of the co-ops in a given industry sector reported their results, the author was able to prorate the figures with sufficient confidence to represent all co-ops in that sector. For those sectors with less than 50% participation, only the raw figures are shown so to not distort the final results.

Rural electric and telephone cooperatives form the utility cooperative category. Mean values were determined for selected expenditure categories for the "missing" utilities and these values were applied to the respective number of cooperatives to determine total in-state expenditures. Since 100% of the credit unions participated, figures are directly reported here as it was not necessary to calculate and apply mean values.

Although only seven of the larger agricultural cooperatives returned the surveys, their total economic impact is still substantial and thus the figures are presented as submitted.¹ Consolidation of cooperatives in the farm supply sector has been a significant trend in recent years with fewer than 30 remaining as independent entities. Many have diversified to engage in grain handling and merchandising, agricultural processing, retail store operations, propane distribution and even oil refining. The largest farm supply co-ops operate a number of facilities across multiple counties, and thus are making a substantial economic contribution to rural Montana.

It is not the intent of this study to analyze the complete economic contribution for each cooperative type, but rather to present a descriptive snapshot for each industry sector and for all co-ops combined.

Here are the total economic impacts of the 96 cooperatives accounted for in 2015:

- **Annual revenues generated through co-op operations: \$2.19 billion**
- **Total direct expenditures: \$790 million**
 - \$361 million in salaries, worker benefits and payroll taxes
 - \$37.6 million reported in Montana taxes with an additional \$27.4 million in office occupancy and utility payments
 - \$7 million in scholarships, educational funds and other community contributions
 - \$71 million in member dividends, payouts and stock retirements
- **Jobs: 4480 full-time equivalents (FTEs)**
- **Average full-time salary across all sectors: \$58,625**

¹ It should be recognized that the total economic impact of Montana's agricultural cooperatives is likely being underreported in this document due to insufficient survey returns. Further research is recommended.

Table 1. Montana Direct Expenditures, by Cooperative Type Operating in Montana in 2015

Type	Number	Expenditures	Ave. Expenditures by Coop Sector
Utilities	33/33	\$347,547,995	\$10,531,757
Credit	52/52	\$129,854,667	\$ 2,497,205
Fuel/Farm Supply	7	\$311,623,089	n/a
Other	4	\$634,877	n/a
<u>TOTAL</u>	96	\$789,660,628	

Montana cooperative business activity also contributes to the state tax revenue. Total Montana taxes attributable to cooperative businesses were estimated to be **\$37.6 million** (Table 3). Direct employment for cooperatives also was obtained from the survey. The 96 cooperatives provided full-time jobs for an estimated 4,161 workers and part-time employment for another 638 people (Table 2). Direct expenditures by cooperatives also create secondary, or indirect and induced, employment in the state. These are jobs that arise to serve and support the economic activity resulting from cooperatives operating in Montana.

Table 2. Montana Employment by Cooperative Type Operating in Montana in 2015

Type	Full Time Workers	Part Time Workers
Utilities (33) ²	1,534	40
Credit (52)	1,158	87
Fuel/Farm Supply (7)	1,468	505
Other (4)	1	6
TOTAL	4,161	638

² Electric utilities reported employment only in full-time equivalents, so utility part-time workers are those employed by telecommunications cooperatives.

As a means of demonstrating a Montana cooperative’s impact on a community, Table 2a provides details of the average payroll and average number of employees for two of the cooperative types. This provides the basis for a multiplier effect in each community served by a cooperative utility or credit union. For example, a cooperative in a Montana community is able to expand one of its business divisions. How will a one-dollar change in output by that particular business affect other sectors of the local economy? Let's consider the original dollar coming into the community. Let’s say 60 cents of that dollar flows out of a Montana community through nonlocal taxes, equipment purchases and other items. Therefore, 40 cents remain for local wages, taxes, raw materials and rent. Of the 40 cents that is spent locally, only 16 cents remain in the community (again 60 percent leakage). Of the 16 cents re-spent locally only six cents remain, and when that is re-spent only three cents remain, and finally less than one cent. At this point, it is difficult to measure further impact. This example illustrates that the economic impacts resulting from a one-dollar change in the cooperative payroll leads to a change of \$1.66 in the local economy.

Table 2a. Average Payroll Per Cooperative Type Operating in 2015

	Average	Ave. No. of full time employees	With Multiplier
Utilities (33)	\$3,418,848	47	\$5,675,288
Credit (52)	\$997,119	23	\$1,655,218



Table 3. Montana State Taxes Paid by Cooperative Type in 2015

Type	Taxes Paid
Utilities (33)	\$18,529,329
Credit (52)	\$0.00
Fuel/Farm Supply (7)	\$19,078,056
Other (4)	\$733
TOTAL	\$37,608,607

Worker benefits vary among types of cooperatives with utility cooperatives generally paying a slightly higher proportion of worker benefits than other cooperative categories. Roughly 29% of all utility worker payments were in the form of worker benefits while 27% was paid out by farm supply co-ops and 25% by credit unions.

Table 4. Payroll and Worker Benefits Generated by Cooperative Type in 2015

Type	Payroll	Worker Benefits
Utilities (33)	\$112,821,979	\$45,189,329
Credit (52)	\$ 51,850,169	\$17,283,390
Fuel/Farm Supply (7)	\$ 97,918,228	\$35,658,308
Other (4)	\$ 50,808	\$ 794,564
TOTAL	\$184,741,442	\$42,542,474

Table 5 depicts the dividends, payouts and stock retirements paid to members by category. It is worth noting that the largest return of dividends to members per cooperative reporting was in the ag marketing/farm supply category, where cooperatives tend to be large and are farmer-owned. The utility and credit cooperatives are consumer-owned, service-oriented businesses and characteristically return fewer dividends based on patronage by their members.

Table 5. Dividends paid to Members by Cooperative Type in 2015

Type	Dividends Paid
Utilities (33)	\$20,854,697
Credit (52)	\$16,470,870
Fuel/Farm Supply (7)	\$33,788,981
Other (4)	\$ 221,210
TOTAL	\$71,335,758

Finally, it should be noted that cooperatives make significant, voluntary contributions to youth and charities across Montana. In 2015, co-ops donated more than \$7 million to scholarships, educational causes and other community projects, with \$5,162,179 from the utilities, \$1,267,250 from credit unions, \$263,855 from ag-related co-ops and \$323,197 from other co-ops.



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2016 ECONOMIC IMPACT SURVEY – APPENDIX A

The purpose of this survey is to gather business information about Montana cooperatives from the 2015 tax year. Your responses will be anonymous and confidential. The information collected will be used to educate our legislators and the public about the economic impact of our cooperatives in Montana. The information will be presented in aggregate form with no one business identified. Please return by 9/15/16 to PO Box 3027, Great Falls, MT 59403.

1. What is your principal business?

- | | |
|--|---|
| <input type="text"/> Farm supply | <input type="text"/> Grain handling & merchandising |
| <input type="text"/> Processing & marketing agriproducts | <input type="text"/> Utilities (electricity, telephone) |
| <input type="text"/> Credit Union | <input type="text"/> Other (specify) _____ |

2. Total number of workers:

Full-time workers Part-time workers

3. Total annual revenue (most recent fiscal year): \$ _____

4. Expenditures (to entities within Montana):

- \$ _____ Payroll (wages, salaries)
- \$ _____ Worker benefits
- \$ _____ Utilities (electricity, natural gas)
- \$ _____ Communications
- \$ _____ Transportation (freight)
- \$ _____ Insurance
- \$ _____ Interest payments
- \$ _____ Construction, repair, &/or maintenance contracts
- \$ _____ Supplies/materials
- \$ _____ Business & professional services
- \$ _____ Montana taxes
- \$ _____ Dividends to co-op members
- \$ _____ Scholarships
- \$ _____ Education Funds
- \$ _____ Other Community Contributions

Other (specify):

\$ _____ _____

\$ _____ _____

\$ _____ _____

