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for Use in Indian Country**

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COOPERATIVE FORMS OF AGRIBUSINESS FOR USE IN INDIAN COUNTRY

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The fact that Indian culture and decision making processes are very close to that of cooperative business organizations suggests that this organizational form may be well-suited to Indian needs. This article highlights organizing experiences in the United States and Canada. It then presents three alternative models of cooperative business activity as having the greatest possibilities of adaptation to the American reservation system.

INTRODUCTION

The essence of cooperation in its broadest sense is working together to accomplish mutual goals. Indian agriculture has always been somewhat cooperative. Historically land was held by the tribe and all members had use of it. Hunting and fishing for food for the tribe was also a cooperative enterprise. Indian farmers, usually women but sometimes men, would carry out most of their work as a cooperative group. An early study by Clark indicated that Indians learned that many hands make light work and that every successful project needs a single directing head that all cooperators must support and follow.¹ Clark concluded that the early Indian farmers "cooperate[d] in plowing, weeding, harvesting, hunting, playing, building, in warfare, and in religious ceremonies."²

Indian religious beliefs permeated virtually all activities, including ceremonial. Corn was the main agricultural crop and food staple, and was also used in religious and ceremonial activities. Surplus corn was traded for items belonging to the early pioneers and other Indian tribes. These observations suggest that the traditional way of Indian life resembled the modern cooperative concept. The old culture, however, is beginning to break down with the increased interest in economic development on reservations.³

A cooperative is a business institution that meets the common needs of its members. These needs can be relatively simple such as group purchasing of bulk items or managing a grazing association. Often these needs may involve more complex marketing, processing or merchandising activities. In

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1. S. CLARK, LESSONS FROM SOUTHWESTERN INDIAN AGRICULTURE (1928).

2. *Id.* at 252.

3. I am indebted to Stuart Jamieson, USDA Indian Coordinator for this observation.

common vernacular, a cooperative is defined as a business organization that is voluntarily owned and controlled by its member patrons and is operated by them and for them on a non-profit or cost basis. As a business, the cooperative's objectives are to meet members' needs as efficiently as possible and to enhance the profitability of their farming, fishing, forestry or other activities. Benefits are shared in proportion to each member's contribution and participation. An element of entrepreneurship is implied. Cooperatives in the usual sense are not common on North American Indian reservations. Growth in the use of cooperatives has emerged largely in the past two decades and is more prevalent in Canada than in the United States.

This article discusses the role of agriculture in Indian history, and explores the agricultural base of Indian reservations. The article traces the attempts in both the United States and Canada to improve Indian well-being through agriculture and cooperatives. The article then examines the potential for cooperative forms of agribusiness on Indian lands, and concludes with an examination of the cooperative as a development tool.

ROLE OF AGRICULTURE IN INDIAN HISTORY

Agriculture has always figured prominently in Indian culture and life. Unlike the stereotype of Indians as basically a hunting culture, early history documents the role of agricultural production that went far beyond mere subsistence needs. Grains produced, particularly corn, were a major trading item among Indian tribes. In fact, corn was the staple that provided the basis for expansion of the fur trade to the upper Midwest and West through agricultural villages along the waterways. The availability of large and stable sources of grains from the planting tribes was crucial to survival of the early colonists as well as to the success of the fur trade, which literally fed on Indian agriculture.⁴

Forced from their respective nations by the westward-pushing frontier, Indians found themselves settled on marginal lands unsuitable for their agricultural production efforts. Many turned to hunting for survival. Later treaties and governmental agencies sought to re-establish Indian agricultural practices. The establishment of reservations and allotment of Indian lands in the mid-1800's carried the objective of making Indians self-sufficient farmers.⁵ Later, the government was encouraged to be sensitive to the variety of Indian culture and to confine agricultural efforts to those people who had a tradition in farming. Stock raising was suggested as a more logical enterprise for the nomadic hunting tribes of the plains.

Pressures for allotment of Indian lands to individual Indians rather than cooperative use reached a peak in the 1880's. Eastern tribes had been uprooted at least twice and were removed to other distant lands. They left substantial farms in the East and repeatedly re-established themselves in ag-

4. Wessel, *Agriculture, Indians, and American History*, 50 *AGRICULTURAL HISTORY* 1 (1976).

5. *Id.* at 16.

riculture. As Wessel remarked, "[b]y 1877, the Five Civilized Tribes dominated Indian agriculture. That year they produced over 69 percent of the wheat grown on Indian reservations, 81 percent of the corn, and over 43 percent of the vegetables."⁶

This system of successful land use and tribal government was challenged by those who lamented persistent tribalism. Congress looked to the allotment of reservation lands under the General Allotment (Dawes) Act of 1887⁷ as a panacea and continued allotment efforts through the turn of the century. The Act's purported purpose was to anglicize Indian farmers as a link to the chain of civilization by making them more enterprising and self-seeking. As a result, farming areas in most instances were reduced to small acreages incapable of supporting a family. Ultimately much of the most productive Indian land ended up as non-Indian-owned-and-operated farms. The allotment period ended in 1934 but not before Indians lost control of much of the land they had held before 1890.

Since that time most economic development projects have focused on enterprises on reservations. Attempts have been made to consolidate allotted landholdings that became fragmented through inheritance. In most cases today, however, the problems accompanying economic development on reservations stem from the inherent problems of the reservation system.⁸

OVERVIEW OF INDIAN RESERVATIONS AS AN AGRICULTURAL BASE

Indians occupy more than 50 million acres of land on more than 200 reservations in 26 states. Much of that land remains undeveloped because most Indian people and tribal governments are poor and lack access to capital and technical assistance.

Indian reservations range in size from mini-settlements in California, called bands, to the Navajo reservations of about 14 million acres in Arizona, New Mexico, and Utah. There are only 10 other reservations with more than a million acres, four in Arizona, two each in Washington and South Dakota, and one each in Wyoming and Montana.

While there are more than 900,000 Indians in the United States, the Bureau of Indian Affairs estimates that fewer than 600,000 of these live on reservations. The ten states in which Indians comprise one percent or more of the population are: Alaska (17 percent); New Mexico (7 percent); Arizona (5 percent); South Dakota (5 percent); Montana (4 percent); Oklahoma (4 percent); North Dakota (2 percent); Nevada (1½ percent); Wyoming (1½ percent); and Utah (1 percent).

According to the 1970 Census, only about 50 percent of the males over 16 on reservations were in the labor force. Only rural blacks had a lower

6. *Id.* at 18. See also Farrell, *Agriculture and American Indians*, in ASSOCIATES NAL TODAY 13 (A. Fusanie & L. Moran eds. 1978).

7. 25 U.S.C. § 331 (1976).

8. S. LEVITAN & W. JOHNSTON, *INDIAN GIVING PROGRAMS FOR NATIVE AMERICANS* 72 (1975).

income level than Indians, which reflects the lack of employment opportunities on reservations. Based on 1940-70 census data, the importance of agriculture and forestry on reservations appears to be declining. These pursuits employed only ten percent of Indian males. In 1970, twelve percent of the males were employed in farming occupations.

Indian land makes up the greatest part of tribal and personal wealth. Of approximately 55 million acres reserved for Indian use, almost 40 million are tribally owned, 10 million are owned by Indian individuals, and 5 million are owned by the government. In 1972, about 45 million acres of open and forest land were used for grazing, 1.6 million acres in dry land farming, and 600,000 acres in irrigated land. Productivity has been generally low on Indian farms. Reasons cited are (1) poor land quality, (2) inefficient farm management, (3) poor planning and negligent care of crops, (4) lack of capital for operations, and (5) landholdings that are too small to be efficient.⁹

Most reservations in the United States today contain few natural resources, are remote from large markets, have inadequate transportation systems and lack a trained and educated labor force.¹⁰ In addition, the economic base near reservations is small or non-existent. This human and physical resource base suggests a struggle for developing a viable and aggressive agricultural development program. A study by Levitan and Johnston concluded on a disquieting note: "The struggle to make reservations agriculturally productive will take decades of continued federal help and even then may not produce the hoped for returns."¹¹

EXAMPLES OF ATTEMPTS TO IMPROVE INDIAN WELL-BEING THROUGH AGRICULTURE AND COOPERATIVES

In the present century, attempts have been made to improve agricultural husbandry and crop practices among Indians in the United States and Canada by means of individual, tribal and cooperative production efforts. Many of these attempts have lacked the necessary staying power, but some valuable lessons have been learned. A few of these are highlighted for their importance to subsequent development initiatives.

Organizing Efforts in the United States

The effort to organize on the Morongo Indian Reservation in southern California is one of several examples of cooperative action in agriculture. The Morongo Indians were successful producers of fruits, grapes, beans, melons and barley before establishment of the reservation. Production efforts suffered when the tribe accepted individual allotments in 1919. The

9. *Id.* at 23.

10. *Id.* at 14. See also H. JOHNSON, AMERICAN INDIANS IN RURAL POVERTY, TOWARD ECONOMIC DEVELOPMENT FOR NATIVE AMERICAN COMMUNITIES, Joint Economic Comm., 91st Cong., 1st Sess. Vol. 1 & 2 (1969).

11. S. LEVITAN & W. JOHNSTON, *supra* note 8, at 25.

plots of five to six acres were impractical for commercial farming.¹² Families merged allotments into larger parcels. Founders of an early protest association helped organize the Malki Fruit Association as a cooperative through which the small landowners pooled their resources. It resulted in successful operation for nearly twenty years before circumstances of changing land use and access to markets forced termination of the effort. The cooperative hired seasonal labor, bought hauling equipment, built drying sheds, work platforms and processing facilities and arranged for financing and shipping.¹³

The Morongo tribe also has had experience with a Cattlemen's Association. Families worked together as necessary and heads of families who owned cattle organized work activities on an informal basis. Conflicts with government "experts" and other Indians owning cropland over which cattle occasionally grazed caused formation of the Cattlemen's Association in the 1930's as a special interest group. It acts formally when needs arise and disbands when there are no problems.¹⁴ The cattlemen's interest of protecting grazing lands is always represented in tribal committees. Cattle raising is considered a proper and traditional use of land, but over-grazing and under-management has been a continuing problem.

The Papago Indians of Arizona organized the San Xavier Cooperative Association in 1971 to farm some 1,100 acres that had been lying idle for many years. The land was owned by 189 allottees and the adult allottees comprised the cooperative's membership. A seven person board was organized and members share the benefits of crop production in proportion to their allotted shares of land. Crops include sorghum, alfalfa, corn and cotton. Continued availability of water and water rights for irrigation are major issues. Inconsistencies in the available work force also limit productive capacity.¹⁵

The Papago reservation also created a new utility concern in 1970 known as the Papago Tribal Utility Authority. Its purpose was to operate and maintain a utility system throughout the reservation where services were needed. Electric service had been provided by the Trico Electric Cooperative and Papagos who received electric service from Trico also belonged to the cooperative. As members of the cooperative, they read their own meters, paid their bills, were eligible for election as company directors and had a vote in cooperative elections. It is uncertain, however, how strong a voice individual consumers have in the operation of the new utility authority.¹⁶

The Navajo reservation occupies over 14 million acres in Arizona, New Mexico and Utah and contains a highly varied topographical area. Based

12. Bean, *Morongo Indian Reservation: A Century of Adaptive Strategies*, in AMERICAN INDIAN ECONOMIC DEVELOPMENT 183 (S. Stanley ed. 1978).

13. *Id.* at 182-85.

14. *Id.* at 185.

15. Manuel, Ramon & Fontana, *Dressing for the Window: Papago Indians and Economic Development*, in AMERICAN INDIAN ECONOMIC DEVELOPMENT 511-77 (S. Stanley ed. 1978).

16. *Id.* at 559-61.

on 1971 land-use figures, over half of the land is suitable for grazing, 9,000 acres for dryland farming and 36,000 acres for irrigated farming. Sheep raising has been an integral part of the Navajo culture since early times, but today yields only about ten percent of Navajo income. The tribe began a livestock reduction program to deal with overgrazing. In 1975, the Navajos had about 527,000 sheep and 50,000 head of cattle.

The Navajo Irrigation Project on the San Juan River is a major new effort designed to increase irrigated land to 110,000 acres. The first 10,000 acres of land on the project received water and was farmed in 1976. A tribally-owned enterprise, the Navajo Agricultural Products Industries, was organized to operate the farm. In addition to cropland, the project has operated a small lamb feedlot since 1973, and a tribal wool marketing program. There are still questions, however, about the project's ability to manage such a large undertaking.¹⁷

In January of 1981, the USDA Rural Electrification Administration loaned \$9.4 million to a Navajo Tribal Utility Authority at Fort Defiance, Arizona, to finance a large electric construction program on the reservation. The project includes 475 miles of distribution line, 15 miles of transmission line and three distribution substations.¹⁸

The Lummi Indians of northwest Washington have had a long history of fishing as part of their culture. Originally a series of closely related fishing villages, the Lummi merged into a general group with establishment of the reservation in 1873. Historical attempts had been made to focus development in areas such as farming, logging and other wage-earning skills. In the late 1960's, a community development project focusing on aquaculture emerged, built on the people's tradition of being master fishermen. The tribe undertook this communal project with the goal of disturbing the land and water as little as possible. It has flourished as a tribal undertaking although many legal disputes have been involved in reasserting the Lummi's rights to tidal and other water areas.¹⁹

The Sisseton-Wahpeton Sioux Tribe of the Lake Traverse Reservation in northeastern South Dakota has recently undertaken expansion of agricultural development through a tribally-owned farming enterprise. This is an example of an attempt to utilize the tribe's primary resources: agricultural land and labor. To overcome the fractionated ownership pattern by heirs of original allottees, the enterprise began a land consolidation program in 1973 on the ten percent of reservation land that was individually owned.²⁰ A tribal farm was established on small parts of these lands in 1975. Potential

17. Ruffing, *Navajo Economic Development: A Dual Perspective*, in AMERICAN INDIAN ECONOMIC DEVELOPMENT 38 (S. Stanley ed. 1978).

18. U.S.D.A. News Release (February 9, 1981).

19. Deloria, *The Lummi Indian Community: The Fishermen of the Pacific Northwest*, in AMERICAN INDIAN ECONOMIC DEVELOPMENT 87-158 (S. Stanley ed. 1978).

20. Norton, Easter & Roe, *American Indian Farm Planning*, 62:4 AMERICAN JOURNAL OF AGRICULTURAL ECONOMICS, 687-99 (1980). Each Indian enrolled in the tribe has an interest in an average of eight tracts and each tract of land has an average of 13 Indian owners.

credit sources and a decision to minimize cultural and managerial problems led to the tribal ownership approach.

Outside technical assistance sources have helped formalize short and long term objectives of the Sisseton-Wahpeton farming operation and have rendered linear programming assistance in planning. The chairman of the tribal council is the key decision maker who delegates to the farm manager who in turn coordinates activities of the farm workers. Both dry land and irrigated crops are included in the farm's plans and a cow-calf operation is the major livestock enterprise. Operations to date indicate that the tribal farm will help the tribe control its land and a small economic base.

The Sisseton-Wahpeton Sioux tribally-owned farm not only provides an example of an organized farming effort, but also serves as an example that can be used for training individual Indian farmers. Other efforts to apply modern technology to Indian farming operations, as described by Deitemeyer and Jamieson,²¹ include irrigated farming and use of native crops such as Jojoba.

Organizing Efforts In Canada

One of the more successful cooperative efforts among native Americans is found in the Canadian Arctic. The Inuit people—Eskimos—started two cooperatives in 1959 that did about \$31,000 in business that year. By 1980, the organizational efforts had expanded to over 40 cooperatives federated through the Canadian Arctic Cooperative Federation, Ltd. and had total sales of over \$30 million. The cooperative has become the major organization and development arm of the Inuit people. Artisans have produced stone carvings and prints that make up a substantial part of the cooperatives business. Other activities have included commercial fishing, logging, boat building and retail stores. The progress has developed largely through the Inuits' own resources, initiative and cooperation.²²

Another Canadian program has focused on farm management technical assistance to Indian farmers. The Manitoba Indian Agriculture Program has some 168 clients to whom assistance is directed. The program has approved \$2.3 million for the acquisition of capital resources such as machinery, buildings and livestock. Over 13,000 acres of land have been developed, with an additional 10,000 acres under development. Gross income of the individual farmers increased from an average of \$5,800 in 1975 to \$15,100 in 1977. Incomes of a subsample who had already been engaged in farming rose from an average gross amount of \$13,900 in 1975 to \$30,500 in 1977.²³ Many of the Indian farmers are now farming in excess of 700 acres and are current on their mortgage payments. The project is thus meeting its objec-

21. Deitemeyer & Jamieson, *Changes in Agricultural Technology on Indian Reservations*, in *ASSOCIATES NAL TODAY* 31-36 (A. Fusanic & L. Moran eds. 1978).

22. Sprudz, 68 *REVIEW OF INTERNATIONAL COOPERATION* 3 (1975).

23. P. M. Associates, Ltd., *MANITOBA INDIAN AGRICULTURE PROGRAM: EVALUATION REPORT* (1978).

tives of enabling Indian farmers to help themselves establish an economic life through the planning and development of agricultural resources.

Like many experiences in the United States, not all Canadian attempts to develop agricultural resources through the use of cooperatives at the tribal level have proved successful. As an example, a logging and sawmill cooperative was initiated in 1965 at Fort Resolution in the Northwest Territories. The cooperative continued for three turbulent years before becoming insolvent. A case study of this effort indicated conflicts in conceptual approaches to development, starting of the enterprise without adequate involvement and preparation of the people, inadequate feasibility analysis and much bureaucratic bungling.²⁴ The study also identified conflicts between racial and kinship groups at Fort Resolution as reasons for the cooperative's failure. Many Indians viewed the effort as the bureaucracy's program being thrust upon them rather than a self-help entity of their own making.

Some veterans of work with Canadian Indians feel that too much suspicion and resentment exists to accept such organizational assistance from non-Indians.²⁵ One writer has theorized that years of dependency on government handouts and programs have left Indians without resourcefulness and a collective will to improve their well-being.²⁶ Whatever the causes for failure, the clear delineation of just what a cooperative is and what it is not appears fundamental to each of the foregoing development efforts. Each initiative is cited from the literature to give insights into the type of agriculture addressed, the different approaches to development of economic activity employed and the various forms of cooperation used to improve the livelihood of Indians.

THE POTENTIAL FOR COOPERATIVE FORMS OF AGRIBUSINESS

The Fort Resolution case, more than any other, points to the early requirement of identifying the basics of cooperatives and then assessing whether this particular form of group action fits the needs of native Americans. Two years after incorporation and operation of the Fort Resolution sawmill, the board of directors was asked whether people had any idea of what the cooperative was all about. Comments emerging from this discussion were that the participants tended to think it was run by the government. This response and feedback indicates the lack of appreciation for the cooperative as a unique private enterprise institution.

Many Indians have never heard about or seen examples of successful cooperative operations. The concept is therefore new and needs to be extended to them through a direct educational program.²⁷ Once understood,

24. G. FIELDS & G. SIGURDSON, *NORTHERN COOPERATIVES AS A STRATEGY FOR COMMUNITY CHANGE: THE CASE OF FORT RESOLUTION* (1972).

25. See Sprudz, *supra* note 22, at 89.

26. S. STANLEY, *AMERICAN INDIAN ECONOMIC DEVELOPMENT* (1978). See also S. LEVITAN & W. JOHNSTON, *supra* note 8, at 73.

27. This educational initiative is also known as the "project" or "persuasive education" approach. See Sprudz, *supra* note 22, at 86.

cooperative basics can be applied as they have been worldwide in the last century in mutual self-help efforts. The selection of an appropriate model of organization must be based on the following considerations: (1) the nature of the undertaking, (2) the culture and resourcefulness of the people, (3) the nature of competing enterprises, and (4) the willingness of participants, given laws and customs, to embrace this form of group action. The essence of cooperative business activity is the matching of individual or collective entrepreneurial role with joint economic undertakings. Incentives for playing this role are somewhat foreign to Indian culture.

The Individual and his Environment

Recent studies have suggested that Indian traditions do not foster entrepreneurial and management values.²⁸ The creation of self-sustaining entities does not therefore come easily. Frequently, individual Indians are conditioned by the state of affairs on their reservations, which are often characterized by high unemployment, a low resource base, geographical remoteness from population and industrial centers and a heavy dependence on governmental social welfare programs. Although individuals in the Indian community use their private resources as advantageously as possible, hopelessness and non-competitive traditions, combined with lack of exposure to business practices, have caused difficulty in engrafting the model of the business corporation onto Indian society.

Values and customs frequently influence the process of making a living. Indian men have tended to be better trained in crafts and professional skills than other minorities.²⁹ Few Indians, however, have any experience in relating to other institutions and profit motivation is not universally practiced.

Adam Smith's model of economic man, each pursuing his own selfish economic interest,³⁰ runs contrary to many Indian traditions. While the profit motive has been observed as dominating dealings with people off the reservation, it is often ignored in dealing within the Indian community.³¹ Custom dictates that distribution of rewards or benefits within the group from economic activity may be broader than to just the doer. Needs of other tribal members or kin, according to some customs, requires distribution of rewards from economic activity. In one instance it has been cited that any money an individual accumulates is not his own. Kin relationships dictate that an individual share with relatives or be "branded as a sell out to the white mans way."³²

Indian values are often at odds with the acquisitive materialistic mores of the non-Indian society.³³ The individual is conditioned by kinship ties

28. S. STANLEY, *supra* note 26, at 558.

29. S. LEVITAN & W. JOHNSTON, *supra* note 8, at 16 (1975).

30. A. SMITH, *THE WEALTH OF NATIONS* (1776).

31. Bean, *supra* note 12, at 225. *See also* Deloria, *supra* note 19, at 152.

32. S. STANLEY, *supra* note 26, at 298.

33. T. TAYLOR, *AMERICAN INDIANS AND THEIR GOVERNMENTS* 255 (1977).

and the customs that comprise the tribal culture—or roots—of which s/he is a part. Cultural predilections to sharing and group action are often assumed. Indian people have developed their concept of sharing the available wealth since early times as the best investment for the future. The reciprocity principle, individual giving to receive and receiving to give, is still practiced and adhered to.³⁴ Marshalling activity through management of an Indian enterprise can also be difficult due to the *moré* that every person is completely independent and equal, and that no one has the right to tell anybody what to do. Strong kinship values therefore influence distribution of benefits and thereby individual incentives, while tribal customs influence individual motivation in response to managerial directives.

Economic Activity and Tribal Government

The process of economic development requires an organized group of dedicated and skilled people. For many years, Indians have been subjected to the power of the federal government with respect to the conduct of their own affairs. Programs aimed at self-determination beginning in the late 1960's have sought to reverse this "top-down" approach. What has been learned is that chances for success are greatly enhanced if members go at their own pace, and that the involvement of Indians at the grassroots level in evaluating alternative courses of action is conducive to ultimate success.

Another lesson from the numerous economic development activities attempted among Indians is that the compatibility of the project's goals and objectives with historical economic activities and cultural values is an important criterion for success. The agricultural base of most reservations leads to the exploration of developing these resources as the focal point of developmental activities. Invariably an issue involved is what is the best approach to economic development: an integrated community development approach or an individual project (sector) approach. Recent experiences give strong endorsement to the project (sector) approach using cooperatives as opposed to using cooperatives as an instrument for community development.³⁵

A major concern is the effectiveness of using the tribal government approach to economic development. Recent studies suggest differences between large and small tribes. Since larger tribes typically consist of an amalgamation of different units sharing only a common language and heterogeneous bloodlines, the tribal councils have often been less effective at overseeing economic development projects. In fact, the case has been made that such councils may not, in some instances, reflect the interests of the people and may exacerbate existing problems.³⁶ The ability of tribes to function as a cohesive political unit that communicates effectively with its

34. A. SPRUDZS, *COOPERATIVES AND ECONOMIC DEVELOPMENT* 47 (1979).

35. G. FIELDS & G. SIGURDSON, *supra* note 24, at 7-14; A. SPRUDZS, *supra* note 34, at 47.

36. S. STANLEY, *supra* note 26, at 587-88.

people has not been manifested in such instances. When tribal councils are saddled with large-scale economic development responsibilities beyond routine political and tribal administrative matters, the problems can be compounded. Some of the smaller tribes such as the Lummi have not been subject to this dilemma since tribal governments are closer to their people.³⁷

Conflict Between Tribal Council Structure and Cooperatives?

An immediate question for resolution in designing self-help assistance to the Indian community is whether objectives of tribal governments and the cooperative as an economic institution mesh. More explicitly, the issue is whether tribal governing structure is the appropriate mechanism for effectuating self-help economic activity, or whether this should be given separate status with its own governing structure. Inherent conflicts between objectives of the two in a practical operating situation are apparent. Tribal councils are concerned with the general welfare of the entire reservation, including various forms of local and federal assistance, such as education, health, unemployment and other programs. They are also preoccupied with interpretation of treaty provisions. The tribal councils are, in effect, the Indian nation's governing structure politically, not unlike a local or state government.³⁸ Decisions arrived at by committee and the council process are frequently laborious and extremely time-consuming. Such a political structure is often ineffective for making business decisions that require timeliness and non-welfare considerations.

The cooperative entity by contrast is a business or economic institution, for the people who need and use its services. It is democratically governed by its users through a board of directors elected at an annual meeting. The organization is capitalized and benefits are shared in proportion to use, in contrast to profit-seeking firms where benefits flow to investors. Economic activity in providing needed services is the primary reason for the cooperative's existence. Any social benefits are secondary in nature. At issue is whether these two structures, the tribal council and the cooperative business organization, are compatible and can co-exist at the same level of activity.

THREE MODELS OF COOPERATIVE ACTIVITY

In the context of the foregoing discussion, there are essentially three models of cooperative business activity that may be useful to native Americans: (1) A separately incorporated business organization through which producing members perform certain supply acquisition, marketing, credit or related services, (2) a cooperative production unit in which certain tasks are performed collectively, and (3) a tribal enterprise that is administered on a broad basis and seeks to benefit the entire Indian nation. These models are

37. *Id.*

38. T. TAYLOR, *supra* note 33. Taylor argues that Indians are often subjected to four levels of government: tribal, local or county, state and federal.

discussed in respective order including identification of ownership and control of resources, who bears the risk and who has equity in the cooperative. The potentials and pitfalls of each are also identified.

The first model, a cooperative organization of producing members, comprises the typical farmer cooperative in the United States.³⁹ There are about 6,800 such cooperatives ranging from local to national organizations. Each member typically carries out some combination of production enterprises on an independent farm. The cooperative services the needs of the farm with inputs purchased such as seed, feed, fertilizer, credit and petroleum, or markets the output from it. Through the cooperative business, members jointly acquire these goods and services or conduct their marketing in a way that overcomes their structural weaknesses as atomistic units. Members gain efficiencies by working together through group purchasing and marketing that would otherwise be unattainable. The cooperative is thus an off-farm extension of the farming enterprise that gives members a position in the marketplace comparable to other types of business organizations. Members of the cooperative capitalize it and elect a board of directors that controls policy direction of the business. A manager is hired and directs the cooperative's day-to-day affairs.

The marketing of crafts by the Inuits and output of other producers of individually-owned crops and livestock on rented, private or tribally-owned land are examples of this form of cooperation. It is the form most widely practiced in the western world and to which most success in cooperative undertakings is attributed. This form of cooperative departs from the scenario of "romanticizing poverty under the guise of culture" but does not outwardly reject culture under the name of industrialism.⁴⁰ Furthermore, it might provide the means whereby the high value generally given by Indians to kinship sharing of economic rewards could be built upon but modified to allow more people to participate. The Inuit case is an example where the people reduced poverty through cooperation and reaped economic rewards individually and as a group. In the process the custom of sharing economic rewards with the kinship group began to break down. The practice of returning proportionately to producers who generated economic activity ultimately led to a better local economy in which more people could participate. According to Sprudz, "they (cooperatives) have been found . . . by the people involved to be most effective to awaken and to mobilize the awareness of the people of their own capabilities and to provide them an opportunity to manage their own affairs."⁴¹

The second model embraces cooperative production, a form of collective effort among producers or workers. Early efforts by the Morongo Fruit Association and the Fort Resolution sawmill operation typify this type of workers' cooperative. More recently, it is being attempted on a pilot project

39. C. KIRKMAN, UNDERSTANDING YOUR COOPERATIVES (ESCS-USDA 1979).

40. G. FIELDS & G. SIGURDSON, *supra* note 24, at 10.

41. A. Sprudz, Telephone Interview (Feb. 4, 1981).

basis by Mexican-American growers in the Salinas and Santa Maria Valleys of California.⁴² Many variations of this type of cooperative enterprise exist. In the strawberry-producing region of California, growers have banded together to rent or buy land, which is cooperatively tilled and prepared for planting. Individual families belonging to the cooperative are assigned plots of land that they must care for from planting through harvest. The rewards for their work are therefore dependent on their labor-intensive productive abilities and cropping techniques. The cooperative markets the crops to assure the best terms of trade.

Members capitalize the cooperative and share the risk of operations. Like other cooperatives, production cooperatives have their own elected board of directors to manage the cooperatives' affairs.⁴³ Although the economic viability of this form of cooperation has not yet been proved, those that have had the most success have hired a strong production and marketing manager to whom day-to-day management decisions are delegated. This includes the responsibility for directing members in their field operations.

There are some advocates of this form of cooperative activity among those who have studied economic development on Indian lands. Since extended families have a history of working together, these advocates feel that a number of cooperative production units comprised of a small number of families might provide the basis for a new development thrust in Indian agriculture, either on amalgamated individually-owned parceled land or on tribal lands. It would be a self-help means of devoting human and physical resources to production efforts that differs from the individual producer-cooperative model described in the first model.

The third model for agribusiness is a tribally-operated "cooperative" farming enterprise. The Lummi aquaculture project and the Sioux tribal farm are examples of such an undertaking. Resources that are already tribally-owned are developed on a communal basis. The existing governing infra-structure of the tribe presumably serves the cooperative as well. This approach is romanticized as preserving culture and traditions. Making it work efficiently, however, is quite another matter. It presumes the presence of authoritarian management, a representative board or tribal council, an able and willing work force, and an undertaking whose size is manageable. In many respects the model is not unlike that of an Israeli kibbutz. The success of the kibbutz, however, has been closely related to national security issues. Attempts historically to replicate the communal cooperative through utopian "societies" in the United States have not achieved stature beyond the sheer survival stage. The history of such events notwithstanding, some students have recommended the development of tribally-owned cooperative

42. O. SCOVILLE, *PRODUCTION COOPERATIVES OFFER NEW WAY TO FAMILY FARMING* 217-22 (AIC 1980).

43. W. ALVARADO-GREENWOOD, S. HABERFIELD & L. LEE, *ORGANIZING PRODUCTION COOPERATIVES* (1978).

farms to overcome the present checkerboard land ownership and leasing patterns that currently exist.⁴⁴

THE COOPERATIVE AS A DEVELOPMENT TOOL

At the heart of the question concerning the appropriateness of a cooperative as a form of agribusiness for Indians is the basic concept of what the cooperative indeed is. As described in this article, a cooperative is a form of economic organization. It is one of several alternative forms of business organization that can be adopted by a group of individuals in pursuit of particular economic objectives.⁴⁵ Even as an alternative form, however, the cooperative cannot be all things to all people in a multi-purpose, community development sense.

Also at the heart of the appropriateness issue is the identity of the questioner. The future success of a cooperative is dependent upon prospective members seriously investigating what the cooperative can do for them. Until this is done, cooperatives cannot and will not have the underpinnings necessary for success.

The manner in which the cooperative alternative is brought to the attention of prospective members, particularly Native Americans, is important. Development activity in typical situations is often based on some minimal basic knowledge by the people accumulated through education, observations and exposure to transactions in the business world. Native Americans, however, often have not accumulated any familiarity with business concepts. Such terms and their meanings are alien to Indians and are not part of their native language.⁴⁶ These concepts must therefore be taught.

The concept of a cooperative as an association of people with each one of the involved having certain rights as well as responsibilities must be clearly understood. How well this concept is understood and exercised ultimately determines the fate of the cooperative. The Canadian experience, more than any other, teaches the importance of front-end educational efforts to impart knowledge of fundamental cooperative principles and business practices. This process has been adapted to the emergence of people from a pre-economic society to what for them is often a new world. All the new concepts pass through what Sprudz identifies as a "highly selective cultural screen between them and the outside world."⁴⁷ Often this includes the long-term process needed for change in their traditional ways and acceptance of such changes.

Too often, the truth has not been recognized that no development can progress faster than the level of skills and prevailing understanding by

44. S. LEVITAN & W. JOHNSTON, *supra* note 8, at 79.

45. H. HENN, HANDBOOK OF THE LAW OF CORPORATIONS AND OTHER BUSINESS ENTERPRISES §§ 16-78 (2d ed. 1970). The basic forms of business are the individual proprietorship, general partnership, standard corporation and cooperative corporation.

46. Sprudz, *supra* note 22, at 86.

47. A. SPRUDZS, *supra* note 34, at 64.

the people involved will permit. The development of consciousness and awareness by the people of their own place and the role in their society is the result of thinking, deciding and doing by themselves, even if the initial stimulus is from the outside. Too often it has not been understood that the speed of human development is completely in the people's own hands. The impatience from the outside and the push with the best intentions, usually has resulted in alienation and abandonment.

An effective cooperative does not just happen because a group of people have been asked—or even been picked by some outsider—to sign particular papers to bring a legal entity called “a cooperative” to life. In fact, to follow the proper procedure, it takes some serious explanation, education and preparatory work with the interested group well before the formal decision to incorporate is arrived at by the people themselves, on their own. And yet, this natural, gradual approach to the establishment of Indian cooperatives occasionally has been missing, being replaced by the above mentioned immediate formal approach.

An improper, at times hurried or even forced creation of cooperatives, without any or adequate preparation and education work, sometimes has resulted in the legal body without a human content. While such creations lasted, they served just as transfer vehicles for funds. They have been used as such by the people, considering them as additional welfare outlets. Unfortunately, they have operated under the cooperative name, while the meaning of a cooperative has been absent, even misused, to the detriment of the acceptance of genuine cooperative efforts.⁴⁸

The supposed attractiveness of cooperatives among Indians is the compatibility of the cooperative philosophy with cultural values of sharing and group cohesion. Beyond this general philosophy, however, are basic principles of operation that give cooperatives their unique character as an alternative business form. These principles are voluntary membership, democratic control, distribution of benefits in proportion to business transacted and limited interest on capital. Finding solutions to any conflicts with these principles, due to cultural and traditional constraints, is a task that can be dealt with only by the Indians themselves. Their challenge is to find the economic business form and technology that is closest to their accustomed life style and set of values. Cooperatives as business institutions take people as they are and provide the mechanism for involvement at a level and speed that they determine for themselves.

Since the Indians' traditional way of arriving at decisions has been through consensus, a form of economic organization that permits members a voice and an opportunity for active participation may have particular appeal. Cooperatives appear to be a form of economic enterprise offering an operating philosophy compatible with Indian traditions.

Of the three models of cooperative business forms presented, the first is

48. *Id.* at 64-65.

likely to lead to the most positive economic benefits and positive impact upon development. Its ultimate success, however, rests with the awakening of potential members to the cooperative as a business form through which they can jointly engage in economic activity and strengthen their individual positions. The processes of democratic decision-making in formulating broad policy through a board of directors will come slowly. It is nevertheless the grassroots participation that permits control of members' own destiny. Securing sound management and working through it is a critical element in achieving success as a business entity. Capitalization of the organization is also a key element to the success of the business entity, and one of the most difficult in situations characterized by a low resource base. Sharing in benefits according to participation or use made of the business is the primary economic principle of operation that makes the cooperative succeed or fail. In the first model as well as the second, a key determinant of long run success is how well this self-governing entity can be adapted to the tribal nation setting that many want to preserve for its cultural value.

The concept of production cooperatives wherein Indian families may utilize commonly held land in a productive enterprise may be particularly appropriate where an under-employed labor force exists. This form of cooperative, however, requires further research, design and pilot testing. As practiced by Mexican-Americans in California, it has succeeded best among small groups of families who jointly own or rent land. Critical to success are attainment of economies of size and strong leadership in managing crops to assure proper timing of planting, irrigating, spraying and harvesting. The need for strong management creates an additional cost. Frequently this need has been inadequately recognized. What has been learned, however, is that the opportunity for self-determination and democratic decision-making is both a new and welcome departure from previous social relationships as migratory workers or sharecroppers. This awakening to self-help has so far been overshadowed by the lack of proven economic viability and staying power.

Like any cooperative or other business organization, a key determinant of business success is the availability of resources: land, labor, capital and technology. Production cooperatives are frequently undertaken where there is an abundance of labor and an available land base. Economic development, however laudable, cannot take place in the absence of adequate resources. The land area owned or controlled by Indians is large in terms of area but rather limited in terms of water and suitability for irrigation. This limits the amount and type of economic activity that can occur. In addition, the Indian labor force has to be trained for regular work habits at critical times throughout the production cycle. Where the initial cost of Indian lands is not a major factor, there may be a better opportunity for success based on a modified enterprise cost structure.

The tribal "cooperative" or collective as advocated by some reformers is fraught with burdensome social and political problems with which cooper-

atives may not be equipped to deal. The utopian society approach has much romantic appeal in terms of retaining traditional tribal governing structure and sharing from group activity. Conflict resolution, however, between kinship groups, different tribes on the same reservation and sometimes less than responsive tribal councils that are not equipped to run business enterprises suggest difficulty in adhering to basic cooperative principles. In short, the gap must be bridged between a concept of the social ideal and economic reality as measured by performance.

Inherent in the use of any of the three models of cooperative form of business activity on reservations is the conflict with the tribal council. Cooperatives are controlled by members through an elected board of directors. Some Canadian Northwest Territory Indians (Dene) are not satisfied with cooperatives' governing structure because they become independent bodies that by-pass the chief and the council.⁴⁹ Some have therefore even advocated abolishing the cooperatives' boards of directors and using the chief and tribal council system instead. In such cases the definition of what is a cooperative and how it adapts to the existing "political" system is brought into sharp focus.

In contrast to this problem of governmental relations, evidence exists from Canada that the role of governmental assistance to Indians diminishes as the cooperative federations become stronger.⁵⁰ This phenomena is in essence recognition of the pay-off from self-help economic development activity: the formation of self-standing organizations that permit the exercise of freedoms individually and as a group.

This raises a question about the proper role of governmental assistance in cooperative development efforts, an important subject that is worth separate treatment itself. The United States Department of Agriculture's experience after 50 years of such program assistance is that assistance should be limited to educational activities, technical advisory assistance in conducting feasibility analysis and in organizing, and possible, but not mandatory, financial assistance in the high-risk development phase. The latter can be furnished through loan guarantees. Canadian experience provides more evidence of direct governmental financial assistance in the form of grants or low-interest loans. In all situations, however, the government's role should be that of working itself out of a job once the cooperative is an economically viable entity. It can then concentrate on research and technical advisory services on an as needed basis.⁵¹

CONCLUSION

The lessons from both the United States and Canada suggest that there is no single formula. Each reservation is unique in the composition of its

49. Letter from B. Meyers, President, Tukilik Services, Ltd., Balderson, Ontario, to Randall E. Torgerson (Feb. 9, 1981).

50. D. MORRISON, REPORT ON THE PAN-ARCTIC COOPERATIVE CONFERENCE 79 (1980).

51. R. TORGERSON, *Opportunities for Cooperatives*, WORKSHOP ON PROGRAMS AND METHODS OF WORKING WITH LIMITED RESOURCE RURAL RESIDENTS (Chatanooga, Tenn. 1980).

social fabric. What may work in one instance may fail in another. The lessons from both success stories and failures provide much grist for bringing realism to the potential of cooperatives as an important economic development tool.