

THE SOCIAL RELATIONS OF PRODUCTION  
OF AMERICAN CRYSTAL SUGAR COMPANY:  
A CAPITALIST CO-OP IN THE RED RIVER VALLEY

by

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ABSTRACT

THE SOCIAL RELATIONS OF PRODUCTION  
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Virginia J. Miller

North American farmers in both the United States and Canada have united their efforts, voices, and resources periodically during the last century in an attempt to overcome the opposing forces which exist between agricultural production and the industrial market economy within the capitalist system. The organization of cooperatives is one result of the historical process of such unions which has gained some prominence. This study examines the social relations of production of the American Crystal Sugar Company, a Minnesota agricultural cooperative corporation, which is owned by the sugarbeet farmers in the Red River Valley of Minnesota and North Dakota. The grower-owners, the Spanish-speaking migrant workers, who are primarily from Texas, the southwestern United States, and Mexico, and the workers and management in the five processing plants are the categories of people who interact with each other within the capitalist economic system in order to produce sugarbeets in the fields and refined beet sugar in the factories. Opposing forces, or contradictions, between the social relations of production, or property and power relations, and the requirements and organization of production are noted. Important relationships between the small town of Drayton,

North Dakota and the surrounding rural area and the processing plant at Drayton are also considered. The structure of the co-op is described in detail and its value and limitations within its local and national contexts are assessed, as well as how the co-op is related to and affected by the larger world capitalist system.

The changes that have occurred due to the formation of the cooperative have improved the economic and political conditions of the farmers who grow sugarbeets in the valley. The American Crystal co-op succeeds in its major purpose by gaining greater control over the market for its sugarbeets, but the co-op loses that control in the free domestic and world market where prices for raw and refined sugar are unstable. When there is a strong national sugar program in operation the domestic sugar industry receives some protection and the co-op benefits. The sugarbeet growers in the valley share in any profits from the sales of the processed sugar and by-products of the co-op. The migrant and factory workers who are involved in the production of beet sugar in the Red River Valley benefit only marginally from the surplus which results from their combined labor. The co-op operates at their expense. Also, some dependence on the processing plant has developed in the rural area of Drayton.

The co-op has produced no fundamental change in the existing capitalist economic relations regarding a more equitable system of decision-making, distribution of surplus, and property relations for all people. The structure and operation of both the producer co-op and the larger capitalist economic system of which it is a part are oppressive and exploitative. Thus, profits, capital, and at least the short term survival of both the co-op and the larger system are perpetuated.

American Crystal Sugar Company is a capitalist co-op. The class distinctions and struggles between the smaller farmers and the larger farmers and between the workers and the owners are becoming sharper. The cooperative is part of a movement toward capitalist agribusiness in the Red River Valley, and unfortunately, profits are still more important than people and vital human needs. This study suggests that the increasing number of grower-owned producer cooperatives is leading to the emergence of a new class organization within the agricultural sector.



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## CHAPTER I

### INTRODUCTION

Vast, leafy, green fields of sugarbeets, sprinkled liberally among fields of wheat, other small grains, dried edible beans, potatoes, and sunflowers, stretch out flat on either side of Interstate 29 as far as the eye can see on a summer day. I frequently travelled along this highway through the Red River Valley between Grand Forks, North Dakota and Winnipeg, Manitoba from 1976 to 1978. In the spring I observed the farmers preparing the soil and planting the beet seeds in the rich brown earth which was deposited long ago by ancient glacial Lake Agassiz. Sometimes in late spring and early summer I could see migrant workers "hoeing" the long, neat rows of sugarbeets. During the fall months I shared the road with trucks loaded high with harvested sugarbeets and watched the machines in the fields top and dig the beets. Hills sprang up on the flat plains as workers and their machines stacked sugarbeets in huge, long piles at piling stations and in the factory yard at Drayton, which is located near the highway. In the fall and winter my attention was drawn to the billowing cloud of steam and smoke rising from the stacks of the Drayton factory as tons of sugarbeets were sliced and processed into refined white sugar each day. Bold, red letters above the gigantic round storage tanks proclaimed the name, "American Crystal Sugar Company."

I learned that the company had become a grower-owned co-op in 1973, and I wondered how it was organized and what kind of relationships

existed between the different groups of people engaged in the varied work of production. Why was the cooperative formed? How was the cooperative different from the original corporation? What were its advantages and limitations for all the people who worked to produce beets and beet sugar? What was the history of the sugarbeet industry in the valley? What was the impact of the Drayton factory--a large industrial beet sugar processing plant--on the small, nearby community of Drayton and the surrounding rural area? This case study and analysis is the result of my quest to answer some of these and other questions in order to gain further understanding of the nature and potential of producer cooperatives that attempt to function and survive within a capitalist economic system.

#### SCOPE AND OBJECTIVES

Periodically during the last century North American farmers, usually quite independent, have united into organizations and movements in order to attempt to gain greater control over financial institutions, transportation, and commerce to promote the interests of agricultural producers against big capital in the industrial market economy of the capitalist economic system. Some farmers are small-scale capitalists, or petit bourgeois. Others who do not hire wage workers for their farm operations remain independent producers. Conditions in rural areas during the last three decades of the nineteenth century, particularly where wheat and small grains were grown, gave birth to several agrarian protest movements in the United States. Independent parties sought to control transportation and ways to avoid enriching the middlemen in the marketing system. A variety of cooperative efforts were organized to promote the interests of the farmers. The Greenbackers emphasized

monetary changes that would support farmers more and big business less. The wheat farmers in the Populist movement joined forces with labor and silver interests in an attempt to gain control of the government at both local and national levels in order to reform the marketing system to benefit farmers. None of these movements lasted more than a few years. Supporters lost interest during the good times between the cyclical economic crises. These periodic crises are characteristic of the capitalist system (Lipset 1971:15-26). Interest was difficult to sustain because the focus was on control of the market rather than on social change.

In 1915 and 1916 the Nonpartisan League (NPL) was organized in North Dakota among the state's wheat farmers. The purpose of the NPL was to represent rural interests in state government against the powerful "Eastern" interests of "Big Business"--the privately owned milling and elevator companies, food processing industries, railroads, banks and other financial centers that controlled prices and the marketing process, as well as credit and foreclosures on farms. In 1916 and 1918 the NPL gained control of the state offices and both houses and promoted the development of a state-owned bank and mills and elevators that were designed to benefit the small family farmers. Success was short-lived. The influence of the League diminished after 1921 following a recall election and a span of fairly prosperous years. The NPL was returned to power for a short period in the early 1930's but was unable to capture ongoing political support at the state and national levels; it has all but disappeared. Federal agricultural policies, embodied in the New Deal in the 1930's, placated the farmers and contributed to a declining interest in organized grassroots political

power. However, the state bank and the mill and elevator at Grand Forks are still in existence (1982) (Beito 1981:4; Morlan 1955; Lipset 1971:28-32; Hanson and Nilsson 1978). Similar economic and financial problems continue to plague farmers in North Dakota and Minnesota today (1982) and agrarian cooperative efforts abound on the northern plains--evidence of a consolidated front of one sector of capital (farmers who are co-op members) against the exploitation of the centers of finance and commercial capital. No change has occurred.

Across the Canadian border in the prairie province of Saskatchewan the wheat farmers organized the Cooperative Commonwealth Federation (CCF) during the 1930's and 1940's. This radical, socialist agrarian movement successfully maintained its majority political power at municipal, provincial, and national levels for 20 years before eventually merging with another progressive political party, the New Democratic Party (NDP), which is supported by urban labor. The CCF had social, economic, and political programs similar to the NPL in North Dakota only on a larger scale (Lipset 1971: x-xxii, 19, 34).

In more recent years farmers in the northern plains of the United States have relied on such organizations and movements as the North Dakota Farmers Union, the National Farmers Organization (NFO), and the American Agricultural Movement (AAM) to help them overcome the recurring crises in agriculture. A number of co-ops are affiliated with the North Dakota Farmers Union which has been serving farmers for 55 years. The organization is part of a national organization and the state's largest farm organization. The NFO was formed in an attempt to change the marketing system and help farmers increase their incomes in order to cover the costs of production and make a profit. In its early years

during the 1950's and 1960's the NFO resorted to holding actions and strikes but presently relies on collective bargaining in order to pursue its goals. The NFO has been acting on behalf of farmers in the Red River Valley since 1962 (Koehler 1979d:1,3).

When the more established farm groups no longer meet urgent, current farm needs new groups are formed. The American Agricultural Movement engaged in militant action from late 1977 through early 1979 in response to continuing low prices for farm commodities in the United States and impending bankruptcy for many small and medium-sized family farmers with big debts and low incomes. Grain, cotton, and small livestock producers provided the greatest participation in the AAM. As farmers increased their inputs--land, seeds, fertilizer, chemicals, machinery, fuel--and expanded productivity in order to remain competitive, overproduction resulted and the prices for farm commodities dropped below the cost of production. The AAM demanded higher prices by attempting to block certain farm products at the Canadian border, by strike action, and a confrontation with the brokers and traders who speculate on the Commodity Futures Exchange at the Chicago Board of Trade and set prices unrelated to farmers' costs. A "tractorcade" was formed across the nation to Washington D.C. where farmers jammed traffic with their brightly colored tractors in order to gain public attention and lobbied on Capitol Hill for prices or price supports that would cover the costs of their farm products and assure a modest profit and the survival of countless family farms (MacLennan and Walker 1980:20-40; Anderson 1978a:4A).

In 1972 and 1973 the sugarbeet growers in the Red River Valley of North Dakota and Minnesota, the subject of this study, united, pooled

their financial resources, purchased the New Jersey Corporation known as the American Crystal Sugar Company, and formed the Minnesota agricultural cooperative corporation of the same name. The goals of the co-op were to prevent further plant closings and to gain greater control over the product, the market, and the prices in order to insure a reliable and expanding market for their product, to realize a reasonable livelihood from their farm labor, and to survive in a highly competitive and expanding agricultural economy. The American Crystal co-op is one recent movement by a united group of farmers among a long history of regional agrarian movements and reforms within the capitalist economic system.

This case study notes the historical relations and developments which led to the formation of the producer co-op, American Crystal Sugar Company. It provides a description and analysis of the social relations of production of the American Crystal cooperative, the sugarbeet grower-owners, the factory workers and management, and the predominantly Hispanic migrant workers who labor in the sugarbeet fields; also, a summary is presented of the impact of the Drayton industrial processing plant on the rural community of Drayton, North Dakota. The system of ownership among the different classes of people who are engaged in the production process is explored in relation to the means and organization of production and the division of labor which make up the forces of production (Gurley 1976). The structure and operations of the cooperative are described and examined in detail.

The primary objectives of the study are (1) to point out any changes caused by the producer cooperative in the social relations of production, and (2) to point out any advantages and/or limitations of



the cooperative in terms of the distribution of the profits or surplus value and the power to make decisions which significantly affect production and marketing. The power relationships and the conflict of interests that still exists in spite of the cooperative effort are analyzed. Considerable focus is placed upon the systematically oppressed and exploited groups within the dominant capitalist system that now participate in the production process of the cooperative--the migrant workers, the plant workers, the women involved--those who have traditionally had no share in the surplus from the products of their labor or in the major production decisions. The independent farmers were formerly more closely related to these groups before they purchased the company. Since many people in capitalist societies consider producer cooperatives to be different from the dominant capitalist system of production and capable of bringing about social change, a key question is considered: Is there a significant difference between the farmers' sugarbeet cooperative, the former sugarbeet corporation, and the dominant capitalist economic system of production? Has the cooperative actually changed the capitalist relations of production in some way?

The controversy regarding the human need for sugar and the nutritional and health merits and demerits of the consumption of moderate or large amounts of refined sugar are not issues here in this study, except to note any role the controversy plays in decisions related to the current operations and growth and expansion of the American Crystal sugarbeet co-op.

#### DATA

The collection of data began during November 1977 and has

continued through summer 1982 via articles in the local newspaper about the American Crystal co-op, sugarbeet growers, migrant workers, the sugar industry in general, and agricultural and sugar policies. Fieldwork and library research have been combined. A number of prepared but informal and open-ended personal and telephone interviews of some length have been conducted with eleven growers in several factory districts. Similar interviews were conducted with a member of the Board of Directors of the American Crystal cooperative, a factory manager, an agricultural manager, an official of the Red River Valley Sugarbeet Growers Association, a fieldman who coordinates the work between the processing plant and the sugarbeet growers who have contracts with that plant, a union leader and machinist and several factory workers including some women, and with the city auditor and other townspeople of the town of Drayton. The latter interviews were designed to provide information on the requirements of the infrastructure of the sugarbeet processing industry and the impact of the American Crystal factory near Drayton on the rural community of Drayton.

I used the field research technique of participant observation and was able to spend some time in direct observation of both the technical and social operations of the Drayton plant and community and the East Grand Forks plant. I took personal tours and had plenty of time to ask questions at both plants with an Administrative Service Manager in charge of safety and sanitation and an Assistant Chief Chemist involved with lab work. I also visited American Crystal's research center and library and made contact with the Minnesota and North Dakota Migrant Councils and other related agencies. During the summer of 1978 I spent a day helping at a migrant school and a day working in a beet

field. I interviewed several migrant workers.

I have gathered relevant literature published by American Crystal Sugar Company including the 1977, 1979, and 1980 annual reports. A copy of the 1977-79 contract of the company with the American Federation of Grain Millers AFL-CIO Sugar Division has also been obtained. I have done extensive library research, including a survey of several decades of the Drayton Express, a weekly newspaper, and have developed a selected bibliography of topics relevant to this study. I am keeping a current file of newspaper clippings concerning the production of sugarbeets and sugar in the Red River Valley and other pertinent agricultural news. Information regarding the latest legislation that regulates the sugar industry and migrant labor in the United States has been obtained.

#### RESEARCH METHODOLOGY, THEORY, AND DEFINITIONS

A detailed and careful documentation of the social relations of production of the American Crystal Sugar Company cooperative follows this presentation of the body of theory which is pertinent to this study. The sugarbeet cooperative is related to its national and world context within the dominant capitalist system of production. The co-op functions as an integral part of the world capitalist economy. From its very beginning the capitalist economy has operated on an international scale dominated by hierarchical structures and relations of inequality between nations and within nations and companies (Edwards et al. 1978: 471; Marx and Engels 1968 [1848]:35-40). In recent decades multinational corporations based in the United States, a dominant force in the capitalist system of today, have expanded into agribusiness and into

every corner of the globe. Their power and control are changing the social relations of production (the system of ownership and power relations manifested in the class structure) into unequal capitalist relations among the subordinate and often destitute rural populations (Burbach and Flynn 1980). The theories of a world capitalist system and world economy (Wallerstein 1974) include an extensive division of labor, both occupational and geographical (Wallerstein 1976), and provide an important perspective and context for the analysis of the concrete social relations of production of the American Crystal cooperative.

The dynamics of the world capitalist system have created what some scholars refer to as "metropolis-satellite relations" (Frank 1966; Jorgensen 1971) and what others refer to as the "center" and the "periphery" (Edwards et al. 1978:471-475). The "metropolis" or "center" refers to the international, national, and regional areas which are the sources of capital and technology, economic management, financial and political power, transportation, and communication for the "satellite" or "periphery" areas. The satellite or periphery nations or regions have subordinate or dependent ties with the metropolis or center and are its sources of raw materials, minerals, water, land, export commodities for the market, and cheap labor. The metropolis or center develops at the expense of the increasingly impoverished satellite or periphery (Frank 1966; 1969; Jorgensen 1971; Edwards et al. 1978:471-475). These concepts are employed in this analysis of the American Crystal co-op where dependent relations exist.

This study of a cooperative effort of production has its foundation in the theoretical perspective of historical materialism-- a dynamic

combination of interacting concepts developed primarily by Karl Marx.

In the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces. The sum total of these relations of production constitutes the economic structure of society, the real foundation, on which rises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the social, political and intellectual life process in general. It is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness. At a certain stage of their development, the material productive forces of society come in conflict with the existing relations of production, or--what is but a legal expression for the same thing--with the property relations within which they have been at work hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an epoch of social revolution. With the change of the economic foundation the entire immense superstructure is more or less rapidly transformed. (Marx 1968:182-183).

This theoretical approach is useful to the study of history and social development and change. "The materialist conception of history" provides the analytical tools necessary for the investigation of the social organization of production of a society as a whole or a part of that society, such as its system of agricultural production, agrarian movements, or an agricultural cooperative. The process of production involves people producing products by the use of their knowledge, skills, tools and technology, raw materials or land, machines, buildings, and labor and, at the same time, engaging in social relationships with each other--relations of property and power. The former--people producing products--refers to the "forces of production" which includes the means and organization of production, and the latter refers to the "social relations of production." The social relations of production can be described and understood in terms of (1) who owns and controls the means

of production, (2) the social relations between those who produce the surplus and those who appropriate the surplus (surplus value being generated within the production process and referring to the difference between the net value of the commodity which the worker produces and the value of the worker's labor-power--the amount of compensation the worker is paid to produce the commodity and that is deemed socially sufficient to sustain and reproduce the worker and the worker's family) (Gurley 1976:31-61), (3) how the surplus is appropriated, (4) and whether the commodities are produced for direct use or for the market (Edwards et al. 1978:40). Together the forces and social relations of production constitute the economic structure, or base, of a society, the "mode of production" which, according to Marx, conditions the "superstructure" of the society, the dominant ideology, traditions, family relations, and the political, legal, and religious systems and social institutions which all support and reinforce the dominant economic system. In fact, all the structures influence and shape one another to some extent, some more than others (Edwards et al. 1978:39-42; Gurley 1976; Selsam et al. 1970; Friedman 1974:445; Sherman 1976; Harris 1968:217-249; Marx and Engels 1968 [1848]:35-46; Mandel 1968:271-301).

Historical materialism provides a framework for describing and analyzing specific structures of production and distribution and the human activity within them that is capable of transforming those structures. Concrete acts of "class struggle" between opposing classes of people with conflicting interests take place within the existing class structure. A "social class" is a group of people who have a similar relationship to the production and appropriation of the "social surplus"--the value of the commodities which are produced that is not needed to

meet the costs of production, including the subsistence requirements of the society at a minimally acceptable level (Edwards et al. 1978:39-42; Gurley 1976:31-61). The differentiation of "class" and "class relations" is determined by the social relations of production of the dominant economic system within a society. The concept of "class" as historical human relationships between real people in an actual context (Thompson 1963) is an important and useful one for examining the interacting social groups that participate in the production process of the American Crystal cooperative.

The process of social change is a central concern of this study. The "dialectic" of Marx is materialist in that it reflects the material and social conditions and connections of the real world and helps develop scientific concepts in order to understand that changing world which involves a process of interaction, growth, and change between people and their environment. Dialectics as a method is a useful analytical tool that directs social scientists to ask appropriate questions (Gurley 1976:8-21; Sherman 1976).

Most studies directly related to the sugarbeet industry in the Red River Valley are studies of a technical nature. Two social studies that have been done involve (1) the Mexican-American migratory worker as a consumer in the Red River Valley (Maldonado 1971) and (2) the agricultural, economic and social impact of the sugarbeet industry and American Crystal Sugar Company in the Red River Valley from the geographer's point of view (Cougill 1957).

This study involves the material and social conditions of historical events and people in a particular time and place--the American Crystal Sugar Company cooperative in the Red River Valley during the

1970's and early 1980's. Migratory workers, factory workers, women, management, sugarbeet grower-owners, and the residents of the rural community of Drayton all experience the material conditions of life in different ways and often with conflicting interests due to the existing capitalist social relations of production.

The present owners of the American Crystal Sugar Company engage in a wide variety of tasks, including the planning and managing of the production of sugarbeets and beet sugar. Field and factory workers perform limited, often repetitious tasks or parts of tasks. The human body and hands and the human mind become alienated; thus, work becomes a degrading force in the lives of people (Braverman 1974). Marx viewed work in the capitalist process of production as the source of alienation. Workers under capitalist relations are systematically denied both the control of the products they produce and a full understanding of the labor process of which they are but a fragment, divided from other workers by being forced into constant competition with each other in order to survive, and robbed of their power to function effectively as whole human beings (Gurley 1976:31-61). This perception of the division of labor which segments people into narrow interest groups and contributes to class interests and relationships is important to this study of the social relations of production of the American Crystal co-op.

Several additional definitions will help provide a clearer understanding of the analysis presented in this paper. "Capitalism" refers to "a system of production for the market" in which there are two major classes of people--capitalists and workers. The capitalists own and control the means of production and purchase and exploit labor-power on a contractual basis in order to create surplus value in the production