

HIGHLIGHTS OF COOPERATIVE MARKETING *7/28/11*

By Robin Hood

Editor of the Cooperative Marketing Journal

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Outline of courses held in Colorado
during the years 1927-1928 and 1929,
at Fort Collins, Loveland, Monte
Vista, Del Norte, Center, Grand Junction,
Fruita, Delta, Montrose, Lamar, Wiley,
Rocky Ford, Fowler, Sterling, Fleming.

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Dedicated to those
forward-lookers of
agriculture, the
county agents and
vocational agricul-
ture teachers, who
made these study
courses possible.

Gift

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FOREWORD

For the past three years the Colorado State Board of Agriculture, acting in its capacity of State Board for Vocational Education, has tried to assist farmers and farmers' organizations in the solution of some of their marketing problems by conducting evening classes in co-operative marketing. A total of 22 such classes have been held in ten different counties, giving organized instruction to approximately one thousand farmers, and the total cost of the instruction was paid from state and federal funds made available for the teaching of vocational agriculture.

In promoting this type of work we attempted to put on an educational campaign intended to give the farmers the facts so far as this could be done in short intensive courses consisting of ten sessions and lasting for approximately two weeks. We have had excellent cooperation from the United States Bureau of Markets, thru the personal assistance given us in teaching some of these classes by Mr. A. W. McKay and Mr. B. D. Derrick. We also had equally good support from the State Bureau of Markets including the Director himself and his assistants. The State Federation of Farm Organizations, other farmers' organizations and some of the leading cooperatives also gave us valuable assistance.

The Colorado Potato Growers Exchange very kindly loaned us its manager, Mr. W. F. Heppe and the Mountain State Beet Growers Marketing Association contributed the services of its secretary, Mr. J. D. Pancake, and these two men cooperated in teaching the first evening class in Cooperative Marketing ever put on in the United States.

In all cases these classes were sponsored by the local school districts in which they were held, and much credit is due to the school officials and the local people including the county extension agents, Service Clubs and Chambers of Commerce, all of whom cooperated in making the work a success.

In addition to the help given by the bureaus and other agencies mentioned above, the State Board was fortunate in securing the services of Mr. Robin Hood, a highly trained and experienced specialist in cooperative marketing who actually taught fifteen of these classes. Mr. Hood was so successful in these classes, his work was so well received and so much appreciated by the farmers who attended, that we employed him to prepare in condensed form the material which we used in his classes. After consulting with some of the leaders in this movement it seemed advisable to have this printed and made available for those who attended the classes and for others who are equally interested in this work.

While this work in Colorado was growing from a very small beginning to a more extensive scale the whole subject of cooperative marketing as a means of farm relief has gained national recognition, both great political parties sponsoring the movement in the last presidential campaign, and now following the appointment of the National Farm Board by President Hoover, the desire for more information is nation-wide.

It is in response to this increased demand for information and with the hope of aiding those who are interested in this movement and who may profit by it that this bulletin is issued.

C. G. Sargent,
State Director of
Vocational Education.

Cooperative Marketing Evening Schools Conducted
in Colorado in Cooperation with the
Department of Vocational Education

SCHOOL	INSTRUCTOR	ENROLLMENT			YEAR
		Men	Women	Total	
1. Greeley	J. P. Pancake W. F. Heppe	27		27	1926-27
			Total	27	
1. Crowley	Don Malcom	19	5	24	1927-28
2. Center	Robin Hood	28		28	" "
3. Del Norte	Robin Hood	41		41	" "
4. Delta	Robin Hood	39	7	46	" "
5. Eaton	B. D. Derrick	11		11	" "
6. Fruita	Robin Hood	96		96	" "
7. Fort Collins	Robin Hood	51	14	65	" "
8. Greeley	B. D. Derrick	23		23	" "
9. Grand Junction	Robin Hood	56	16	72	" "
10. Loveland	Robin Hood	23		23	" "
11. Monte Vista	Robin Hood	42		42	" "
12. Montrose	Robin Hood	25		25	" "
13. Ordway	William Orr	18		18	" "
14. Rocky Ford	H. Fauber	20		20	" "
				534	
1. Fowler	Robin Hood	50		50	1928-29
2. Lamar	Robin Hood	14		14	" "
3. Sterling	Robin Hood	20	6	26	" "
4. Fleming	Robin Hood	49		49	" "
5. Platteville	Albert Dakan	28		28	" "
6. Rocky Ford	Robin Hood	22		22	" "
7. Wiley	Robin Hood	47		47	" "
				236	

TOTAL ENROLLMENT..... 797

INTRODUCTION

World-wide experience demonstrates that democratic forms of government can endure only among educated peoples. When our forefathers brought the Republic into existence, they wisely foresaw that its success was dependent upon affording an education to every citizen, and free public schools in the world. Cooperative marketing presents a parallel. It is a democratic form of business, and can therefore endure only among understanding members, and can grow best only among understanding farmers.

Adult "schools of cooperative marketing" in Colorado appear to have demonstrated that adult education under the supervision of a trained educational organization can make notable progress toward a correct understanding on the part of farmers, of the possibilities, limitations, problems, and operating methods of cooperative marketing. The following bulletin is an effort at reducing to the written word the spirit and the content of the Colorado "Cooperative schools." Necessarily, only the highlights of the courses could be touched in a single short bulletin. No pretense is made of covering the whole field of cooperative marketing information.

It is hoped that the plan of organization of the material will prove suitable for others who may conduct adult cooperative schools, and especially for vocational teachers who wish to offer some of the highlights of the subject to their boys in vocational agriculture. At the same time, it is hoped that this bulletin will prove to be an adequate review for the farmers and farm folk who attended the Colorado cooperative schools.

The material offered in this course is not presented as the author's original contribution. Instead it is a compilation of the best thought of economists and cooperative leaders. It would be utterly impossible to give due credit for the various facts and views expressed; much of the material has been used by the author so long that its origin is unknown. It suffices therefore to list the names of several men who have contributed greatly to the author's thinking: Walton Peteet, E. G. Nourse, H. E. Erdman, Tait Butler, C. O. Moser, and the personnel of the United States Division of Cooperative Marketing, particularly its chief, Chris L. Christensen, and his assistant, A. W. McKay.

--Robin Hood.

CHAPTER I

WHY WE FACE MARKETING PROBLEMS

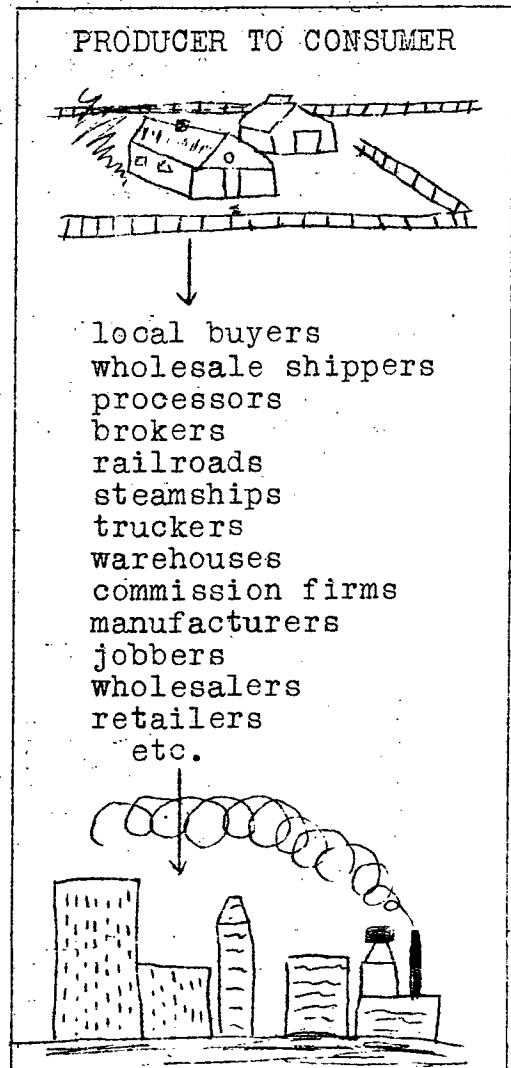
Separation of Producer and Consumer

In pioneer days each farm unit was more or less self supporting. On each was grown wheat for the family's bread, livestock for the family's meat, wool for the family's clothes, and trees for buildings and fuel. Or, if the individual farm did not supply all its own needs, surpluses of one product were exchanged with another family in the community for its surplus of something else. In those days the farmer's market was just across his neighbor's line fence. The community was practically self-sufficing and there were no serious or complex marketing problems.

Today agriculture has become commercialized. The farmer lives hundreds of miles from the ultimate consumer of his products. He produces the commodities to which his land and his inclination are best adapted, and he no longer produces products intended primarily for his own consumption.

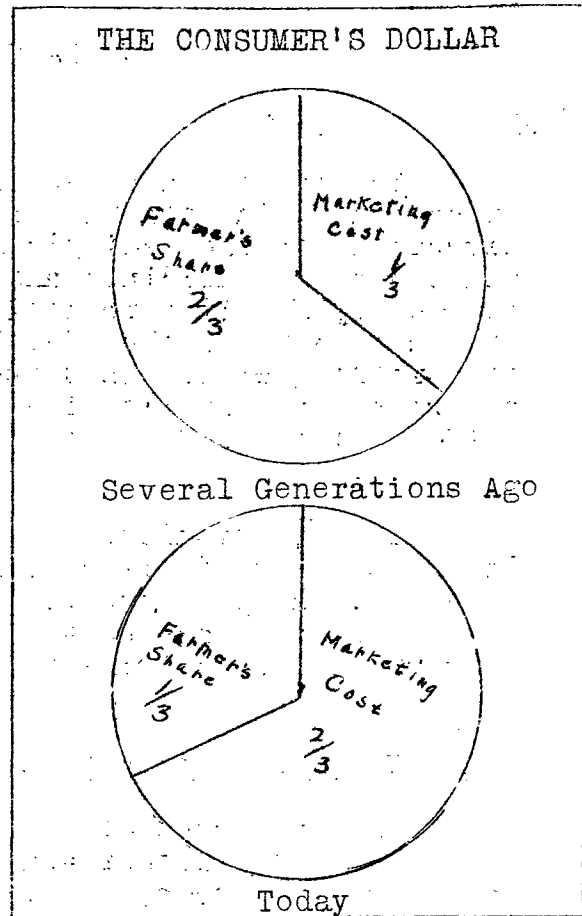
The High Cost of Distribution

The more specialized farming became and the farther apart producer and consumer became, the larger the number of intermediate agencies there were required to move farm products from the farm to the consumer's table or wardrobe. As a consequence, a long line of buyers, brokers, agents, carriers, etc. have come into being to help get crops to market. Wheat, for instance, may pass thru all the following hands on the way to the consumers: Local elevator, broker, railroad, terminal elevator, forwarding agent, steamship line, foreign elevator, mill buyer, flour mill, flour broker, jobber, baker, wholesaler, retailer. These are only a few of the agencies that might be named on the list.



A few generations ago, when getting crops to market was a simple matter, the farmer received fully two-thirds of the amount the consumer paid; the other one-third was the cost of marketing. Steadily, year by year, marketing has become more and more complex and marketing costs have been increasing until today the American farmer gets about one-third of the dollar that the consumer pays for the farmer's product.

In other words, out of the \$30,000,000,000 which is annually paid for American farm products, the farmer gets about \$10,000,000,000 and the other \$20,000,000,000 is paid for marketing services. Moreover, the cost of marketing is steadily increasing and the farmer's share is perhaps still becoming a smaller proportion of the consumer's payments.



Small Scale and Large Scale Operation

Agriculture is characterized by individual production--small scale operation. Prior to the Civil War this was also characteristic of industry and commerce. In other words, shoes were not made in great factories, but were made in cobbler shops, farm machinery was made in blacksmith shops; boats were owned by the skippers who operated them; minerals were extracted by individual placer miners or by small groups of men.

However, industry and commerce have now learned to use the corporation as the efficient instrument for large-scale operation. Today 99% of our transportation facilities are owned and operated by large corporations, 93% of our minerals are extracted by corporations, 85% of our manufactured products are made by corporations. Business has utilized the corporation to make business more efficient and more profitable on a large scale basis.

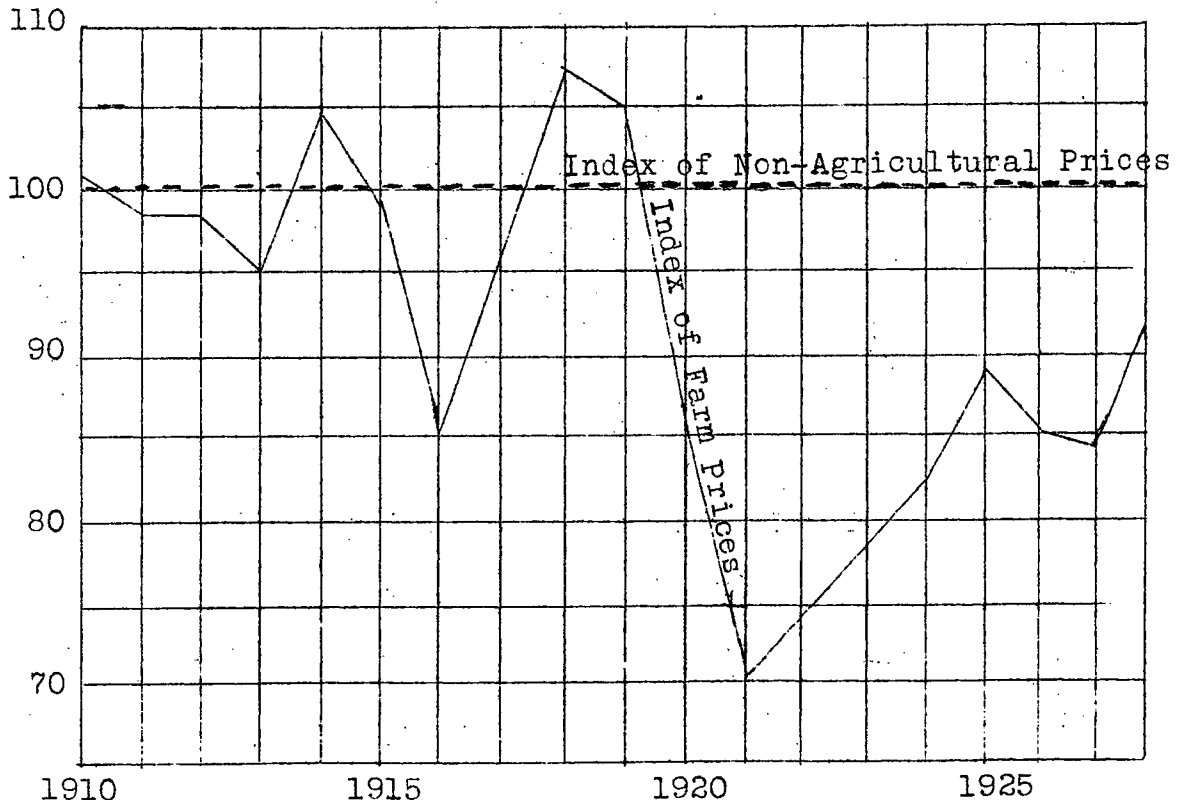
In the meanwhile, agriculture has remained an industry of individuals, or small-scale production, and, except for cooperative associations, the marketing of farm products is a small-scale operation and has none of the advantages of large-scale efficiency. It may be said that the farmer is a

small-scale operator in a world of large-scale operators—and when his interests conflict with the interests of a large-scale operator he is likely to be at a disadvantage.

The Price Level of Farm Products

As long as the farmer produced for his own consumption under a self-sufficing system, the prices of farm products were not a matter of concern to him. But when he started specializing, prices became of grave concern for he was then required to exchange his products for money and his money for things he did not produce but were essential to his life and happiness.

All this assumes that a proper or satisfactory rate of exchange is maintained between what the farmer sells and what he buys. But has the exchange rate (comparative prices) been satisfactory to the farmer? An examination of the index figures of the Federal Bureau of Labor Statistics and of Agricultural Economics shows that the farmer has been suffering a distinct disadvantage covering a period of at least nine years.



The chart reduces non-agricultural prices to an even index line of 100 and then changes farm prices to a comparative basis. It shows that the index line of prices for farm products have been steadily below the index line for other products since 1919 as much as 20%. In other words, the farmer's dollar has been worth from 80¢ to 90¢, measured in terms of what it would buy. This is another way of saying that the relative level of farm product prices has been very severely lowered compared to non-agricultural products.

Suggested Problems

1. Examine each of the four principal sub-headings in this chapter to see what remedies cooperative marketing offers for the condition.

2. What chance is there of Henry Ford's dream of large-scale corporation farming coming true, thereby making agriculture also an industry of large-scale producers? How would the realization of Henry Ford's dream affect rural life?

CHAPTER II

THE FARMERS' HANDICAPS

In the preceding chapter were outlined various ways in which economic development has changed and complicated the farmer's marketing problems. Other factors in our economic development could also be analyzed to show additional difficulties to be overcome. It is also possible to show that legislative enactments of various kinds have made marketing a more expensive process thru labor laws, banking laws, rail rate regulations, etc.

However, in addition to all the handicaps caused by economic and political development, the farmer faces certain natural disadvantages which are inherent to his occupation. The farm is a manufacturing enterprise in the sense that it is a factory where soil, sunshine, water, and air are made into food and other products. But compare the farm factory with some other factory, one producing chairs, for instance.

The Farmer Cannot Determine His Volume of Production in Advance

The manufacturer of chairs holds such control over the factors of production that he can determine at the beginning of any year what his volume will be. In other words, he can decide to produce 10,000 chairs, can shape his plans accordingly, and when the end of the year arrives he will have produced the 10,000 chairs--not 9,000 chairs nor 11,000.

The farmer, on the other hand, deals with weather conditions--factors of production over which he has no control. So consequently when he plants a given field in wheat he cannot know whether fortuitous conditions will afford him 30 bushels per acre, or whether insects and drouth will curtail his production to 3 bushels per acre.

The Farmer Cannot Know His Approximate
Cost of Production in Advance

When the chair manufacturer sets out upon his year's producing program, he knows how much lumber, how much hardware, how much varnish, how much labor, and how much of all other necessary items are required for 10,000 chairs. He is able very closely to approximate the cost of each item and the cost in aggregate. Determining the cost of production in advance is therefore a simple matter for the manufacturer. Compare, also, the case of the automobile maker, who is able to announce every detail of a new model, including its price, before commercial production actually begins.

When we turn to the case of the farmer we find him laboring under the handicap of being wholly unable to know in advance his cost of production per unit. If nature frowns upon his wheat field to the tune of a one-fifth or a one-tenth crop, it is obvious that his cost of production per bushel will be several times greater than it will be if favorable conditions result in a 30 bushel crop.

This situation also applies alike to the wheat grower, the fruit grower, the corn grower, and the hay grower; and because it applies to corn and hay, it is also difficult for the stockman to estimate his costs in advance. The farmer therefore cannot estimate in advance with any practicable degree of success what his cost of production will be.

The Farmer Cannot Know His Approximate
Selling Price in Advance

Turning back to the example of the chair manufacturer, his completed products are coming out of his factory every day, and are being sold thruout the season as produced. He is consequently in a position to judge the selling price in advance of production. Moreover, there is a reasonable stability in the chair industry, which in turn means reasonable stability in the prices for which manufacturers are able to sell their chairs. Other manufacturers, from makers of shoes to makers of automobiles, are also able to estimate in advance their selling prices.

The farmer who at planting time could prophesy the selling price of his crop in the fall would be heralded as a mystic and could make billions of dollars trading in grain or cotton futures. Thousands of cotton growers have lost their farms and their life-time savings producing cotton which sold for ten cents where twenty or more was expected at planting time.

The Farmer Cannot Speed Up or Slow Down

Production During the Season

The manufacturer has still another important natural advantage over the farmer. He can alter his rate of production any day of the year. The chair manufacturer, for instance, can slow down or speed up his production almost at will by laying off men or by hiring additional men, by diverting lumber supplies or purchasing more, etc. And a further significant fact is that these changes in the rate of production can be made without materially affecting the cost per unit, within certain limitations.

In the farmer's case, however, no change is possible in the rate of production once the crop is planted. To be sure, a farmer could reduce his year's production of a crop by destructive methods at great expense to himself. Or he could perhaps increase his season's production--of wheat, for instance, by picking up fallen kernels from here and there over the ground--but at increased expense out of proportion to the benefit.

The significant thing is, that any effort by the farmer to control his volume of production after the crop is planted is costly to himself, while the manufacturer is able to control his speed of production for his own profit.

Suggested Problems

1. This chapter compares the farmer with the manufacturer. Undertake a similar comparison with the merchant--for the farmer is also in a sense, a merchant.

2. Is it desirable and is it possible to enact some system of controlling the acreage planted to various crops by legislation?

3. Does cooperative marketing minimize any of the natural handicaps faced by the farmer?

CHAPTER III

BEGINNING OF AGRICULTURAL COOPERATION

It has been said that farm cooperation began when it was discovered that two men could move a larger stone than one man could move alone. It is probable that there was some measure of agricultural cooperation in the Garden of Eden. Husking bees, barn raising, and similar activities are relatively recent forms of farm cooperation. In other words, cooperation is nothing new, although formally organized cooperatives perhaps are.

Cooperative Manufacturing

Cooperatives were known during the dark ages. "Cheese rings" operated among Swiss mountain farmers in what is now northern Italy. Groups of dairymen cooperated to employ cheesemakers who went from house to house on a regular circuit, at each place making the milk into cheese. In some cases the cheesemaker also peddled the product in the towns and took as his wages a certain proportion of the cheese which he made.

Cooperative Purchasing

Rochdale, a little town in England, has become known world-wide as the place where the cooperative buying movement started. In 1844 a group of weavers there became dissatisfied with the "high cost of living" and began purchasing their supplies cooperatively. They established the first cooperative store, and saved by buying in larger quantities more than they could buying individually.

These Rochdale weavers developed the principle of paying the profits of the store back to the members as patronage dividends, in other words, in proportion to each member's purchases. This principle today is followed by all true cooperative buying societies.

From the small beginning at Rochdale, the movement has grown until in England alone are 5,000,000 members of cooperative buying societies, and the Cooperative Wholesale Society does a business of about \$1,500,000,000 annually, operating its own factories and even its own plantations.

Cooperative Credit

Raiffeisen, a German burgomaster, is the "father of cooperative credit." He saw the need of the small German farmers for more and cheaper financing, and being of a forward-looking sort, he organized the first cooperative bank in 1846. Under the Raiffeisen Plan the farmers pooled their resources to borrow money, and each one stood as sponsor and guarantor for the loans to every other member of the society. Of course, they were careful to select members wisely. Today there are 17,000 Raiffeisen credit societies in Germany alone, and similar societies in almost every country in the world.

Another German, Schultze, burgomaster of Delitsche, established the first cooperative bank for trades people of his town in 1854. His society operated in a manner similar to the Raiffeisen societies, and in time was duplicated in other German towns. There are now 3,000 such cooperative credit associations for towns people in Germany.

The Federal Farm Loan Act, passed by Congress in 1923, created what can perhaps be regarded as the largest cooperative credit system in the world. Men who have Federal farm loans are members of local National Farm Loan Associations. Under the act as originally passed these members would have come into complete ownership and control of the system as soon as the government's original loan was repaid. A later amendment, however, gave the President of the United States the power to appoint the members of the Federal Farm Loan Board. Except for this one feature, the system is a cooperative credit society in every way.

Cooperative Production

In the field of cooperative production services, it is difficult to know what the beginnings were. It is sufficient for present purposes to observe that there are cooperative cow testing associations, cooperative bull rings, cooperative pure seed associations, and scores of other cooperative production societies.

Of particular interest are the cooperative machinery associations of India. Groups of farmers form societies for the ownership of plows, mowers, cultivators, and other modern farm implements. In these cases no one man farms enough land to justify owning these machines himself, so he cooperates with his neighbors in setting up a society for the purpose.

Cooperative Marketing

Little Denmark is generally spoken of as the "home of cooperative marketing," but she earned the title because it is in Denmark that the movement has reached its greatest development--not because cooperative marketing started there. The three chief farm products of this little country are pork, butter, and eggs; of these 85% of the pork produced is slaughtered in forty-six cooperative bacon factories, 80% of all the butter is made in cooperative creameries, while about 50% of all the eggs are sold thru the cooperatives. Many of the essential principles of cooperative marketing were worked out by the Danes.

Although the Danes showed the world how to improve rural standards of living thru cooperative marketing, they obtained their original plans from men who visited the United States and observed how certain dairy groups were working out their marketing problems in a cooperative manner. The Danes took the American plans, improved them, devised the first membership contracts, and became leaders of the movement.

Suggested Problems

1. Trace the beginnings of cooperative endeavor in your own state or county.
2. What opportunities are there for development of cooperation in production in your community?
3. Why should cooperation be chiefly applied to marketing in the United States, altho it is chiefly applied to agricultural credit in Germany, and to buying in England?

CHAPTER IV

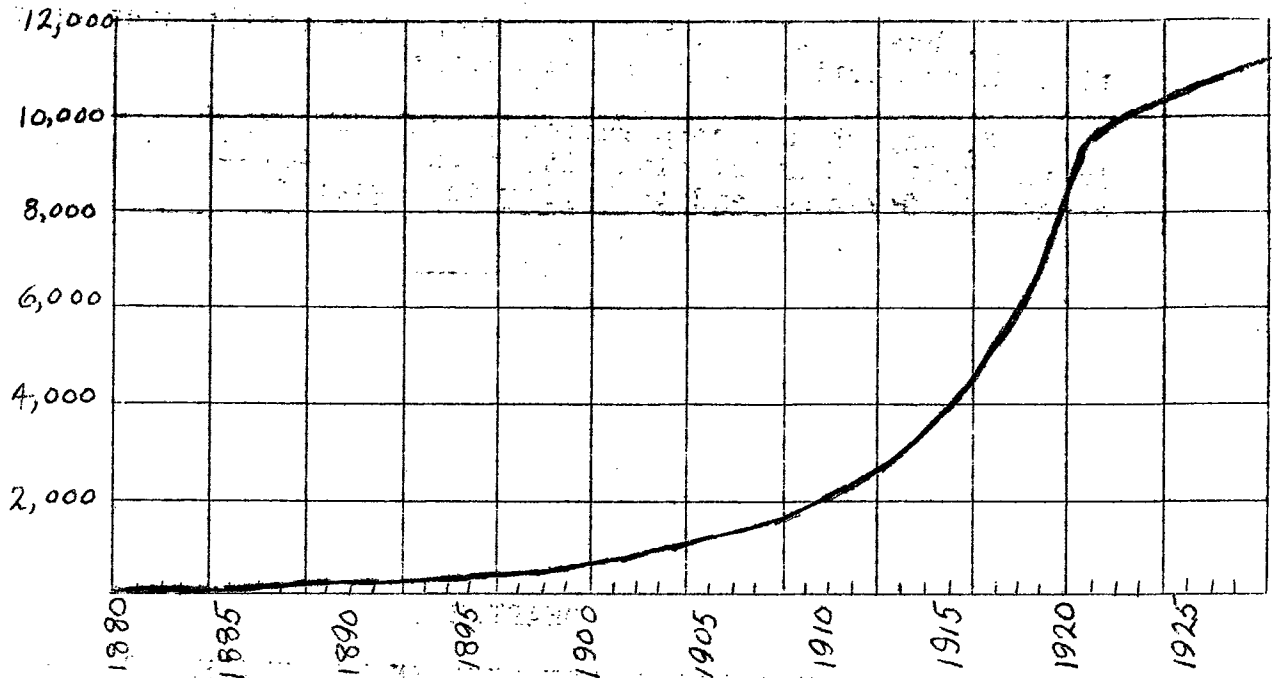
THE COOPERATIVE MOVEMENT IN THE UNITED STATES

In broad terms the agricultural cooperative movement in the United States might be considered as including educational associations; crop improvement associations; various livestock improvement organizations, such as cow testing, livestock registration, calf and pig clubs, credit associations, mutual insurance groups, mutual telephone, water, light, power, and transportation groups, and marketing and purchasing cooperatives--a total of 100,000 to 120,000 separate associations and companies.

The earliest records of cooperative marketing associations in this country are usually credited to Oneida County, New York, where dairymen established a cooperative cheese factory in 1851, although other authorities declare the first cooperative was formed in Connecticut in 1810. Another cheese cooperative formed in 1836 also in New York state, is still in operation. The movement experienced a very slow growth, records of the Department of Agriculture showing only a hundred cooperatives in 1890, and about 700 in 1900. The development from 1880 to 1927 is shown by the chart on page 10.

Some idea of the scope of the movement may be had from the fact that approximately one-fifth of all the farm products grown in the United States pass thru the hands of a cooperative marketing association on the way to market. About 2,700,000 farmers are cooperative members, and the average annual business of cooperatives amounts to \$2,400,000,000.

NUMBER OF COOPERATIVE MARKETING ASSOCIATIONS



The following table shows the way in which associations, members, and business is apportioned among the various commodities in the 1927-28 season, according to the U. S. Department of Agriculture.

<u>Commodity</u>	<u>Associations</u>	<u>Members</u>	<u>Annual Business</u>
Grain	3,455	900,000	\$680,000,000
Dairy Products	2,379	600,000	620,000,000
Livestock	2,012	450,000	320,000,000
Fruits and Vegetables	1,269	215,000	300,000,000
Cotton	125	140,000	97,000,000
Poultry & Poultry Products	90	50,000	40,000,000
Tobacco	16	15,000	22,000,000
Nuts	40	15,000	14,600,000
Wool and Mohair	99	25,000	7,000,000
Forage Crops	15	2,000	1,400,000
Miscellaneous selling	595	190,000	70,000,000
Miscellaneous buying	1,205	398,000	128,000,000
Total	11,400	3,000,000	2,300,000,000

Dairymen were the first cooperators in the field of marketing, and there are now some 600 cooperative cheese factories, two-thirds or more of which are in Wisconsin, and about 1400 creameries, largely in Minnesota, Iowa, and Wisconsin. In addition there are nearly 200 fluid milk cooperatives. The most significant development in the past ten years has been the federation of locals into such centrals as the Wisconsin Cheese Producers Federation with nearly 250 factories as members, and the Land O'Lakes Creameries, Inc., a federation of 500 creameries in Minnesota and Wisconsin. These organizations have developed high test products, devised

labels and trademarks of national reputation, and sell their products by the train load on eastern markets, especially direct to large retailers.

Other important developments are the fluid milk marketing association, each operating in the territory surrounding a large city. The largest of these, the Dairymen's League, supplies New York City with most of its daily milk needs. It has 60,000 members with receiving plants scattered thruout New York, and other nearby states.

The grain cooperatives started about 50 years ago, and now include about 4,000 local farmers' elevators handling grain for the accounts of the members or for their own accounts, pro-rating profits back to the members as patronage dividends. A number of state-wide wheat pools were formed from 1920 to 1924, each aiming at large-scale efficiency and a favorable influence on prices. The outstanding wheat pool is the Canadian Cooperative Wheat Producers, Lts., with 150,000 members and fully two-thirds of the entire Canadian wheat crop. There are also a number of successful selling agencies on terminal markets handling grain for cooperative elevators or wheat pools.

Fruit and vegetable cooperatives are to be found in almost every state, and are perhaps the best known, for every consumer is acquainted with the trade mark "Sunkist" under which the federation known as the California Fruit Growers Exchange sells its members' citrus fruits, and the trade mark of cooperative raisin growers, "Sun-Maid." Two-thirds of the nation's cranberries come from members of the cooperative American Cranberry Exchange. Standardization of production, grading and packing, followed by judicious distribution among consuming markets and good advertising have made the farmers' own marketing associations the dominant figures in the fruit and vegetable industry.

Cooperative livestock shipping associations have almost all been formed in the past fifteen years, chiefly for the purpose of eliminating abuses and lowering buyers' margins. They soon learned, however, that to accomplish their purpose they had to be represented in the terminal markets; terminal cooperative commission associations were therefore formed in every market to handle sales for shipping associations.

The cotton cooperatives include a number of gins and miscellaneous service organizations, but the important ones are the state-wide pools covering every cotton state from the Carolinas to California and handling from five to ten percent of the American crop annually. Thru the American Cotton Growers Exchange or thru individual sales offices they sell about half their receipts direct to domestic mills or to foreign buyers thru cooperative offices in foreign spinning centers.

Poultry cooperatives, particularly on the Pacific Coast, handle most of the eggs of commercial poultrymen, while in the states of Minnesota and Missouri associations handle farm flock eggs and poultry. The Pacific coast organizations have a selling agency in New York, the Pacific Egg Producers, to which they ship eggs in refrigerator cars.

Wool, nuts, and tobacco are three other farm products for the handling of which cooperatives have sprung up in the last ten years. One wool association was formed in 1885.

Suggested Problems

1. Prepare a history of some cooperative in your community telling why it was started, how it operated, what problems it faced, how it dealt with the problems, what measure of success it has had, etc.

2. What cooperative associations are there whose products are sold in your community?

3. Why did the number of cooperative associations increase most rapidly from 1915 to 1920?

CHAPTER V

WHAT IS MARKETING?

It was pointed out in Chapter I that the farmer gets about one-third of the amount paid by the consumer for farm products, while the other two-thirds is paid to various middlemen who perform marketing services as processors, brokers, salesmen, carriers, etc. Most of these middlemen render useful and necessary services; at least they are doing things that producers and consumers have been willing to pay for. Let us examine the useful services which they render:

1. Assembling

The local buyer assembles the farmers products in large quantities, the first task in the marketing process. Assembling is necessary for many reasons. Cotton or wheat assembled in carload lots, for instance, costs less to ship than in several-bale lots or several-bushel lots. Perishable products like lettuce or eggs could not be shipped across the continent to market if they were not assembled in quantities sufficient to use refrigerator cars. Moreover, assembling in quantity is necessary in order to make the product attractive to buyers. A cotton mill is not interested in purchasing a lot of five or ten bales of cotton; it wants its cotton by the hundred or thousand bales of uniform kind. A chain store or produce jobber wants to buy potatoes or apples by the carload.

2. Grading and Standardizing

Somewhere on the way to market farm products are graded according to quality and are sorted in even lots, each lot according to a definite standard. In some cases this marketing service is performed by the local buyer; in other instances, by the broker, or the wholesaler in the terminal market; sometimes

by the retailer. If not done before the product reaches the consumer, it is likely to be an inferior, irregular, spoiled product which the consumer receives. The flour mill is not satisfied to purchase simply a car of a specific grade and quality in order that it may be blended into a uniform quality of flour. Without grading the farmer cannot gain the benefit of producing good quality, while without standardizing the consumer cannot know what he is getting.

5. Packaging

Somewhere along the route from farm to market a service which may be called packaging is performed. Cotton is enclosed in a bagging, lettuce and cantaloupes are put in crates, oranges and lemons may be wrapped in tissue, raisins may be put into cartons, potatoes may be sacked, etc. Packaging makes most farm products more salable; indeed, most farm products could not get to market unless someone packed them. Packaging also becomes necessary for another reason, to help the consumer identify a particular quality or brand; if identification were impossible, advertising would be useless.

4. Processing

Cotton is spun into yarn and weaved into cloth; wheat is milled into flour; pears, cherries, peas, and dozens of other fruits and vegetables are canned; raisin grapes are dried into raisins; walnuts are cleaned and perhaps cracked; livestock is converted into meat--and so on thru a long list the ways in which farm products are processed can be shown.

5. Transporting

If citrus fruits could not be transported to New York, Chicago, and other places where people live in large numbers, their value would be negligible. Without railroads or other transportation facilities, large cities would starve and fall to ruin; farmers would be compelled to return to a self-sufficing type of agriculture. Transporting is a vital marketing service.

6. Storing and Risk-Bearing

Most farm products must be sorted between the time of harvest and the time of consumption. The farmer himself may perform this service, or the consumer may do it for himself. However, inasmuch as neither has the facilities nor the inclination, this marketing service is usually turned over to some middleman who accepts the products when the farmer wants to sell, then releases them when the consumer is ready to buy.

7. Financing

The investor is another who renders a marketing service, for it is apparent that somebody's money is tied up in farm products from the time the farmer is paid until the consumer pays. Banks, individuals, and companies of various kinds help to finance the marketing operation, and must be paid for their services with interest; they are also middlemen.

3. Distributing

Finally comes the function which many think of as the whole of the marketing process--distribution. Someone must find the market and help determine what cities or towns various lots of products are to go to. Someone must divide up each car of citrus fruit, for instance, among the various retailers; and the retailers must make the fruit available to consumers by means of stores equipped with clerks, paper bags, accounting systems, etc. Perhaps also advertising is necessary to move the products into consumption efficiently. All these services are included in the distributing function.

Suggested Problems

1. Trace a crate of eggs or some other farm product thru all the hands that touch it from the farm to the consumer's table.
2. Enumerate the ways in which better grading and standardization will save money in assembling, packaging, processing, transporting, storing, financing, and distributing.
3. List the farm products grown in your community, and see whether all eight marketing functions are carried on for each commodity.

CHAPTER VI

THE PURPOSE OF COOPERATIVE MARKETING

Some cooperatives have failed for want of correct understanding of their true purpose. When the goal is not in mind cooperative leaders are apt to dissipate their efforts and concentrate on mistaken policies.

In the preceding chapter it was seen that marketing functions are:

1. Assembling
2. Grading and Standardizing
3. Packaging
4. Processing
5. Transporting
6. Storing
7. Financing
8. Distributing

If cooperatives are to market farm products, it is apparent that they must do these things. It is apparent, also, that if cooperatives cannot perform these functions better than private agencies, then cooperatives cannot survive against the competition of private agencies. In fact, cooperatives always come into existence as the result of a real or imagined grievance against some part of the marketing system.

The true purpose of a cooperative marketing association is to perform one or more of the functions of marketing in a better -- more efficient -- more satisfactory manner.

Suggested Problems

1. Study cooperatives that have failed to see whether their operation showed that the management had an adequate understanding of the purpose of cooperative marketing.
2. Examine each commodity grown in your community to see what opportunity a cooperative would have in the light of the purpose outlined above.
3. Examine a large cooperative with which you are acquainted to see what it has done toward performing the various functions of marketing more efficiently.

CHAPTER VII

THINGS COOPERATIVES CAN AND CANNOT DO

During 1920 and 1921 when the prices of farm products were tumbling and finding low levels, the large scale cooperatives came to the center of the stage. Huge farmers' pools were seen by some as the agencies that could stabilize farm prices. Cooperative promoters stumped the country from coast to coast with the message that thru large scale organizations farmers could compel consumers to pay prices satisfactory to the farmers. It was a period of unsettled agriculture, men lost lifetime savings almost overnight; thinking was impassioned and muddy. Some false doctrines of cooperative marketing were preached and believed.

Cannot Control Production and Fix High Prices

It was said that cooperatives could gain control of production and could arbitrarily boost prices to figures considered satisfactory by the members. Organization committees set out to sign up half or two-thirds of the crop of a state on legally binding marketing contracts, and perhaps a quarter or half the crop was fixed as a minimum required before the organization would start functioning.

The Burley Tobacco Growers, once the largest cooperative in the country, with 109,000 members in Kentucky and surrounding

states, illustrates the impossibility of controlling prices. This organization in its first year had 85% of the burley crop, and the directors boosted the price from 10¢ or less up to 30¢ or more a pound. Cigarette manufacturers, after buying up the outside 15% of the crop, had to purchase the rest of their supplies from the cooperative--but they bought no more than they had to, and left the association with a carryover. With such a favorable price level, members and non-members planted every possible acre in burley the next season. Farmers who had not theretofore grown burley started in the business.

Despite the increased production, the association still held the upper hand. Manufacturers again bought their supplies at high prices--first from non-members, and then piecing out their needs by purchases from the cooperative. Again a carryover of tobacco by the cooperative. Again increased production, stimulated by continued high prices.

In this vicious circle developments continued several years--production increasing beyond consumption, the non-member getting immediate benefit of the high prices, the association's crop carryover increasing each year and thus delaying payments to members until settlements were a year or two years--and even three years--late. This condition resulted in dissatisfied members and contract breaking. The Association's proportion of the crop fell from 85% to about 25% in five years, and at the expiration of the five-year contract members and management gave up in discouragement. The directors are now engaged in liquidating the enormous stocks of tobacco and administering the millions of dollars worth of warehouses in an effort to save as much as possible of the wreckage.

A similar experience could be related of the raisin industry--fixing of arbitrarily high prices, followed by over-production and by low prices, dissatisfaction, collapse and reorganization. Many other farm industries might also be cited in support of the statement that cooperatives cannot control production and prices.

Now, let us turn to the other side of the price story. What can cooperatives do about prices? There is no doubt but that well managed cooperatives can influence prices. Here are a few of the ways in which they can favorably influence prices:

By eliminating unnecessary and duplicated handling, such as is common all thru the marketing system;

By eliminating a surplusage of men doing the same job, such as many cotton buyers in a town where a single man can handle all;

By better grading and standardizing according to market preferences;

By collectively bargaining for better rates and terms of processing, storing, transporting, insuring, etc.;

By judicious allocation among the markets, thus preventing market gluts, minimizing diversions, cutting down excessive terminal charges, reducing dishonest brokerage, etc;

By holding at home products for which there is no market, saving the freight on unsold cars of perishables;

By stimulating consumption in existing markets, and by opening up new markets.

Cannot "Eliminate the Middleman"

It was made apparent in Chapter V that certain marketing functions must be performed by someone, and whoever performs those services is a middleman. A cooperative that supplants certain middlemen and performs marketing services is a middleman itself, in a sense of the term. Moreover, it is inconceivable that cooperative marketing associations will ever own the railroads, the banks, the retail stores, and all of the other agencies rendering services as middlemen; consequently, we are always going to have middlemen. It is also apparent that there will be marketing costs of considerable amounts as long as marketing services must be performed.

The talk about "eliminating the middleman" has only served to prejudice some farmers and to antagonize many business men who would otherwise be friendly and sympathetic toward the cooperative movement. At the same time it is evident that there are some unnecessary middlemen and some wastes and inefficiencies in the marketing system. Wherever these conditions exist, group action or cooperation can certainly eliminate them or minimize them.

Cannot Guarantee "Cost of Production"

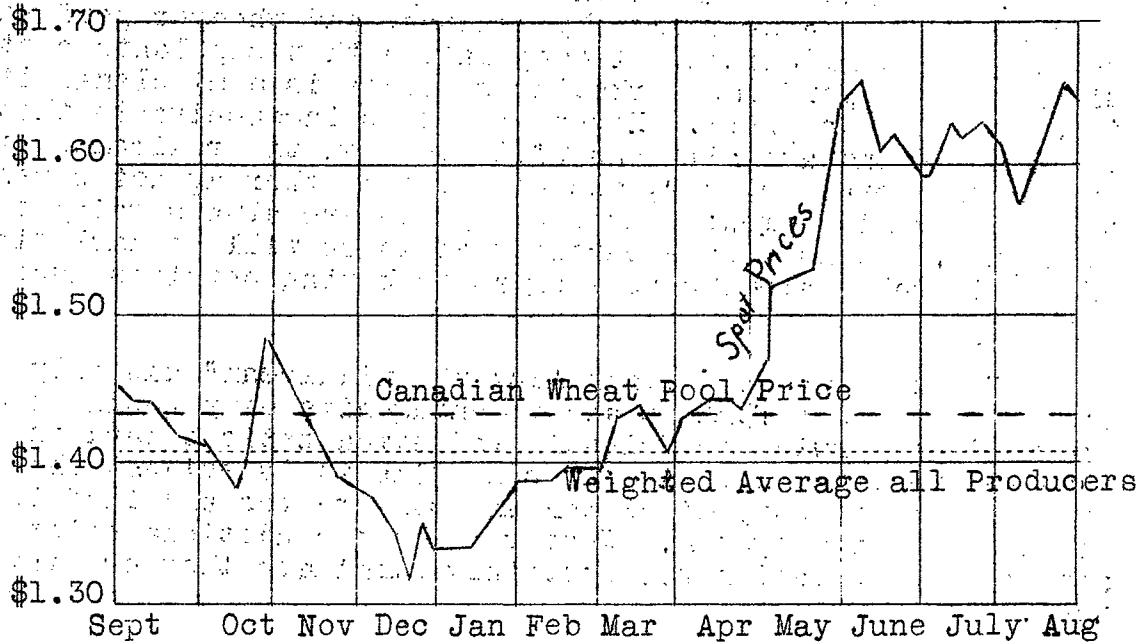
In 1920 it was also commonly said that by organizing cooperatives farmers could insure themselves getting "cost of production plus a profit" year after year. A moment's thought shows the impossibility. True, farmers stand a better chance for getting cost of production as a result of efficient cooperatives, but prices do not depend upon cost of production any year in any commodity; in fact, it is common for high cost crops to sell for low prices and vice versa. Prices depend upon the available supplies and upon the rate of consumption; production cost has no effect upon the season's prices. When the consumer hesitates between buying a five cent apple and a ten cent orange he cares not a whoop what the two fruits may have cost the respective producers.

Prices that mean profit to inefficient producers result in increased acreage and overproduction and eventually losses to efficient farmers. On the other hand prices that are less than the inefficient man's cost do not drive the inefficient off the farm; they remain, continue to produce, and lower their standards of living accordingly. Even if cooperative marketing could "guarantee cost of production," whose cost should it be--the slothful or the prudent? So-called "average" costs of production vary as greatly as prices themselves.

Cannot Consistently "Beat the Non-Member"

Another common mis-statement is the one that a farmer will get more money by joining a cooperative than by staying outside. Perhaps he will, and perhaps he won't. Cooperatives cannot pay their members more than occasional sales by outsiders. This is best illustrated by the following chart:

1926-27 WHEAT PRICES, BASIS FT. WILLIAM



The solid line represents the changes in wheat prices at Ft. William, Canada, during a year's time. The dash line is the seasonal pool price of the Canadian Wheat Pool, basis Ft. William. It is apparent that some outsiders sold above the pool price,--a number estimated to be one farmer in five that year, for four out of five sold during the autumn and winter "dip." To beat every outsider, the Canadian Wheat Pool would have to sell every bushel on the one high price peak of the year--an obvious impossibility.

On the other hand, if average prices to members and non-members are compared (the dash line and the dotted line of the chart) it is seen that the member was the gainer. Large scale cooperatives, efficiently operated, should be able consistently to yield better prices than a large majority of non-members, but not more than an occasional outsider will get on an occasional high market.

Cannot Operate Without Troubles

Every business, school, church, society, or family has its problems and troubles that require constant attention. Yet, by some weird twist of human nature, many farmers seem to expect cooperatives to miraculously operate without trouble, and many farmers after establishing a marketing association go sublimely about their personal affairs and let their association run itself.

All cooperatives will have troubles. They may be compared to automobiles--continually requiring water, air, oil, and gasoline. Cooperatives can operate most successfully when the members make it their business to understand the purposes, methods, problems and possibilities.

Suggested Problems

1. Examine the original "sign-up literature" of some large organization founded about 1920, and then talk to one of its directors or read its present literature to see what changes have come about in the attitude of its leaders.

2. In this chapter a few of the false doctrines of eight or nine years ago have been shown. What were some of the others?

3. To what extent is the unfriendliness or disinterestedness of business men in your community due to 1920 notions of cooperative marketing?

CHAPTER VIII

STARTING A COOPERATIVE ASSOCIATION

It has been a common error for farmers to go into cooperative marketing without understanding what it is possible for them to accomplish, nor whether conditions favor success. The correct way to gain success thru cooperative marketing is not to jump into it but to grow into it. Starting a cooperative association wisely means five distinct steps:

1. Investigation
2. Formulation
3. Education
4. Organization
5. Operation

Investigation

The first step is to make a thoro survey of the community or the area that might be served by an association in order to determine whether cooperative marketing will bring benefits sufficient to justify organization. Specifically, what things can a cooperative accomplish? Can it save any of the costs of marketing? Are brokerage charges higher than necessary? Is the margin between country prices and terminal prices too high? Can an association give farmers better service? More prompt handling? A steadier outlet? Can it bring premiums for higher grade products? Are farmers now receiving such premiums? Can it get better prices for the products?

These are some of the questions which must be answered by a thoro investigation of the conditions in the community or in the production area. A great deal of data must be obtained to answer satisfactorily. The outlet markets must be studied. Thru what

hands does the product go? Where is it sold? What quality and what varieties of the product does the market prefer?

Having determined what cooperation can accomplish, the next problem is to learn whether an association can be economically operated. This involves an investigation into the quantity of the product produced in the area, and what the boundaries are of the area that can be served economically and conveniently. It involves an analysis of overhead expenses -- what buildings or equipment are necessary, what salaries and labor bills would have to be paid, what expenses for postage, stationery, telegrams, commissions, etc.

Finally, the investigation would include a study of the "human equation." Would farmers support the organization? Would any influential business men oppose it and how serious would their opposition be? Are the farmers generally cooperative-minded? Do they work together well in other organizations in the locality, or is there a great deal of strife and distrust? Do they believe in the basic principles of cooperative marketing and would they give the organization a fair trial?

Formulation

When the investigation is complete we are ready to formulate our plans in detail. First, what kind of organization is best adapted to the needs of the area? Will a local association accomplish the purpose, or must the area be served by a federation of locals or by a regional centralized type of organization? Plans must be thought thru to cover every phase of the business set-up-- physical facilities, if any are essential to successful operation, bearing in mind that overhead expenses mount rapidly when paying for interest, taxes and depreciation on plants and equipment.

Plans must also be prepared to cover the questions that might be asked regarding the relations between the association and its members. How will the board of directors be elected? If a manager must be employed, there should be some understanding in advance of what his duties will be and of the distinction between his duties and his directorate's duties. Is it best that the members begin by signing contracts for the delivery of their product, or is the contract not necessary? Shall the organization incorporate in the beginning on a comprehensive basis, or shall the community merely experiment the first season or two in an informal manner without making any investments or incurring any risks that necessitate incorporation?

Plans should also be prepared to cover financing. How will the product be financed until returns are ready? Often crates or boxes must be purchased, or labels printed, or deposits made to guarantee charges on refrigerator cars; various expenses are usually incurred before the money starts coming in. Then, after plans have been made for payment of preliminary expenses, there still remains the problem of determining how the expenses will be pro-rated among the members.

Education

There are reasons for believing that the third step, education of the prospective members and community business men, is

most important. A thoro understanding on the part of all members of all the facts brought out in the investigation and formulation periods is absolutely essential to successful operation. A member who understands will be a loyal and fair-minded member. A member who does not understand is a liability and may disrupt the organization after it starts.

A certain number of meetings and a certain amount of "across the fence" discussion must be stimulated -- all that the farmers may be well informed and may properly understand.

Organization

The fourth step in organization, usually accomplished by calling a local meeting at which an organization committee is appointed to draft articles of incorporation, by-laws and marketing contracts--or such of these as are necessary. A common method is to combine the marketing contract with an organization agreement, and starting of operations is contingent upon the signing up of the minimum volume necessary for economical operation. Assistance in the preparation of these organizing papers can be had from the State Bureau of Markets, Denver.

The task of the organization committee next is to secure membership. The production area may be divided into districts and sub-committees appointed to visit each producer to obtain his pledge for membership or his signature to the marketing contract.

When solicitation has been completed the organization committee should call a mass meeting of all signers. At this meeting directors are elected and the organization committee's duties are ended.

Operation

How well the new cooperative operates is dependent upon how thoroly the first four tasks have been done. Only after careful investigation of conditions, formulation of plans, education of farmers, and organization of the capstone, the association, can we hope to start cooperatives smoothly. Sometimes conditions demand quick action, and perhaps comparatively secret action; but in all cases these four preliminary steps must precede.

Suggested Problems

1. Select some product grown in your community and make the analysis suggested by this chapter in order to determine whether all the requirements for successful cooperative marketing can be met.

2. Analyze a cooperative that has failed in your community in order to determine whether an advance investigation of the conditions would have shown the cooperative effort to have been unwarranted.

3. Outline in detail all the steps to be taken in an educational campaign in your community, looking toward organization of a cooperative.

CHAPTER IX

THE LEGAL BASIS OF COOPERATIVE MARKETING

Although cooperative associations ante-date all cooperative laws, present day extensive cooperative marketing would be impossible without various State and Federal enactments. Four Federal laws have played important roles in the development of cooperative marketing.

Sherman Anti-Trust Law, 1890

In 1890, before cooperatives had become of great consequence Congress passed the Sherman Anti-Trust Law, designed to prevent large corporations from exerting monopolistic influences in restraint of trade and contrary to public interests. No one gave serious consideration to the possibility of agricultural associations growing in such a manner as to fall under the provisions of the act.

Nevertheless, associations did grow, and farmers became ensnared in the mesh of the letter of the anti-trust laws. Chicago milk distributors, faced with a farmers association demanding fair prices for milk, proceeded to bring the cooperative to the attention of the Federal Department of Justice. These dairymen, by organizing a large cooperative, had violated the anti-trust statutes, and the courts could find no course open except to jail the cooperative's officers and impose fines. In Ohio and other parts of the country, other dealers were also learning to utilize the Sherman Anti-Trust Law as a means of prosecuting and persecuting the cooperatives.

Clayton Amendment, 1914

This condition of affairs reached the halls of Congress, and was remedied by a hastily enacted provision, as follows:

"The labor of a human being is not a commodity or article of commerce. Nothing contained in the anti-trust laws shall be construed to forbid the existence and operation of labor, agriculture, or horticultural organizations, instituted for the purposes of mutual help, and not having capital stock or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations, or the members thereof, be held or construed to be illegal combinations or conspiracies in restraint of trade, under the anti-trust laws." (Act October 15, 1914, c. 323, sec. 5, 38 stat. 731.)

In other words, farm organizations without capital stock were exempted from the odious provisions of the anti-trust laws. A vital policy of government was thus established--cooperatives were not to be dealt with in the same way as private corporations. Observe, however, that only non-stock associations were exempted; some cooperatives, altho clearly non-profit organizations, operated with capital stock.

Capper-Volstead Act, 1922

The Magna Charta of cooperative marketing is the Capper-Volstead Act, for it protects and encourages the movement by three basic provisions:

1. Specifically authorizes cooperative associations and guarantees certain rights;
2. Prevents usurpation of rights by reserving the act for bona-fide cooperative associations of farmers;
3. Places preliminary legal jurisdiction over cooperatives in the hands of a sympathetic agency of government--the Department of Agriculture.

Because the act is fundamental, cooperative members should understand its provisions, the essential ones of which follow:

"Sec. 1. That persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairymen, nut or fruit growers may act together in associations, corporate or otherwise, with or without capital stock, in collectively processing, preparing for market, handling, and marketing in interstate and foreign commerce, such products of persons so engaged. Such associations may have marketing agencies in common; and such associations and their members may make the necessary contracts and agreements to effect such purposes;

"Provided, however, that such associations are operated for the mutual benefit of the members thereof, as such producers, and conform to one or both of the following requirements:

"First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein, or

"Second. That the association does not pay dividends on stock or membership capital in excess of 8% per annum;

"And in any case to the following:

"Third. That the association shall not deal in the products of non-members to an amount greater in value than such as are handled by it for members."

"Sec. 2. That if the Secretary of Agriculture shall have reason to believe that any such association monopolizes or restrains trade in interstate or foreign commerce to such an extent that the price of any agricultural product is unduly enhanced by reason thereof, he shall serve upon such association a complaint....."

Cooperative Acts of 1926

The final Federal enactments, passed in 1926, had three effects:

1. They established the Division of Cooperative Marketing in the U. S. Department of Agriculture and charged it with the duty of conducting research studies, of counselling with cooperative groups, or carrying on educational work, etc.

2. They cleared up an uncertainty regarding the rights of cooperatives to exchange information for all lawful purposes.

3. They exempted cooperatives from the payment of income taxes.

State Cooperative Acts

Substantially uniform cooperative laws have been enacted in forty-two states. These state acts are in harmony with the Capper-Volstead Act, and provide for the incorporation of cooperatives, name their rights, provide for the methods of doing business, authorize membership contracts and pooling, and otherwise show what farm associations may lawfully do.

State cooperative acts have been tested for constitutionality a number of times, but have come out of the courts unscathed in each case. A decision recently handed down by the United States Supreme Court placed the stamp of approval of the highest court in the land upon the standard cooperative acts.

Suggested Problems

1. From the standpoint of general public welfare, what is a justification for exempting cooperatives from anti-trust laws?

2. What would be the consequences of abuse by farmers of the special rights and immunities granted them by the Capper-Volstead Act?

3. What is required under your state cooperative law before a group of farmers can incorporate a marketing association?

SUMMARY OF THE AGRICULTURAL MARKETING ACT

The purposes of the new Agricultural Marketing Act are to promote the effective merchandising of agricultural products in interstate and foreign commerce, and to place agriculture on an economic equality with other industries. The act provides for a revolving fund of \$500,000,000 to create machinery that will minimize speculation, prevent waste in marketing, encourage the organization of producers and aid in preventing surpluses.

The board is authorized to designate advisory commodity committees that will make representations to and cooperate with the board in advising producers as to the benefits of the act. Loans are to be made to cooperative associations in order to assist them in the conduct of their business. Stabilization corporations, composed of producer organizations, and clearing house associations composed of cooperatives and independent dealers are provided for in order to market agricultural products in a more orderly manner. Price insurance is authorized, at the discretion of the board, for the cooperatives handling certain staple commodities.

The balance of the act provides for the formation of the board and gives their duties, powers, salaries, etc., defines cooperative associations and sets forth the penalties for the violation of the act.

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CHAPTER X

THE BUSINESS STRUCTURE OF COOPERATIVES

Commerce and industry developed the corporation as their most efficient instrument for carrying on large scale business. When farmers started large scale marketing operations, however, they found the ordinary form of corporation unsuited to their needs in one respect--the basic unit is the dollar and the profits are distributed according to dollars of investment. Agriculture therefore developed a special form of corporation in which the unit of product handled is the basis and in which profits are distributed according to patronage.

Except for this important difference the structure of the cooperative is not materially different from the corporation. In fact, cooperatives are corporations.

Incorporation of Cooperatives

→ State laws provide for incorporation of cooperatives, and altho not compulsory every cooperative that handles any appreciable amount of business should be incorporated. This has several advantages, the most important of which are the following:

→ 1. In an incorporated cooperative the members are not individually liable for the debts of the organization. If an incorporated cooperative fails, members lost only their equities in capital stock, reserves, etc. On the other hand, if an unincorporated cooperative fails each member individually is liable for all the debts.

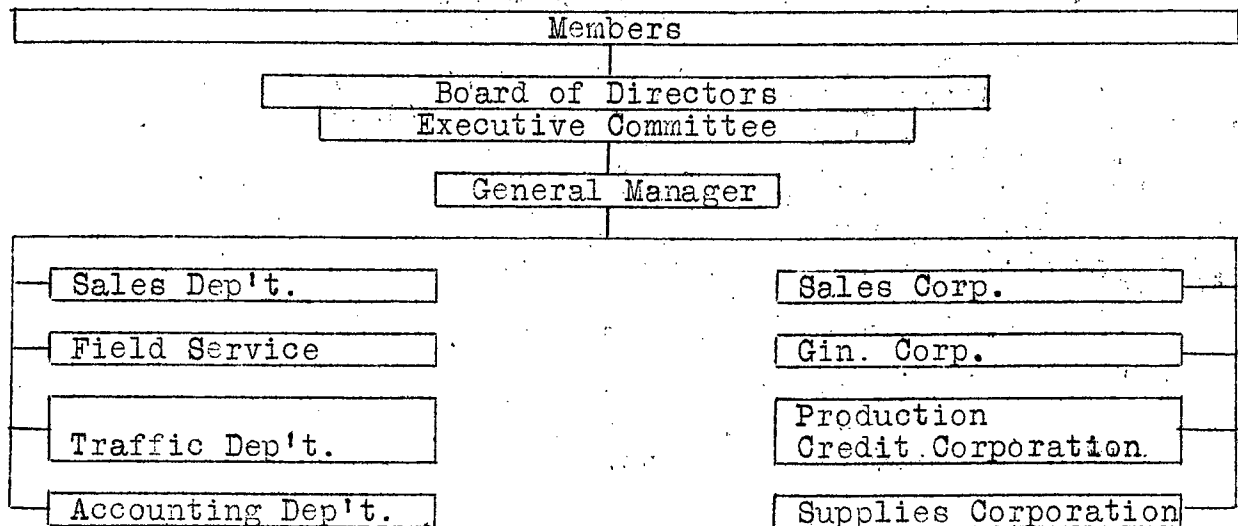
→ 2. An incorporated cooperative also has a definite legal status, enabling it to own or lease property in its own name, to sue in the courts, and to exercise other rights that the law accords to persons.

→ A complete set-up will include: (1) Articles of incorporation filed with the Secretary of State; (2) By-laws, setting forth the manner of conducting the business; (3) Marketing contract, regulating the relations between the member and the association.

Forms of Cooperatives

→ Cooperatives may be either stock or non-stock in form. As a general rule, but not true in all cases, a group of farmers will find the non-stock form the more convenient and simple when only a small investment by each member is necessary, while the capital stock form is usually more convenient when large amounts of money must be invested in equipment.

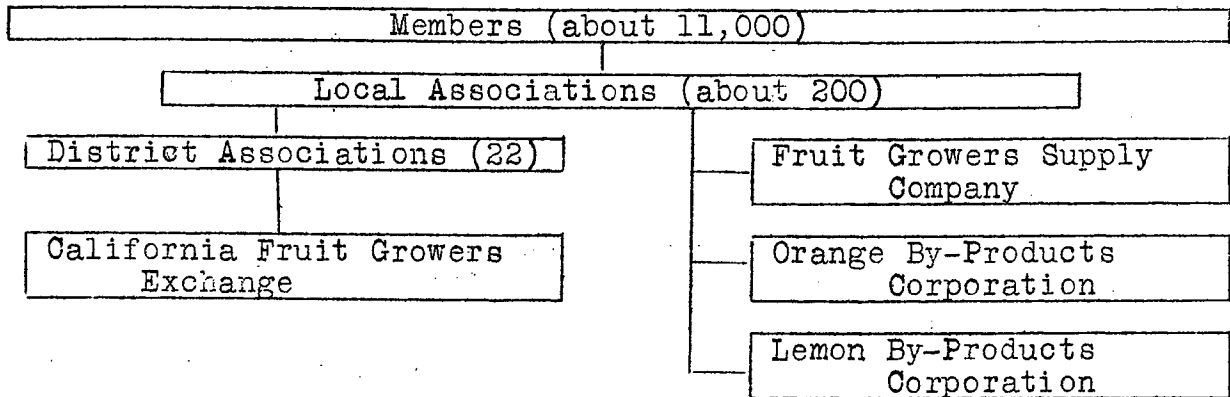
STRUCTURE OF A COTTON COOPERATIVE



Under the laws of most states a cooperative with capital stock:

1. Must vote by persons, one man - one vote, regardless of stock ownership;
2. Must limit the amount of interest paid on capital stock to six or eight percent;
3. Must pay out profits or surpluses in proportion to each member's patronage, regardless of the amount of stock owned.

CALIFORNIA FRUIT GROWERS EXCHANGE -- A FEDERATION



Cooperatives may also be classified in the following way:

1. Local cooperatives, which concern themselves with assembling, grading, packing, and shipping the product from a certain community;
2. Centralized cooperatives, which perform one or more of the functions of marketing over a wide territory like a state or a region, directing all the business affairs from a centralized office;
3. Federated cooperatives, federation of local or centralized associations that handle various things such as sales, traffic matters, publicity, etc., for all the associations in the federation.
4. Terminal sales agencies, organizations established in terminal markets for selling purposes, the members of the agency being the cooperative associations which ship to it.
5. Bargaining associations like the Colorado Beet Growers Marketing Association, or many fluid milk associations, which do not handle the actual commodity, but bargain with buyers for favorable prices for the members.

Financing Cooperative Associations

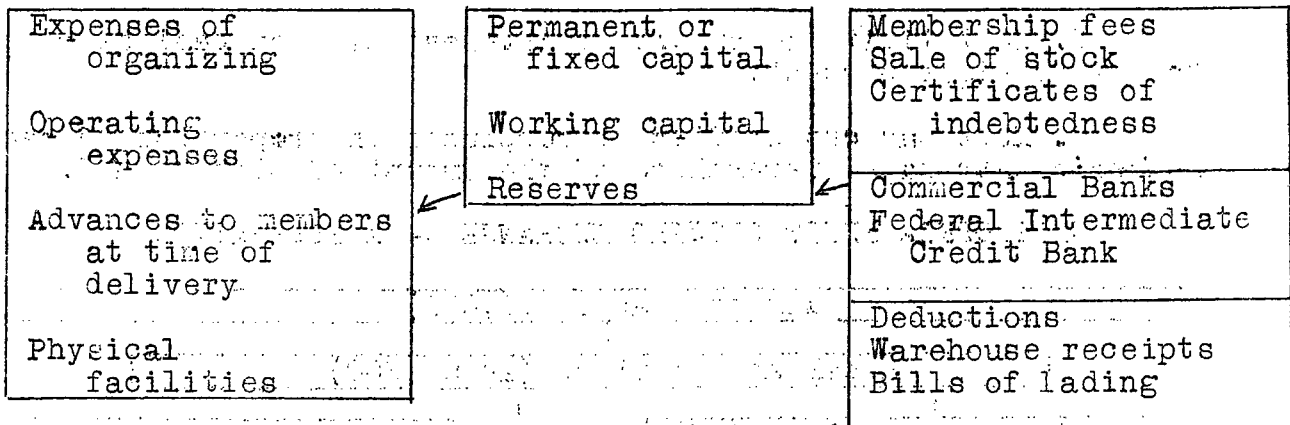
A sound cooperative should experience little difficulty in financing itself because, altho its needs for money may be many, it has a variety of sources of finance open to its use. The following chart presents a brief summary of the financing

operations:

WHAT MONEY IS USED FOR

FUNDS AVAILABLE

WHERE THE FUNDS COME FROM



Suggested Problems

1. Draw as many comparisons as possible between the structures of cooperatives and corporations--both as to differences and similarities.
2. Chart the structure of a cooperative in your community so as to show its manner of government and its various business activities.
3. List a number of the advantages and disadvantages of a centralized cooperative as compared with a federated cooperative that might operate in the same territory.

CHAPTER XI

POOLING

Every cooperative association pools either its expenses or its settlements. According to the dictionaries pooling means "putting together for mutual interests."

Expense Pools

In some cooperatives, farmers put their products together solely for the purpose of saving some specific expense. The older forms of livestock shipping associations, and many of the present ones, are of this sort. A group of farmers each of whom had only a few steers for market would save the local buyer's margin or save rail rates thru carlot rather than part car shipments. They would mark their animals or would partition them separately in the car. For all purposes except economy of transportation charges, each man's stock was an independent shipment handled separately at the terminal and accounted for separately to the farmer.

The cooperative grain elevator is another illustration of the expense pool, for all local costs of handling are lumped or pooled and the same charge per bushel is assessed back against each patron.

However, various difficulties manifested themselves in expense pooling. Perhaps one animal was slightly bruised in the local or terminal yards or in transit and the shrinkage or dockage was all one man's loss, altho it was due to no carelessness of his own. Perhaps two cars of stock were shipped to two different markets the same day and landed when the market prices were not in line with each other. Should the men whose stock went in the low market car be penalized by receiving lower prices than those interested in the other car?

Settlement Pools

Under a settlement pool each participating member receives the same net price per pound or bushel or crate for the same grade and quality. The product is graded and weighed and sold without regard to who owned each unit; the total expenses are deducted from the total income, and the balance is pro-rated to those in the pool.

Pools may be established for varying lengths of time. The contents of a single car may be pooled, as is commonly the case with livestock shipping associations. The pool may be for a one-day period; each day a separate pool, as is the case with some strawberry cooperatives. The one week pool is illustrated by a number of potato associations; two-weeks pool by some egg co-ops; one month pool by certain staple products groups; deal pool by some fruit organizations; the yearly pool by most of the wheat or cotton cooperatives.

Advantages of Pooling

Of the many reasons for pooling settlements, the following are probably the most important:

1. Handling costs are reduced because the products can then be handled in bulk without each man's product being kept segregated.

2. Risks of loss in transit, rejections, etc., are reduced because they are spread out among all the patrons in the pool, and no individual member suffers the whole loss on a risk where he was not at fault.

3. Variations in selling prices of various lots that may be of identical grade and quality, due to selling on different markets, or due to selling to different buyers on the same market, or due to selling at different times--such variations can be equalized to all members in each pooling period.

4. Accounting is made simpler and less expensive than it would be if each sale had to be accounted back to the member who delivered that particular bushel or bale.

5. The cooperative is permitted more flexibility in its marketing operations.

Optional Settlement Pools

Until a year or two ago cotton and wheat cooperatives all operated exclusively as seasonal pools, necessitating long-delayed payments to members which sometimes proved a hardship to the farmer and a handicap in gaining new members. Changes were therefore made by the members and managements of most of the associations to permit each member to choose his own settlement-- either the seasonal pool or a short time pool. Thus a member may designate the day, and on that day his basic price is fixed by a hedge in the future market, and he receives his settlement at once altho the actual cotton or wheat delivered may not be sold until some time later.

Suggested Problems

1. What other reasons for pooling besides the five presented in this chapter can you name?
2. How does hedging safeguard a cotton or wheat association from price decline after it has paid a member for his cotton and before the cotton has been sold.
3. Classify all the cooperatives in your community or state according to whether they practice expense pooling or settlement pooling.

CHAPTER XII

MEMBERS' MARKETING CONTRACTS

The growth of the cooperative marketing movement was slow in the United States until membership contracts came into general use.

Reasons for Having Contracts

Among the many reasons why the use of marketing contracts has contributed to a more rapid development of cooperative marketing are the following:

1. The written contract sets forth all the essential facts regarding the conduct of the business and particularly the relations between the association and the members.
2. The fact that the contract stands in writing and is signed avoids numerous misunderstandings.
3. The fact that a contract is legally binding upon each member to deliver his product to the cooperative, insures a certain volume of business, and thus minimized the danger of the volume falling off to such an extent as to seriously increase overhead costs.

4. A marketing contract with members covering a term of years is reasonable assurance of stability, and the organization is therefore better able to obtain finances, maintain suitable offices, etc.

5. The term contract means better selling because the consumers--cotton mills, for instance--are not usually willing to disrupt trade contracts of many years standing merely for the sake of a single purchase or one season's business with an organization which may be out of business within the year.

6. The contract protects physical properties such as warehouses, shipping platforms, and the processing plants because it provides definitely for the ownership and title of such properties.

7. The contract, even tho it contains a withdrawal clause is a protection and deterrent against a vascillating membership--tends to hold in the weak-kneed member who might otherwise be only a "fair-weather" member.

Development of the Contract

Contrary to a common belief, cooperative contracts are not a sudden invention, but came to their present forms as the result of long development and orderly evolution. The earliest cooperatives were merely the informal oral agreements among the farmers of a community to ship or to sell as a group. The early "egg day" or "stock shipping day" are examples. When such groups met, elected officers, and adopted by-laws they were taking the first step toward the contract, for the by-laws reduced their mutual understandings to writing.

The "maintenance clause" was another step in the development toward present contracts. In substance, the maintenance clause was a section of the by-laws which said: "You are a member but if you don't care to sell cooperatively with the rest of us on a particular shipment, that is all right as long as you pay the association a certain assessment on what you sell outside, thereby insuring the association of continuing to serve." This clause was highly satisfactory in theory.

Another development was the "exclusive dealing" clause under which members were to sell exclusively thru their organization. Both the maintenance and exclusive dealing clauses lacked means of satisfactory enforcement as long as they were merely parts of the by-laws; the law courts could not be invoked to compel the members to carry out the obligations. The most the cooperative could do in many cases was to expel the member.

Present day cooperative contracts are instruments drawn in accordance with Federal and State laws, usually including clauses compelling the member to deliver his entire crop of a given commodity, making the association his exclusive sales outlet for a long period of time--often ten or twelve years. The contracts may contain provisions for payment of liquidated damages in case of violation by the member and may also grant the cooperative the right to an injunction from a court specifically requiring

delivery. In other words the contracts may be iron-clad and strictly enforceable.

Two forms are common: (1) Agency contracts, which make the cooperative the members' agent for selling purposes; and (2) Sale-and-resale contracts by which the ownership of the commodity actually passes to the association and settled for on the basis of the re-sale price. The second form is becoming more and more the preferred form in the opinions of many cooperative attorneys.

Recent Developments in Contracts

Four important changes have been made in the content of cooperative contracts during the past few years:

1. Some contracts have extended to members the right of choosing from among various plans of settlement. In cotton and wheat cooperatives, for instance, the member may select the seasonal pool option or he may choose in advance, to take a settlement based on the market price of a particular day.

2. Many cooperatives have added a withdrawal clause to their contracts. Members may withdraw and cancel their marketing agreements by giving notice in writing at stated periods--during a certain month every year or every other year, or a given number of days in advance of the marketing season.

3. Some cooperatives have also added a clause to the contract granting the board of directors the right to expel any undesirable member. Both the expulsion clause and the withdrawal clause provide means of purging the membership rolls of names of members who are not fully satisfied or whose presence is more of a liability than an asset; the tendency therefore seems to be toward more harmonious operation and more efficient business.

4. Another change has been the "stagger" provision. It was formerly the case that the contracts of all members expired at the same time, necessitating an extensive re-organization effort with its costliness, uncertainty and rush. Newer provisions, however, provide that each contract runs for a certain number of years from date of signing; thus, there is no one season when all nor even the majority of contracts expire.

Suggested Problems

1. Name additional benefits derived from the use of members' marketing contracts.

2. Examine an agency contract and a sale-and-re-sale contract to determine the advantages of each.

3. Contrast the advantages of the withdrawal clause with its disadvantages.

CHAPTER XIII

THE OBLIGATIONS OF MEMBERSHIP

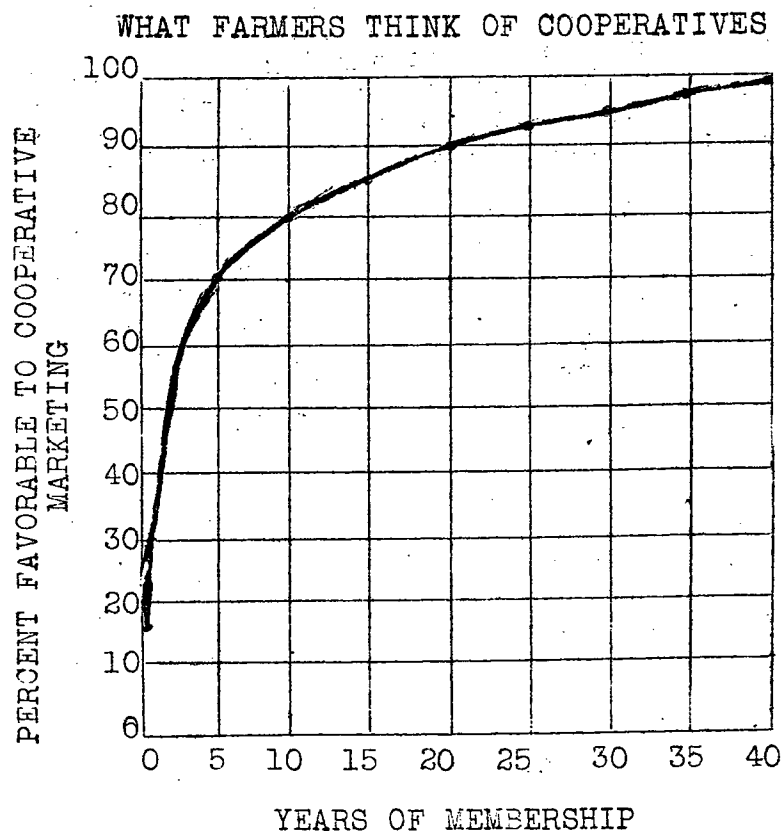
All the obligations of the members to their cooperative association may be summarized under three headings:

1. To inform themselves;
2. To elect competent directors;
3. To support loyally.

Understanding Cooperative Marketing

The first duty of a cooperative member is to inform himself as fully as possible regarding the purpose of cooperative marketing, its limitations, operating methods, and its problems. The success with which an organization carries on its business is primarily dependent upon the understanding of its members. Cooperation can advance no faster than the education of the members.

It is therefore a duty of the member to attend the meetings of his cooperative and to consult with the employees and his neighbors when the opportunity affords itself; to read and study messages and reports from his cooperative's officials. The member who informs himself in these and other ways will think thru various problems and will bring about improvements. A prominent industrialist declares that only five percent of the people really think, while the rest follow along like sheep.



An experiment conducted by economists at the University of Minnesota seems to show that the more that farmers know about cooperative marketing the more favorable they are. Several thousand farmers were interviewed to find how many years they had been cooperative members and what they thought of cooperative marketing. The results of the survey will be seen in the chart above.

Getting Competent Directors

The second duty of cooperative members, fully as important as the first, is to elect the best possible board of directors. A farmer would avoid a bank if he lacked confidence in its directors; he would not choose an incompetent auctioneer to sell out his pure bred dairy cattle. Yet, when farmers meet to choose a board of directors whose ability may mean either profit or loss on the year's farming, it is common to abandon all thought of competency and to elect the directors upon the basis of personal friendship or popularity. How often have men been elected directors merely because they possessed glib tongues or could tell a story without stuttering.

The directors of a cooperative should be elected by written ballot after serious thought. Men are qualified to serve as directors only if they can measure up satisfactorily in the following four respects:

1. Good character. A competent director is sincere in his interest in the welfare of the members and the general public; he is scrupulously honest and square in all his dealings; he possesses courage to stand for what he believes is best and right; he is patient and open-minded in dealing with other directors; he knows what team-work means; he believes in cooperative marketing.

2. Business ability. A competent director has had enough experience in business to understand something of business practices and particularly the marketing of the commodity which the cooperative handles. Such experience a man may gain as director of a bank, as a merchant, by trading in farm products, by efficiently handling the business matters of his own farm, or in other ways. It is common to find that business ability and glib tongues do not always come together.

3. Good judgment. A competent director can think clearly. He can understand facts when presented to him, and can reason thru the facts to a conclusion. He can listen to another man's opinions and weigh them disinterestedly without allowing his personal feelings or prejudices to enter in. His judgment is usually sound.

4. Leadership. A competent director is a leader in his community. He is regarded highly and has influence among his neighbors.

Supporting the Association

The third duty of the member is to give his cooperative the benefit of his loyal support. A member who cannot support the association to which he belongs owes it to himself and to his fellow members to get out quickly and quietly and the other members should interest themselves in putting out every man who thinks he cannot give his loyal support. The withdrawal and expulsion clauses of the newer cooperative contracts are very useful in this connection.

Supporting a cooperative includes living up to the by-laws and marketing contract, and to other obligations. It means aiding and improving the organization by good words and acts.

Suggested Problems

1. In what ways does a secret written ballot help to obtain the most competent directors?
2. Make a survey of several large and successful cooperatives to learn how many of their directors have at one time or another been connected with banks or other business institutions.
3. Of the three duties of members, which one would you say was most often neglected, and what would you suggest to remedy the situation.

CHAPTER XIV

THE RESPONSIBILITIES OF DIRECTORS

The duties of the board of directors of a cooperative association may be summarized under the following four headings:

1. To formulate sound policies;
2. To employ competent management;
3. To see that the policies are well carried out;
4. To help "interpret."

Making Policies

One task of the board of directors is to formulate the policies which guide the association thru all its activities. Careful distinction should be drawn between what are broad policies and what are matters of management detail. A board of directors is not a board of managers, and is inviting trouble when it concerns itself too closely with details which it has employed a manager to handle.

Shall the wheat be sold quickly as possible? Shall domestic mills be given preferences over other buyers? Shall a part of the crop be held over? Shall sales be hedged?--These are matters of policy which only the board of directors should determine. But shall this particular sale be consummated at a certain premium, or shall it be held up in the hope of a slightly

larger premium? Shall this particular car of lettuce be shipped to New Orleans or to Birmingham?--Those are matters of management, not of policy, and should be subject to the discretion of the general manager or sales manager. Whether or not the office force should be increased in order to speed up settlements might be a matter of policy, but whether a clerk should be hired for \$110 a month or \$125 a month is a matter of management.

The only final test for the desirability of a certain policy is: "Will it mean better service to the members?"

It is at once apparent that all the vital facts regarding the status and operation of a cooperative must be at the disposal of each director, and must be used by them in making policies. A good director not only serves in directors' meetings, but is also persistently informing himself regarding all the cooperative's problems in order that he may be qualified to make policies.

Competent Management

A second duty of the board of directors is to employ good management. More business firms fail for want of good management than for any other reason, and cooperatives are not exceptions. So much depends upon the manager that a board should take every precaution to assure itself of a capable and suitable manager--one who knows the business and believes in his job. A common mistake made by directors has been to look around among their own number and select the man who proved the best speaker--the man who usually made the motions. It is usually true that the best manager is a man taken from a successful private business handling the same product as the cooperative.

A cooperative manager should not be a director. He cannot serve satisfactorily both as his own employer and his own employee; the two interests conflict in various ways. Moreover, the manager should not be permitted to deal privately in the same product on the side. In other words, it is perhaps good business to employ a poultry dealer as the poultry cooperative manager, but when he becomes manager he should be required to quit business as a poultry dealer. It goes without saying that the manager and every other employee who handles funds should be bonded.

If the manager is to be held responsible for carrying out the policies of the board in an efficient manner, he should be given all the necessary authority. Responsibility and authority cannot be successfully separated; if the board lacks sufficient confidence in the manager to grant him full authority in matters of management, he should be relieved and another employed in his place. Authority includes the right to hire and "fire" his own subordinates, subject to the veto of the board, of course. This means that a director should not be an employee, and it is usually unwise to accept relatives or close personal friends of directors as employees.

Carrying Out Policies

The third duty of the board is to see that its policies are carried out--in other words, to sit in "judicial review." Regular meetings are necessary, certainly at least once a month. At each of the stated meetings a written, detailed report should be required of the manager, and the report should cover every phase of the management's activities since the preceding meeting. The report should be minutely examined by the directors; a copy should be put in the hands of each director as his permanent property, for study and discussion, not only in directors' meetings, but in the calm seclusion of his own home.

One of the first orders of business in a director's meeting should be the management's report; it should be acted upon, either by disapproval of certain items, or else by acceptance as a whole. Habitual and promiscuous "passing the buck" between directors and management is not possible where detailed written reports are submitted and acted upon.

Liaison Between Office and Members

The fourth duty of a director is to help establish and maintain good liaison between the members and the association office. It is essential that the specialized, technical employees understand the wishes and point of view of those for whom they are working; and it is also important that members understand what to expect of their office and the technical men who keep the business running. The directors therefore have a duty to perform in "interpreting" these folks to each other. Directors are well qualified to keep members informed.

It might also be said that good teamwork among the members of the board is the beginning point for satisfactory membership morale. A board that knows how to work together can soon teach all the other persons connected with the cooperative machine to work together. A disturbing director, however, is like the croaking frog in a pond--he sounds like a big disturbance. A good director learns to submerge his own views to the views of the majority, and a policy once adopted by the clear majority becomes the policy not only of the majority, but of the whole board until the policy is changed.

Legal Obligations of Directors

Every cooperative director should inform himself regarding his responsibilities in the eyes of the law. For the purpose of this chapter, it may be said that the courts hold cooperative directors responsible for "reasonable care and diligence," and directors are personally liable for losses and damages caused by neglect of duty. One court held a director liable for a loss of several thousand dollars because he had neglected attendance at board meetings--it being proved by the member-plaintiff that the loss would not have occurred had this certain director been present regularly. The law also holds directors personally liable for such things as false voting of patronage dividends. A contract for profit given by a cooperative to a director is voidable. Directors cannot lawfully fix their own salaries.

Suggested Problems

1. Distinguish between the job of the directors and the job of the manager in the following matters; sales, salaries, payments to members, erection of a processing plant, operation of a production credit subsidiary.
2. List the qualifications of a good cooperative manager.
3. Should a cooperative director consider himself the representative of the district which elected him?

CHAPTER XV

THE DUTIES OF COOPERATIVE MANAGERS

The one and only duty of the cooperative manager is to carry out the policies of the directors in the most efficient manner possible. However, the manager's duties are perhaps best examined in three phases:

1. To carry out policies;
2. To make regular reports;
3. To help inform members.

Carrying Out Policies

The manager is not a policy-maker; his task is to put the board's policies into effective operation. On the other hand, the director's task is to make policies; directors are not managers. The board may be compared to the legislative branch of government; the manager, to the executive branch. Failure to observe the differences between the duties of the manager and the director is the cause of friction and trouble in many cooperative associations. Nevertheless, it would be impossible to lay down rules showing exactly the point where the board's task ends and the manager's begin on any specific matter; the duties dovetail in such a manner that it is not possible to draw a sharp distinguishing line.

The manager is neither a dictator nor a puppet; but he should realize that he is an employee of the board, but the board should yield him all the authority necessary to administer the business, holding him responsible for results. It should also be understood that a director as an individual holds no authority whatever over an employee-- it is only when directors meet as a board or act under direct instructions of the board that they hold authority beyond that of an individual member of the association. When the board no longer has sufficient confidence in the manager to rely upon his administration of affairs of management between board meetings, without interference by individual directors, it is time to discharge the manager and employ one who can enjoy such confidence.

The fact that distinctions between policy-making and management cannot always be sharply drawn, requires the closest possible team work between board and manager. There must be a spirit of give-and-take between them--just as there must be a good deal of give-and-take between directors in their meetings. The manager's counsel is needed in making policies, and the views of the board are needed to execute policies according to the spirit as well as the letter.

The Manager's Reports

The manager's primary duty is to carry out the board's policies, and his second is to show by means of written and oral reports to the board how he carries them out. At every regular board meeting the manager should present his written report for the current month or other period, supplemented by such oral explanations as may seem suitable, and submitting to such questions as the members of the board may choose to ask. These reports should contain such items as the following:

- Receipts and expenditures;
- Assets and liabilities;
- Deliveries of members;
- Shipments and "on hand";
- Sales and prices;
- Special departmental reports;
- Complaints of members or customers;
- Special problems;
- Recommendations.

The exact nature of the report and the items which it should contain will vary with the cooperative's size and kind of business. The form of the report, simple and easy to prepare as practicable, can be worked out thru experience and thru consultation between the manager and the board.

The important point is that there be a regular written report available to every director; it is essential in the making of policies, in testing policies, and in determining how well the policies are carried out. The written report, moreover, is at least a partial protection to the board against "covering up" mistakes. It is also a protection to the manager because it puts the board "on notice" regarding the complete condition of the organization.

Informing Members

A cooperative is a democracy and therefore subject to the troubles of democratic governments. Just as democracies thrive among educated peoples, so cooperatives depend for success to a large measure upon the intelligence and understanding of their members. Every cooperative organization should therefore include among its activities a definite program of membership education based upon giving accurate, sound information regarding all phases of its operations. Propaganda should be taboo, for instead of informing it often misinforms, prejudices, and makes clear-headed thought impossible. Certain cooperatives are now reaping an unwelcome but deserved harvest of dissatisfaction and lack of

confidence because members were high-pressured into joining and perhaps left in the dark regarding methods and problems after they had joined.

Whether the educational program is called field service or something else, is of no consequence; whether the educational work is done by employees, by directors, or by an outside or related agency, is not of vital importance. But a cooperative which omits information and cooperative education from its activities will sooner or later pay and perhaps pay dearly for the omission.

What should a member know about his association? The question is most easily answered by saying that there is nothing a member should not know about it--with the possible exception of matters of specific sales or orders which would be detrimental to the organization if known to competitors or enemies.

Problems, troubles, mistakes, should be quickly made understood by members; a cooperative that tries to hide its mistakes usually finds that someone else makes the mistakes known in an exaggerated and exceedingly damaging form. A member is usually willing to forgive blunders provided he is reasonably assured that the same blunder will not occur again. When the member is taken in confidence and made conversant with cooperative problems, he is not only more easily satisfied, but puts his energies at work to help solve the problems.

The manager, as executive officer, is responsible for bulletins, letters or publications thru which the member is kept informed. Likewise, he is obligated to arrange meetings, membership tours, and other means of fulfilling his duty to help keep members informed.

Suggested Problems

1. To what extent is the cooperative manager responsible for the soundness of the policies adopted by the board of directors?
2. Enumerate and explain the advantages of monthly written reports by cooperative managers.
3. Outline a campaign of action which might be followed by a cooperative following some serious mistake--showing how the association might rectify the mistake or minimize its effects.

CHAPTER XVI

ESSENTIALS OF SUCCESSFUL COOPERATION

Good members, good products, and good management are the factors that underlie a successful cooperative structure. Ask which of the three factors is most important, and the answer might be a comparison with the three-legged stool; if any one of

the legs collapses the stool falls. Similarly, the cooperative structure is no stronger than the weakest of the three factors of the tripod upon which it rests.

An Understanding Membership

Perhaps an intelligent, informed membership should be named first in the tripod of cooperative success because a body of members possessing superior understanding can usually develop products with high consumer demand and can usually insure itself of efficient management. The need for definite programs of cooperative education and for plans to inform members was shown in Chapter XIV.

Several recent developments are helping to make better cooperative members. One is the trend toward local organizations--not that large associations are splitting up into smaller ones, but that they are forming locals where members may meet to discuss their problems. Greater authority gradually is being given these groups to attend to local matters such as packing, shipping, and membership relations.

Another development helping to improve the quality of the membership is the practice of selecting members. Many associations will not solicit memberships from any except well recommended farmers. Some declare they will not accept contracts from men whom they think do not have a deep-seated belief in cooperation. Several associations require the endorsement and approval of a membership committee before a farmer may join. The withdrawal and expulsion clauses are an evidence of the selective process; thru these provisions undesirable members gradually are weeded out. Eliminating the long term, iron-clad, inflexible provisions, moreover, makes cooperation more dependent upon business efficiency and puts emphasis on the spirit of working together--all of which encourages the member to participate more completely in association affairs and to inform himself more fully.

Cotton cooperatives have found that the development of optional settlements has had a marked effect upon the quality of the membership. The fact that the member chooses from among several forms of settlement stimulates an interest in knowing more about them and how they apply to his particular case.

Good Products

A second essential to successful cooperative marketing is high quality products. A sound marketing program starts at the farm with the production of the kind of product the consumer wants--and experience demonstrates irrefutably that the consumer wants a uniform quality standardized, size standardized, package standardized--a standardized product thruout which he knows will always be the same every time he buys it. The task of the farmer and the marketing association is to meet this demand to the greatest possible extent. "Organize, standardize, merchandise!" was a 1920 slogan with just as much meaning today as then. Cooperatives must have standardized products before they can

merchandise efficiently, and some measure of organized action is necessary to bring about standardization.

Efficient Management

Grading and standardizing not only insures a product the consumer demands, but it affords a means of keeping the low quality products off the market--which not only tends to preserve good market conditions, but also tends to control surpluses, especially of perishable fruits and vegetables. Grading and standardizing also reduces marketing costs in other ways; it saves the expense of packing, transporting, storing, etc., of unsalable products, it enables sending various grades or varieties to the markets for which each is best suited; it saves the loss of customers, which cost money to find.

Efficient management requires intelligent employees, and good employees usually must be paid good salaries. There have been cooperatives which saved a penny of salary by employing an inferior man as manager, only to lose a dollar on the inefficient methods which he practiced.

Volume is another very important factor in efficient management; large volume reduces overhead costs. The federation of small cooperatives into large ones, the establishment of subsidiary service corporations, and other trends toward centralization are efforts to gain the profits of large scale efficiency.

The development of research in cooperative management by governmental agencies and by the cooperative associations themselves has started to return its benefits in the form of more efficient operating methods. Rule of thumb is giving way to statistical and scientific methods of carrying on all the functions of marketing.

Suggested Problems

1. Why is group action necessary to bring about standardization? Why cannot or why do not local dealers standardize as fully as cooperatives?
2. What are some of the profits in large scale operations?
3. To what extent can strict grading save the dumping of unsalable cars at terminal markets?

CHAPTER XVII

THE BENEFITS OF COOPERATIVE MARKETING

Altho no particular passage in the preceding sixteen chapters of this bulletin has specifically dealt with the benefits which may be expected from cooperative marketing, nearly every chapter has developed some of the advantages or possibilities. It only remains to present a very brief summary.

First, cooperative marketing means better farming. It has been seen that a stimulus is given to the production of high quality products thru selling and settling on the basis of grade and quality. It is evident, also, that the cooperative affords the farmer an intimate market contact whose information may afford him the opportunity to adjust his methods and crops to market needs. Generally, it may be said that cooperatives assist the farmer in developing better production methods.

Second, cooperative marketing means better marketing. This comes about both thru reductions of marketing costs and thru the improvement of marketing services. Cooperation can help eliminate wastes in the marketing system, can improve handling methods, and because of large scale methods can stimulate consumption and exercise a proper bargaining influence. Dealers necessarily are in business to make margins; they can afford to be interested in greater marketing efficiency only to the extent that it improves their margins. Cooperatives, however, have the sole motive of gaining a profit for their members thru better marketing.

Third, cooperative marketing means better living. Successful cooperative marketing means more money for the farmer and a higher rural standard of living. But it means better living in still another way; a people who learn to work together for their mutual interests in one undertaking have learned better how to work together in other undertakings. Thus, even though cooperative marketing failed to put a single extra penny in any man's pocket, it would yet be highly desirable and profitable to the farmer.

What the future holds in store for cooperative marketing is hard to prophecy. Will it develop until our whole rural civilization becomes a marvelous integrated cooperative structure? We can not yet see, but we can know that we are building agriculture upward. Perhaps we cannot see great gains in the year nor a great deal in the decade, but certainly we are building a marketing system and a cooperative spirit for which we will reap our reward thru our sons and daughters who choose to remain in agriculture.

THE BUILDER

An old man, going on a long highway,
Came at evening, cold and gray,
To a chasm deep and dark and wide.
The old man crossed in the twilight dim;
This sullen stream held no fear for him.
But he turned when safe on the other side
And built a bridge to span the tide.
"Old man," said a fellow pilgrim near,
"You are wasting your time by building here.
Your journey will end with the ending day;
You never again will pass this way.
You have crossed this chasm dark and wide.
Why build a bridge at eventide?"
The builder lifted his old gray head.
"Good Friend, in this way I have come," he said,
"There followeth after me today -
A youth whose feet must pass this way.
This chasm which has been as naught to me,
To that fair-haired youth may a pitfall be.
He, too, must cross in the twilight dim.
Good friend, I am building the bridge for him."

APPENDIX

SELECTED READING LIST

BOOKS

- Practical Cooperative Marketing, by A.W.McKay and C.H.Lane (Wiley)
Principles and Practices of Cooperative Marketing, by Mears and
Tobriner, (Ginn)
The Legal Status of Agricultural Cooperation, by E.G.Nourse,
(Macmillan)
Cooperative Marketing, By Herman Steen (Macmillan)
Cooperative Marketing of Agricultural Products, by Cornish (Appleton)

BULLETINS ON COOPERATIVE MARKETING

- Farmer's Bulletin 1502 - Cooperative Livestock Shipping Associations.
Department Bulletin 1266 - Agricultural Cooperation in Denmark.
Department Bulletin 1237 - Organization and Development of Coopera-
tive Citrus Fruit Marketing Agency.
Department Bulletin 1414 - Management Problems of Cooperative Asso-
ciations Marketing Fruits and Vegetables.
Department Bulletin 1302 - Development and Present Status of Far-
mers' Cooperative Business Organizations.
Department Bulletin 1106 - Legal Phases of Cooperative Associations.
Department Circular 403 - Business Set-up of a Cooperative
Association.
Department Circular 407 - Membership Relations of Cooperative
Associations.
Iowa Bulletin 211 - Fifty Years of Farmers' Elevators in Iowa.
U.S.D.A. Bulletin 860 - The Organization of Cooperative Grain
Elevator Companies.
U.S.D.A. Bulletin F.B. 656 - The Community Egg Circle.
Minn. Bulletin 224 - Management Problems of Farmers' Elevators.
Minn. Special 114 - Efficient Operation of Local Elevators.
Minn. Bulletin 211 - Cooperative Central Marketing Organiza-
tions.
U.S.D.A. Bulletin 541 - Cooperative Organization By-laws.
Ohio Bulletin 375 - Cooperative Livestock Marketing in Ohio.
U.S.D.A. Circular 10 - Joint use of a Sales Organization by
Two Cooperative Associations.
U.S.D.A. Circular 371 - Patronage Dividends in Cooperative Grain
Companies.

- U.S.D.A. Circular 94 - Farmers' Cooperative Associations in the United States, 1929.
- Tech. Bulletin 57 U.S.D.A.-Cooperative Marketing of Livestock in the United States by Terminal Associations.
- U.S.D.A. Bulletin 1095 - Producers' Cooperative Milk-Distributing Plants.
- Tech. Bulletin 40 U.S.D.A.-Agricultural Cooperative Association--Marketing and Purchasing.
- Michigan Special Bul. 171 -Farmers' Cooperative Buying and Selling Organizations in Michigan.
- U.S.D.A. Bulletin 1261 - Operating Methods and Expense of Cooperative Citrus Fruit Marketing Agencies.
- Nebraska Bulletin 209 - Cooperative Marketing of Livestock in Nebraska.
- Minnesota Bulletin 233 - Cooperative Egg and Poultry Assembling Units in Minnesota.
- Minnesota Bulletin 244 - Marketing Country Creamery Butter by a Cooperative Sales Agency.
- Tech. Bulletin 63, U.S.D.A.-Cooperative Marketing of Grain in Western Canada.
- Colo. Director of Markets -Cooperation from Twelve Points of View.
- Penn. State College,
Bulletin 242 -A Study of the Business Practices of Farmers' Trial Cooperative Purchasing Association in Pennsylvania.

"Agricultural Cooperation" is a bi-weekly mimeographed publication furnished by the Division of Cooperative Marketing.

For U.S.D.A. publications write to the Division of Cooperative Marketing, U. S. Department of Agriculture, Washington, D. C.

PUBLICATIONS

"Agricultural Cooperation" - bi-weekly mimeographed circular of the Division of Cooperative Marketing of the U. S. Department of Agriculture. (Free on request).

"The Cooperative Marketing Journal" - bi-monthly magazine devoted to opinion regarding problems of the movement. Edited by Robin Hood, Box 944, Memphis, Tennessee (Subscription \$2.00 per year).

A LIST OF 15 MAJOR JOBS

IN

COOPERATIVE MARKETING

AND

THE ANALYSIS OF EACH JOB INTO DECISIONS, FACTORS

AND INFORMATION NECESSARY TO EVALUATE FACTORS

By

Mr. Robin Hood and Herman Fauber

To the Instructors of Vocational Agriculture:

The following jobs and their analyses are essential in the teaching of Cooperative Marketing, whether the course is offered in the all day or evening classes in Agriculture.

The first job--"Determining the General Market Situation," is primarily to create interest. If the instructor will handle this job in the correct manner, the students in the all day class will be very anxious to find out more about cooperative marketing. The same situation is true with the adults in the evening class. Create the interest the first night.

The instructor must use the teaching procedure best adapted to his group. In communities where a cooperative exists, the list of jobs may be determined from the Directors, Manager and the Members. Here the conference method may be used; because the problems and answers will come from the group. In communities where no cooperative exists and an educational program is the objective, a different teaching procedure must be followed. The instructor will select those jobs best suited for this training. In this case the teacher will have to furnish most of the information. Many problems can be obtained from the group, but due to their lack of information and experience, the instructor will have to supply the information and answers to the problems furnished by the group.

In the all day classes, these jobs may be used and the method of instruction will vary according to the system or procedure used by the teacher.

It is hoped that these jobs and their analyses will prove of some help to the instructors intending to teach cooperative marketing to the all day classes and to those who intend to put on an evening school in this enterprise.

Very truly yours,



Assistant State Supervisor of

Vocational Agricultural Education.

COOPERATIVE MARKETING

An analysis of fifteen major jobs in Cooperative Marketing

LIST OF JOBS TO BE CONSIDERED

1. Determining the General Market Situation
2. Determining the Purpose of Cooperative Marketing
3. Determining the Things a Cooperative Cannot Do.
4. Determining the Legal Phases of Cooperative Marketing
5. Determining the Business Structure of Cooperatives
6. Determining the Pooling Methods of Cooperatives
7. To determine the Financing Methods of Cooperatives
8. To determine the Value of Cooperative Marketing Contracts
9. Determining the Duties of Cooperative Members
10. Selecting a Competent Board of Directors
11. Selecting a Competent Manager
12. Determining when to Organize a Cooperative
13. " how to Organize a Cooperative
14. " the Essentials of Cooperative Success
15. " the Benefits of Cooperative Marketing

ENTERPRISE - Cooperative Marketing

JOB - Determining the General Market Situation

DECISIONS TO BE MADE

- I. What are the causes of our marketing problems?
- II. What happens in the marketing process?

FACTORS OF DECISIONS

- I.
 1. The separation of producer and consumer
 2. The increasing costs of distribution
 3. The small scale production
 4. The small scale marketing
 5. The natural handicaps
- II.
 1. The marketing agencies
 2. The marketing services

INFORMATION NECESSARY FOR EVALUATING FACTORS

- I.
 1. How did the development of the western frontier cause a separation of the producer and consumer?
 2. How have the development of our frontiers increased the cost of distribution?
 3. What other situations have arisen which have increased the cost of distribution?
 4. How does small scale production cause marketing problems?
 5. What are the disadvantages of small scale marketing?
 6. What natural handicaps confront the producer, which cause present day marketing problems?
- II.
 1. What are the marketing agencies in existence today?
 2. What marketing services are performed?
 3. What marketing services do these marketing agencies perform?
 4. What is marketing?

RELATED AND GENERAL INFORMATION

1. Agricultural and industrial conditions during the Revolutionary period, the Civil War period and the present time.
2. Growth of population centers.
3. Immigration
4. Industrial revolution

REFERENCES

Economic History of American Agriculture - Bogart (Longmans-Green & Co. N.Y.)

Hood's Cooperative Marketing - Pages 2-14

Practical Cooperative Marketing - McKay and Lane - John Wiley & Sons.

ENTERPRISE - Cooperative Marketing

JOB - Determining the Purpose of Cooperative Marketing

DECISIONS TO BE MADE

- I. Can cooperatives do marketing services more efficiently?
- II. 2. Can cooperatives overcome the present day disadvantages?

FACTORS OF DECISIONS

- I.
 1. Kind and number of services
 2. Commodity handled
 3. Volume available
 4. Quality and variety of product
 5. Accessibility of markets
 6. Reducing wastes
- II.
 1. Relationship of producer and consumer
 2. Reduces costs of distribution
 3. Efficiency of large scale operations
 4. Market news service
 5. Market advice
 6. Credit and loan facilities

INFORMATION NECESSARY FOR THE EVALUATING OF FACTORS

- I.
 1. What are the kind and number of services performed by cooperatives?
 2. How does the commodity handled affect the efficiency of the marketing service?
 3. What commodities should a cooperative handle?
 4. How may a cooperative perform these services more efficiently, by increasing the volume of business?
 5. What volume is necessary for the efficient servicing of any commodity?
 6. Why should a cooperative consider variety and quality as a basis of doing business?
 7. Are the markets more accessible to the cooperative than to the individual dealer? If so, why?
 8. How may the cooperative reduce the wastes of marketing? What are these wastes?
- II.
 1. What should be the relationship between the producer and the consumer?
 2. How can cooperatives reduce the costs of distribution? Why?
 3. Why are large scale operations more efficient than small scale operations?
 4. Of what value is market news to the farmer and how may a cooperative render this service?
 5. How may a cooperative serve as an advisory agent for the farmer?
 6. What are the methods of credit and loan facilities of cooperatives?
 7. What is the true purpose of a Cooperative Marketing Association?

GENERAL AND RELATED INFORMATION

1. Study cooperatives that have failed to see whether their operations showed that the management had an adequate understanding of the principles of Cooperative Marketing.
2. Examine each commodity in your community to see what opportunity a cooperative would have in the light of the purpose outlined above.
3. Examine a large cooperative with which you are acquainted to see what it has done toward performing the various functions of marketing more efficiently.

REFERENCES

- Hood--page 14.
Principles and Practices of Cooperative Marketing--Mears and Tobinger
(Ginn & Co.) pages 4 to 6
Practical Cooperative Marketing - McKay & Lane

ENTERPRISE - Cooperative Marketing

JOB - Determining the things a Cooperative cannot do.

DECISIONS TO BE MADE

I.

1. What are the false notions regarding cooperatives?

FACTORS OF DECISIONS

1. Control of prices
2. Guarantee cost of production
3. Control of production
4. Eliminating the middleman
5. Getting more than non-members
6. Operating without troubles

INFORMATION NECESSARY FOR EVALUATING FACTORS

1. Why cannot Cooperatives control prices?
2. Are all crops of like commodity, raised at the same cost? Why?
3. Can cooperatives guarantee cost of production? Why?
4. Is it possible for a cooperative to control production? If so, how?
5. Are the middleman's services essential? Why?
6. Can the cooperatives eliminate the middleman? If not, why?
7. Why will the non-member usually receive as much as the member of the cooperative?
8. Are there any trouble free businesses? If so, name them.
9. Is it possible for a cooperative to operate without having its troubles? Why?

RELATED AND GENERAL INFORMATION

1. Examine the original "sign-up" literature of some large organizations founded in 1920, and then talk to one of its directors or read its present literature, to see what changes have come about, in the attitude of its leaders.
2. What were some of the false doctrines preached about cooperatives eight or nine years ago?
3. To what extent is the unfriendliness or disinterestedness of business men in your community due to 1920 notions of cooperative marketing?

REFERENCES

- Hood -- Page 15
- Principles and Practices of Cooperative Marketing. Mears and Tobinger
page 32
- Cooperative Marketing of Farm Products -- Jessness - pages 7-241
(Lippincott)
- Practical Cooperative Marketing - McKay and Lane.

ENTERPRISE - Cooperative Marketing

JOB - Determining the Legal basis for Cooperative Marketing

DECISIONS TO BE MADE

- I. What Federal Laws deal with cooperative organization?
- II. What Colorado laws deal with cooperative organization?
- III. What are the purposes of these laws?

FACTORS OF DECISIONS

- I.
 - 1. Sherman Anti-Trust Laws
 - 2. Clayton Amendment
 - 3. Capper-Volstead Act
 - 4. Cooperative Act of 1926
 - 5. Intermediate Credit Act
 - 6. National Farm Board Act
- II.
 - 1. Standard Cooperative Marketing Act
- III.
 - 1. Exemption from prosecution as trusts
 - 2. Encouragement of organization (governmental)
 - 3. Legal status as corporations
 - 4. Limitation of personal liability
 - 5. Exemption from income tax law
 - 6. Improving market credit facilities

INFORMATION NECESSARY FOR EVALUATING FACTORS

- I.
 - 1. Why was the Sherman Anti-trust Law passed and how did it affect the organization of cooperatives?
 - 2. Of what value was the Clayton Amendment to the organization of cooperatives?
 - 3. Why was the Capper-Volstead Act passed?
 - 4. What are the essential points in this act as related to cooperative organization?
 - 5. What is the Cooperative Act of 1926 and what was its effect upon cooperative organization?
 - 6. Of what value is the intermediate credit act to cooperatives? Why?
- II.
 - 1. What is the Standard Cooperative Act of Colorado?
 - 2. Upon what law is it based?
- III.
 - 1. Why are the cooperatives not treated as monopolies or trusts?
 - 2. How have these federal laws encouraged the formation of cooperatives?
 - 3. How did these laws give cooperatives legal status as corporations?
 - 4. Why should the personal liabilities be limited in cooperatives as designated in these laws?
 - 5. Should cooperatives be exempted from the income tax laws? Why?
 - 6. Why should the Federal Government facilitate market credit for cooperatives?

GENERAL AND RELATED INFORMATION

- 1. From the standpoint of public welfare, what is a justification for exempting cooperatives from anti-trust laws?
- 2. What would be the consequences of abuse by farmers, of the special rights and immunities granted them by the Capper-Volstead Act?
- 3. What is required under your state Cooperative Marketing Law before a group of farmers can incorporate a marketing association?

REFERENCES

- Hood - page 22.
- Principles and Practices of Cooperative Marketing -- page 127
- Cooperative Marketing of Farm Products - page 231
- Practical Cooperative Marketing - McKay and Lane

ENTERPRISE - Cooperative Marketing

JOB - Determining the Business Structure of Cooperatives

DECISIONS TO BE MADE

- I. What are the different types of cooperatives?
- II. What are the advantages and disadvantages of each type?

FACTORS OF DECISIONS TO BE MADE

- I.
 1. Local association
 2. Federated association
 3. Centralized association
 4. Terminal sales agency
 5. Bargaining associations
- II.
 1. Territory served
 2. Commodity handled
 3. Methods of control
 4. Departmentalization of management
 5. Methods of financing
 6. How each type operates
 7. Attitudes of members

INFORMATION NECESSARY FOR EVALUATING FACTORS

- I.
 1. What is the structure of a local association?
 2. Describe the structure of a Federated association and how does it differ from a local association?
 3. Describe the structure of the Centralized type of association and how does it differ from the local and federated types?
 4. What is the value of a terminal sales agency?
 5. How do bargaining associations differ in purpose from those of the local, federated and centralized selling associations?

II.

1. Compare territory served by local, federated and centralized associations.
2. Should the type of commodity handled influence the type of organization to form? Why?
3. What are the methods of control in the local, federated and centralized associations?
4. How do the methods of management differ in these three types of organizations?
5. How are each of these types financed?
6. Do all of these three types of associations operate in the same manner? Why?
7. In which type does the manager have the closest contact with the members? Is this of any value? Why? Discuss contacts of the other two.

RELATED AND GENERAL INFORMATION

1. Draw as many comparisons as possible between the structures of cooperatives and corporations, both as to differences and similarities.
2. Chart the structure of a cooperative in your community so as to show its various business activities.
3. List a number of advantages and disadvantages of a centralized cooperative as compared with a federated cooperative that might operate in the same territory.

REFERENCES

- Hood - page 24a
Principles and Practices of Cooperative Marketing - page 62
Cooperative Marketing of Farm Products - page 15
Practical Cooperative Marketing - McKay & Lane

ENTERPRISE - Cooperative Marketing

JOB - Determining the Pooling Methods of Cooperatives
DECISIONS TO BE MADE

- I. What different pooling systems are used by Cooperatives?
- II. What is accomplished by pooling?

FACTORS OF DECISIONS

- I.
 1. Kinds of pools
 2. Duration of pools
 3. Kind of commodity
 4. Membership preferences
 5. Present trends in pooling methods
 6. How settlements are calculated
- II.
 1. Reduction of handling costs
 2. Spreading of risks and losses
 3. Equalization of market returns
 4. Encouragement for better quality
 5. Allocation according to place
 6. Allocation according to time
 7. Standardization

INFORMATION NECESSARY FOR EVALUATING FACTORS

- I.
 1. What are the different kind of pooling systems in use?
 2. How do these pools operate?
 3. How does the commodity (kind of), influence the type of pool to use?
 4. Should the type of pool be based upon the preference of the members?

Why?

5. How are settlements made in these different kinds of pools?
6. What are the present trends in pooling and what has brought about this change?

II.

1. How does pooling reduce handling costs?
2. How does pooling spread the risk of losses?
3. Does pooling equalize market returns? How?
4. Does pooling affect the quality of product handled? Why?
5. How does pooling help in the distribution of the different grades?
6. Does pooling influence the allocation of commodities as to time of distribution? How?
7. Why has pooling been responsible for standardization?
8. What is the relationship between pooling and orderly marketing?

RELATED OR GENERAL INFORMATION

1. What are some additional reasons for pooling?
2. How does hedging safeguard a cotton or wheat association from price decline, after it has paid its members for his cotton or wheat and before the cotton or wheat has been sold?
3. Classify all your cooperatives in your community or state according to whether they practice expense or settlement pools.

REFERENCES

Hood - page 27

Principles and Practices of Cooperative Marketing page 304

Cooperative Marketing of Farm Products page 170

Practical Cooperative Marketing - McKay and Lane.

ENTERPRISE - Cooperative Marketing

JOB - To determine the Financing Methods of Cooperatives

DECISIONS TO BE MADE

- I. For what purposes do Cooperatives need money?
- II. Where may Cooperatives get their funds?

FACTORS OF DECISIONS

- I.
 1. Expenses of organizing
 2. Operating expenses
 3. Advances upon delivery
 4. Physical facilities
 5. Production credit
- II.
 1. Membership fees
 2. Sale of stock
 3. Loans from members
 4. Commercial banks
 5. Federal Intermediate credit banks
 6. Deductions
 7. Warehouse receipts
 8. Bills of lading

INFORMATION NECESSARY FOR EVALUATING FACTORS

- I.
 1. What expenses are incurred during the organization campaign?
 2. What are the operating costs of a cooperative?
 3. What percent of the market price is advanced upon delivery?
 4. What physical facilities are necessary for the different types of cooperatives?
 5. How is production credit financed and is it a sound practice?
- II.
 1. What type of cooperatives get their funds from membership fees?
 2. When is it necessary to raise money by the sale of stock?
 3. What kind of stock is usually issued?
 4. Is the practice of receiving loans from members a sound practice and under what conditions is this advisable?
 5. Of what use are commercial banks to cooperatives and when is this credit used?
 6. Under what conditions should the federal intermediate credit banks be used? Why?
 7. What is the deduction method and is this method used by cooperatives, and explain its procedure?
 8. What are warehouse receipts and how can they be used as collateral for credit by cooperatives?
 9. What are Bills of lading and how are they used for obtaining credit by cooperatives?

RELATED AND GENERAL INFORMATION

1. List the different cooperatives operating in this state and note the methods of financing.
2. Examine these cooperatives and note the relationship between the commodity handled and the method of financing.
3. How do the state and federal laws control the methods of financing of cooperatives?

REFERENCES

- Principles and Practices of Cooperative Marketing - pages 221-244
Cooperative Marketing of Farm Products - page 193
Practical Cooperative Marketing - McKay & Lane
Hood - Page 26

ENTLPRISE - Cooperative Marketing

JOB - To determine the Value of Cooperative Marketing Contracts

DECISIONS TO BE MADE

- I. Are contracts necessary?
- II. What are the advantages of contracts?
- III. What provisions should they contain?

FACTORS OF DECISIONS

- I.
 1. Experiences with and without contracts
 2. Size of organization
 3. Plants and equipment necessary
- II.
 1. Avoid misunderstandings
 2. Insure volume of business
 3. Stabilizing business methods
 4. Gaining business confidence
 5. Provides basis for financing
 6. Keeps weak-kneed members in line
- III.
 1. Kind of contracts
 2. Handling methods
 3. Settlement methods
 4. Control of organization
 5. Penalty clauses
 6. Withdrawal and expulsion clauses
 7. Duration of contract
 8. Ownership, property and reserves clauses
 9. Recent development in membership contracts

INFORMATION NECESSARY FOR APPLYING FACTORS

- I.1. What have been the experiences of associations having no contracts and of those having contracts? What conclusions have been drawn from these?
 2. How does the size of the organization necessitate membership contracts?
 3. Should cooperatives invest large sums in plants and equipment without membership contracts? Why?
- II.
 1. How do contracts help to avoid misunderstanding between the association and members?
 2. Why do membership contracts insure volume of business?
 3. Why do membership contracts stabilize business methods?
 4. What is meant by business confidence and how do these contracts help to gain this business confidence?
 5. How do membership contracts provide the basis for financing? Why?
 6. What is a weak-kneed member and how do these contracts keep him in line?
- III.
 1. What are the various kinds of membership marketing contracts?
 2. Why should the contract contain the handling methods?
 3. What are the different settlement methods and why should they be contained in the contract?
 4. Should the contract include a clause on the control of the organization? Why?
 5. Should a penalty clause be included in the contract? Why?
 6. Why have withdrawal and expulsion clauses in the contract?
 7. How do the duration of contracts vary and of what value is this clause in the contract?

JOB - To Determine the Value of Cooperating Marketing Contracts.

III. (continued)

8. Why should the contract include the ownership, property and reserves clauses?

9. What are some of the recent developments in membership contracts and how do they differ from the older ideas?

RELATED AND GENERAL INFORMATION

1. Name additional benefits derived from the use of membership marketing contracts.

2. Examine an agency contract and a sale and resale contract to determine the advantages of each.

3. Contrast the advantages of the withdrawal clause with its disadvantages.

4. Examine State and Federal laws in regard to membership marketing contracts.

REFERENCES

Hood - pages 29

Principles and Practices of Cooperative Marketing - pages 185 - 115

Cooperative Marketing of Farm Products - page 256

Practical Cooperative Marketing - McKay & Lane

ENTERPRISE - Cooperative Marketing

JOB - Determining the Duties of Cooperative Members

DECISIONS TO BE MADE

- I. What are the duties of the Cooperative Members?

FACTORS OF DECISIONS

- I.
 1. Attendance at meetings
 2. Studying reports
 3. Exchange of opinions
 4. Election of directors
 5. Qualification of directors
 6. Forming sound public sentiment
 7. Living up to obligations
 8. Dealing with disloyalty
 9. Causes of dissatisfaction
 10. Cooperative spirit

INFORMATION NECESSARY FOR EVALUATING FACTORS

- I.
 1. Why should members attend all meetings?
 2. What are some of the results of this lack of attendance?
 3. Why should members study reports of the association?
 4. Where should the members exchange their opinions? Why?
 5. Why is it the duty of the members to elect the directors?
 6. Why should the members study the qualifications of the directors very thoroly?
 7. How can the members help the organization by forming sound public opinion?
 8. What may happen to the organization if the members do not live up to their obligations?
 9. How should the members deal with disloyal members?
 10. What are the causes of dissatisfaction among the members of a cooperative association?
 11. What is genuine cooperative spirit?

RELATED AND GENERAL INFORMATION

1. In what ways does a secret written ballot help to obtain the most competent directors?
2. Make a survey of several large and successful cooperatives to learn how many of their directors have at one time or another been connected with banks or other business institutions.
3. Of the three duties of members, which one would you say was most often neglected, and what would you suggest to remedy this situation.

REFERENCES

- Hood -- Page 32
Principles and Practices of Cooperative Marketing - page 95
The Cooperative Marketing of Farm Products - 181
U.S.D.A. Circular No. 407
Practical Cooperative Marketing - McKay and Lane

ENTLRRRISE - Cooperative Marketing

JOB - Selecting a competent Board of Directors

DECISIONS TO BE MADE

- I. What are the duties of the directors?
- II. What are the qualifications of a director?

FACTORS OF DECISIONS

- I.
 1. Formulation of policies
 2. Employment of a competent manager
 3. Results of policies
 4. Distributing information
 5. Meeting troubles
- II.
 1. Character
 2. Business ability
 3. Experiences
 4. Good judgment
 5. Leadership
 6. Cooperative spirit
 7. The will to serve

INFORMATION NECESSARY FOR EVALUATING FACTORS

- I.
 1. Should the members or the directors formulate the policies of the organization?
 2. Why should the board of directors select the manager instead of the members?
 3. Why should the directors insist upon their policies being carried out and also note the results of these policies?
 4. Should the directors distribute all the information regarding the business of the association to the members? Why?
 5. How should the directors meet the many troubles which arise?
- II.
 1. Why should character be considered as a factor in the selection of a director.
 2. Should a director be a man who has shown decided business ability? Why?
 3. Of what value is experience as a qualification of a director?
 4. Is good judgment an essential factor in the qualifications of a director? Why?
 5. Why should a director have leadership?
 6. Can a director be of much value to the association if he does not possess the true cooperative spirit? Why?
 7. Do all men have the will to serve, and why should this factor be considered in the selection of a director?

RELATED AND GENERAL INFORMATION

1. Distinguish between the job of the directors and the job of the manager in the following matters: sales, salaries, payments to members, erection of processing plant, operation of a production credit subsidiary.
2. List the qualifications of a good cooperative manager.
3. Should a cooperative director consider himself the representative of the district which elected him?
4. What are the duties of a good director?

REFERENCES

- Hood - page 34.
Principles and Practices of Cooperative Marketing - 498
The Cooperative Marketing of Farm Products - page 179
Practical Cooperative Marketing - McKay & Lane

ENTERPRISE - Cooperative Marketing

JOB - Selecting a Competent Manager

DECISIONS TO BE MADE

- I. What are the duties of the manager?
- II. What are the qualifications for management?

FACTORS OF DECISIONS

- I.
 1. Carrying out policies
 2. Authority of manager
 3. Employment of help
 4. Relationship of manager to board
 5. Reports to directors
 6. Informing members
 7. Attitudes towards troubles
- II.
 1. Business capacity
 2. Experience
 3. Character
 4. Trade contacts
 5. Rural minded
 6. Team worker
 7. Not a director

INFORMATION NECESSARY FOR EVALUATING FACTORS

- I.
 1. Why should the manager carry out the policies of the directors?
 2. What should be the authority of the manager?
 3. Should the manager or the directors employ the help? Why?
 4. Why should there be a close relationship between the manager and the board?
 5. Should the manager report to the directors or to the members of the cooperative? Why?
 6. What information should the manager confide to the members?
 7. What should be the manager's attitude toward the many petty troubles of the members? Why?

- II.
 1. Why should the manager have business capacity?
 2. What experience should the man have who is to be selected for the management of a cooperative association? Why?
 3. What character qualifications should the manager have?
 4. Why is it essential that the man selected for manager, have many trade contacts?
 5. Why should the manager be rural minded?
 6. What may result if the manager is not a team-worker?
 7. Should the manager be a director of the association? Give reasons for and against this.

RELATED AND GENERAL INFORMATION

1. To what extent is the cooperative manager responsible for the soundness of the policies adopted by the board of directors?
2. Enumerate and explain the advantages of monthly written reports by cooperative managers.
3. Outline a campaign of action which might be followed by a cooperative following some serious mistake--showing how the association might rectify the mistake or minimize its effects.
4. Examine the histories of cooperatives that have failed and check findings with list of factors, found under heading (II).

REFERENCES

Hood - page 37.

Principles and Practices of Cooperative Mktg.

pg. 45

Cooperative Mktg. of Farm Products-pgs. 178-179 -- 78

Practical Cooperative
Marketing-McKay & Lane

ENTERPRISE - Cooperative Marketing

JOB - Determining whether to organize a cooperative

DECISIONS TO BE MADE

- I. Is there a need for organizing?
- II. What can an organization accomplish?

FACTORS OF DECISIONS

- I.
 1. Attitude of farmers
 2. Attitude of businessmen
 3. Costs under the present system
 4. Services under present system
 5. Quality of products
 6. Volume of products
 7. Prices under present system
- II.
 1. Influence prices upwards
 2. " on production
 3. " on quality of production
 4. " on cost of marketing
 5. " on methods of distribution
 6. " on community spirit
 7. " on business training of farmers
 8. Utilization of by-products
 9. Elimination of wastes

INFORMATION NECESSARY FOR THE EVALUATION OF FACTORS

- I.
 1. What should be the attitude of the farmers and how can this attitude be obtained definitely?
 2. What effect does the attitude of the businessmen have in determining the need of a cooperative?
 3. Should the costs, under the present system, be considered as a factor, in determining the need for an association?
 4. What services are performed, under the present system, and should any of these be considered as a factor in organizing?
 5. Is there a need for the improving the quality of products and if so, can an association do this service?
 6. Is there a sufficient volume of the commodity to warrant a cooperative?
 7. Are the farmers receiving as high a price for their products as other nearby sections, under the present system?
- II.
 1. How may a cooperative influence the price upward?
 2. How may a cooperative influence the stabilizing of production?
 3. Have cooperatives influenced the quality of production? How?
 4. In what ways have cooperatives reduced the costs of marketing?
 5. In what ways have cooperatives influenced more efficient distribution of products?
 6. How may a cooperative influence the community spirit for the better and give examples?
 7. Do the farmers learn more about the business of selling, by being a member of a cooperative? How?
 8. Do cooperatives utilize the by-products more than the individual dealer? Give examples.

JOB - Determining when to Organize a Cooperative

III. (continued)

9. What are the wastes in the marketing process and have cooperatives been successful in eliminating many of these? Cite instances.

RELATED OR GENERAL INFORMATION

1. Make a survey of your community and determine whether there is a need for a cooperative.

2. Examine the history of cooperative organization and compare the economic conditions with the growth of cooperatives.

3. If there is a cooperative in your locality, determine from the members and directors the reason for its organization.

REFERENCES

Hood - Page 19

Principles and Practices of Cooperative Marketing - page 78

Cooperative Marketing of Farm Products - pages 193 - 205

Practical Cooperative Marketing - McKay & Lane

ENTERPRISE - Cooperative Marketing

JOB - Determining how to organize a cooperative

DECISIONS TO BE MADE

- I. What type of organization to form?
- II. What are the legal forms necessary?
- III. How to sell the plans to the farmers?

FACTORS OF DECISIONS

I.

1. Commodity involved
2. Area to be served
3. Volume of commodity
4. Suitability of the various types
5. Location of markets

II.

1. Articles of incorporation
2. By-laws
3. Marketing contract
4. Association agreement
5. Federal requirements
6. State requirements

III.

1. Local meetings
2. Publicity
3. Solicitation
4. Education
5. Business interests

INFORMATION NECESSARY FOR EVALUATING FACTORS

I.

1. What is the relationship between the commodity involved and the type of organization to best serve the purpose?
2. How does the area to be served affect the type of association to be formed?
3. Which types of association will handle large and small volumes most efficiently? Why?
4. What are the factors essential in the choosing of the most suitable type of association?
5. How does the location of markets affect the choice of type of association? Why?

II.

1. What is the value of articles of incorporation, why must they be included and where can samples be obtained?
2. Why have by-laws?
3. Is the marketing contract necessary, and do the by-laws ever include the marketing contract?
4. What is an association agreement and is it necessary? Why?
5. What are the Federal requirements in perfecting a cooperative organization?
6. What are the State requirements in perfecting a cooperative association?

III.

1. What procedure should be followed if local meetings are to be used as a means of selling the idea and perfecting the organization?
2. What publicity methods should be used?
3. What methods of solicitation are used and which are the most effective?

Why?

JOB - Determining how to organize a cooperative

III.

4. What kind of an educational program should be used and what should be the duration of this program? Why?

5. How may the business interests of the community help in the education, solicitation and publicity work in selling the plans to the farmer?

RELATED AND GENERAL INFORMATION

1. Make a survey of the cooperative associations in this state and determine the educational program used, the publicity methods and methods of solicitation.

2. Consider cooperatives that have failed and determine the methods used in selling the idea to the farmer.

3. How long should the educational program last? Why?

REFERENCES

Hood -- Pages 24a - 19

Principles and Practices of Cooperative Marketing - page 75

Cooperative Marketing of Farm Products - pages 193 -- 205

Practical Cooperative Marketing - McKay and Lane

ENTERPRISE - Cooperative Marketing

JOB - Determining the Essentials of Cooperative Success

DECISIONS TO BE MADE

- I. What are the causes of cooperative failures?
- II. How can these causes be remedied?

FACTORS OF DECISIONS

- I. 1. Cooperatives that have failed
 2. Insufficient business
 3. High overhead costs
 4. Poor selling methods
 5. Inefficient management
 6. False conception of purpose
 7. Lack of understanding by members
 8. Lack of cooperative spirit
 9. Poor quality of production
 10. Failure to standardize
- II. 1. Good members
 2. Good products
 3. Good management

INFORMATION NECESSARY FOR EVALUATING FACTORS

- I. 1. Why have many cooperatives failed?
 2. How may insufficient business cause cooperative failures?
 3. What are the causes of high overhead costs?
 4. How may poor selling methods cause cooperative failures and what are these poor selling methods?
 5. How many cooperative failures are due to incapable management?
 6. What were the false conceptions regarding cooperative marketing and how did they cause cooperative failures?
 7. What are the causes of lack of understanding among members and how does this contribute to cooperative failures?
 8. How can the lack of cooperative spirit cause a cooperative to fail?
 9. If the factors 2 to 8 are carried on efficiently, could the cooperative exist if poor quality products are sold? Why?
 10. What is standardization and how may the lack of this cause a cooperative to fail?
- II. 1. What should be the characteristics of a good member of a cooperative which is successful?
 2. What are the characteristics of the products of a successful cooperative?
 3. What is good management in relation to a successful cooperative?

RELATED AND GENERAL INFORMATION

1. Why is group action necessary to bring about standardization? Why cannot or why do not local dealers standardize as fully as cooperatives?
2. What are some of the profits of large scale operations?
3. To what extent can strict grading save the dumping of unsalable cars at terminal markets?

REFERENCES

- Hood - Page 39
Principles and Practices of Cooperative Marketing - pages 466 -- 59
Cooperative Marketing of Farm Products -- page 76
Practical Cooperative Marketing - McKay & Lane

ENTERPRISE - Cooperative Marketing

JOB - Determining the Benefits of Cooperative Marketing

DECISIONS TO BE MADE

- I. Have cooperatives benefitted the farmers?

FACTORS OF DECISIONS

1. Effect on farming methods
2. Effect on marketing methods
3. Effect on community life

INFORMATION NECESSARY FOR EVALUATING FACTORS

1. How does cooperative marketing influence better farming methods?
2. Why is cooperative marketing better marketing?
3. What has been the effect of cooperative marketing on community life? Why is this possible?

RELATED OR GENERAL INFORMATION

1. Study the effects of cooperative effort in Denmark, as to farming methods, marketing methods and community life and home life.

REFERENCES

Hood - Page 42

Principles and Practices of Cooperative Marketing - pages 366-192-422-14-19

Practical Cooperative Marketing - McKay and Lane

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